



AGENDA MEMORANDUM

First Reading Ordinance for the City Council Meeting August 13, 2019
Second Reading Ordinance for the City Council Meeting August 20, 2019

DATE: July 31, 2019

TO: Peter Zaroni, City Manager

THRU: Mark Van Vleck, Assistant City Manager
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FROM: Dan Grimsbo, Executive Director of Water Utilities
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San Patricio Municipal Raw Water Supply Contract Amendment

CAPTION:

Ordinance authorizing the City Manager to execute the Second Amendment to the Raw Water Supply Contract with the San Patricio Municipal Water District (SPMWD) to provide an additional 5,600 acre-feet of raw water per calendar year for SPMWD to provide to its designated customer developing in San Patricio County; increasing the SPMWD Raw Water Supply Contract from 41,200 acre-feet to a total of 46,800 acre-feet per calendar year.

PURPOSE:

To amend the Raw Water Contract to provide additional 5,600 acre-feet of raw water per calendar year to San Patricio Municipal Water District (SPMWD), not exceed a total of 46,800 acre-feet per calendar year.

BACKGROUND AND FINDINGS:

Per the Raw Water Supply Contract between the City and SPMWD, as amended, SPMWD is allowed to divert total of 41,200 acre-feet of raw water per calendar year from Nueces River and Lake Texana Pipeline. SPMWD has requested an additional 5,600 acre-feet to become available from the Lake Texana Pipeline in order to serve their designated customer.

In addition, the Second Amendment will allow for an additional tap (connection) on the Mary Rhodes pipeline and provides that the additional amount does not count towards SPMWD's maximum percent of water. The Second Amendment takes effect on date of last signature. SPMWD's take or pay obligation commences May 31, 2023. Once the obligation commences, the estimated financial impact for the city is an additional \$1.8 million dollars per year within the Water Fund and Raw Water Supply Development Fund.

Although the Raw Water Supply Contract is between the City and SPMWD, the two parties have been working to provide additional quantity of raw water to Buffalo LLC, formerly know as Steel Dynamics, needed for the development of a new steel plant located near Sinton, Texas. Two letters were sent by the City to Steel Dynamics indicating the availability of the raw water. See attached letters dated December 21, 2018 and June 27, 2019.

ALTERNATIVES:

Do not approve the Second Amendment to increase supply to SPMWD

CONFORMITY TO CITY POLICY:

This agenda item conforms to City policy.

EMERGENCY / NON-EMERGENCY:

Non-emergency

DEPARTMENTAL CLEARANCES:

Utilities
Legal

FINANCIAL IMPACT:

Operating ☐ Revenue ☐ Capital X Not applicable

Fiscal Year: 2018-2019	Current Year	Future Years	TOTALS
Line Item Budget			
Encumbered / Expended Amount			
This item			
BALANCE			

Funding Detail:

Fund:
Organization/Activity:
Mission Element:
Project # **(CIP Only)**:
Account:

RECOMMENDATION:

Approval of the Ordinance

LIST OF SUPPORTING DOCUMENTS:

Ordinance
Second Amendment to the Raw Water Contract
Letters