



CITY OF **CORPUS CHRISTI**

AGENDA MEMORANDUM

Action Item for the City Council Meeting January 27, 2026
Second Reading February 10, 2026

DATE: January 27, 2026

TO: Peter Zanoni, City Manager

FROM: Nicholas J. Winkelmann P.E. Interim Chief Operating Officer
NickW@corpuschristitx.gov
361-826-1796

Provision and Sale of Recycled Water Agreement between Flint Hills Resources Corpus Christi, LLC and the City of Corpus Christi, Texas from Allison Wastewater Treatment Plant

CAPTION:

Ordinance authorizing the City Manager, or designee, to execute a 5-year Reclaimed Water Supply Agreement and associated License for Use of Premises with Flint Hills Resources Corpus Christi, LLC, for the sale and delivery of up to 2 million gallons per day of reclaimed water from the Allison Wastewater Treatment Plant, and providing for related fees, responsibilities, and terms, with option to renew for additional 5-year term.

SUMMARY:

This item seeks approval of a Reclaimed Water Supply Agreement between the City of Corpus Christi and Flint Hills Resources Corpus Christi, LLC. The agreement authorizes the City to provide reclaimed wastewater effluent from the Allison Wastewater Treatment Plant for further processing by the Company for industrial use at its West Refinery. The agreement establishes a multi-phase operational structure, firm volume commitments, associated fees, and a premises license allowing the Company to install processing equipment at the WWTP. The arrangement supports beneficial reuse of treated wastewater, generates new revenue for the City, and promotes industrial investment in the region.

BACKGROUND AND FINDINGS:

The City of Corpus Christi operates the Allison Wastewater Treatment Plant, which produces treated effluent in accordance with Texas Commission on Environmental Quality (TCEQ) permit requirements. Flint Hills Resources Corpus Christi, LLC has developed technology capable of further processing this effluent into Recovered Water suitable for industrial use at its West Refinery located at Suntide Road and Up River Road. To support this process, the Company intends to install trailer-mounted processing equipment within a designated area at the WWTP. The initial installation will support processing of up to 1.0 million gallons per day during Phase 1, with the potential to expand to 2.0 million gallons per day during Phase 2 upon City approval.

The agreement establishes a Reservation Phase, a Pilot Phase, Phase 1, and Phase 2, each with corresponding operational and financial commitments. The Company will pay monthly volume commitment fees based on the Reclaimed Water Rate adopted by City ordinance, and the first year of the Reservation Phase Fee is waived. An annual true-up process ensures that the City is compensated for any reclaimed water delivered above the committed volume, while also providing credits to the Company if the City is unable to make the committed volume available. The Company is responsible for all infrastructure, permitting, and operational costs associated with receiving and processing the reclaimed water, including the installation of a City-approved meter that the City will own and maintain.

Staff's review finds that the agreement provides significant benefits to the City. It advances the City's long-term strategy to expand beneficial reuse of treated wastewater, thereby reducing reliance on potable water supplies and supporting sustainable water management practices. The agreement generates a stable and predictable revenue stream through firm volume commitments and associated fees, while placing the financial burden of infrastructure and operational costs on the Company rather than the City. The reclaimed water provided under this agreement is not subject to drought allocation under Texas Water Code 11.039, which enhances supply reliability for industrial reuse. The agreement also includes strong indemnification and regulatory compliance provisions that protect the City's interests and ensure adherence to TCEQ requirements.

Based on these findings, staff conclude that the agreement supports responsible water resource management, promotes industrial investment, and provides financial and operational benefits to the City.

ALTERNATIVES:

If the agreement is not approved, the City will forfeit a critical opportunity to expand reclaimed water reuse at the Allison Wastewater Treatment Plant. This loss would prevent the City from conserving the potable water currently used to meet industrial demand—water that could otherwise be redirected to residential and commercial customers to help reduce the ongoing supply shortfall caused by the drought.

FISCAL IMPACT:

There is no fiscal impact to Corpus Christi Water in FY 2026. Under the terms of the agreement, reclaimed water deliveries to Flint Hills Resources are expected to begin within 12 months from the signing of the agreement. The projected initial transition from 1 mgd of treated water sales to recycled water sales, based on the current rate structure, would result in an estimated revenue loss of approximately \$1,584,100. If this transition were to occur today, the corresponding effect on customer bills would be an estimated monthly increase of \$0.10 for an average Inside City Limit Residential customer using 6,000 gallons a month, \$0.04 for an Inside City Limit Commercial customer using a 2" meter and 20,000 gallons a month, and \$15,900 for an Outside City Limit Large Volume customer using a 10" meter and 90,000,000 gallons a month. The phase II transition of up to 3 mgd of treated water sales to recycled water sales, based on current rate structure would result in an estimated revenue loss of approximately \$4,752,300. If this transition were to occur today, the corresponding effect on customer bills would be an estimated monthly increase of \$0.30 for an average Inside City Limit Residential customer using 6,000 gallons a month, \$0.12 for an Inside City Limit Commercial customer using a 2" meter and 20,000 gallons a month, and \$47,700 for an Outside City Limit Large Volume customer using a 10" meter and 90,000,000 gallons a month.

month. All infrastructure and operational costs associated with the Company's processing equipment are the responsibility of the Company. Any additional treatment costs incurred by the City due to the Company's operations are reimbursable.

FUNDING DETAIL:

Fund: 4010 Water Fund
Organization: 30000 Water Administration
Department: 45 Water
Account: 324810 OCL - Large volume users

RECOMMENDATION:

Staff recommends approval of the Reclaimed Water Supply Agreement and the associated License for Use of Premises with Flint Hills Resources Corpus Christi, LLC.

LIST OF SUPPORTING DOCUMENTS:

Reclaimed Water Supply Agreement
Exhibit A2 Plan View