

The following is the City of Corpus Christi's estimate of the anticipated fiscal impact to the City if the proposed amendment to Article IX of the City Charter, adding Section 12 (Fair Water Amendment), is approved at the election to be held on November 3, 2026. This estimate is based on information reasonably available to the City as of September 29, 2026 and on the assumptions described below. Actual fiscal results will depend on future hydrologic conditions, customer behavior, regulatory determinations, and judicial outcomes, none of which can be predicted with certainty.

Reduction in existing industrial drought exemption revenue. The proposed amendment prohibits the City and its wholesale customers from creating, renewing, extending, or authorizing any program that exempts a Large Industrial User from drought surcharges or from drought-stage conservation, allocation, or curtailment requirements. Approval of the amendment would therefore require termination of the City's existing Drought Exemption Surcharge Fee program. The City projects that termination of that program would reduce City revenues by approximately \$6,000,000 per year, and by approximately \$350,000,000 cumulatively over a thirty-year period. The revenue reduction described above, and any offsetting surcharge revenue described below, would be expected to begin on termination of the exemption programs rather than in the first fiscal year following the election.

Revenue from the proposed mandatory drought surcharges cannot be reliably estimated. The proposed amendment would require the City, and each wholesale customer, to levy and collect drought surcharges from Large Industrial Users on water use above a stated monthly threshold at stated per-thousand-gallon rates during Stage 2, Stage 3, and Water Emergency drought stages. No surcharge applies in Stage 1 or when no drought stage is declared. Revenue from these surcharges would depend on how often a drought stage is declared, which stage is declared, how long each stage lasts, and how much water Large Industrial Users use above the threshold during those periods. Because those variables turn on future rainfall, reservoir levels, and water supply conditions, and because the stated purpose of the surcharges is to deter industrial water use (which, if effective, reduces the volume subject to surcharge), the City cannot reasonably project surcharge revenue for the coming fiscal year or over a thirty-year period. The City therefore does not represent that surcharge revenue would offset the revenue reduction described above, in whole or in part.

Implementation and administrative costs. Approval of the amendment would require the City to issue termination notices to each of its Large Industrial Users and to each wholesale customer; to adopt revisions to the City Code, to retail water contracts, and to wholesale water contracts as necessary to implement the amendment; to modify utility billing and metering systems to identify, classify, and bill Large Industrial Users on a daily-average consumption basis; to obtain and audit billing records of wholesale customers in order to identify Large Industrial Users served by those customers and to verify surcharge levy, collection, and remittance; and to monitor and enforce the amendment's anti-circumvention provision. The City cannot reasonably estimate these one-time implementation costs or recurring annual administrative and enforcement costs until the required changes are designed and implemented.

Legal and regulatory costs. The proposed amendment directs the City to impose collection and enforcement obligations on its wholesale customers and on customers of those wholesale

customers with whom the City has no direct billing relationship. Wholesale customers and industrial users may challenge the resulting rates and requirements, including by appeal to the Public Utility Commission of Texas under Chapter 13 of the Texas Water Code, and by suit asserting contract and other claims. The City cannot estimate the cost of defending such proceedings, the duration of such proceedings, or their outcome. If the surcharges are ultimately not collected or are held unenforceable in whole or in part, the revenue reduction described above would occur without the offsetting surcharge revenue contemplated by the amendment.

Summary. The reasonably quantifiable fiscal impact of the proposed amendment is a reduction in City revenues of approximately \$6,000,000 annually, and approximately \$350,000,000 cumulatively over thirty years, beginning upon termination of existing exemption programs, together with one-time and recurring implementation, administrative, and legal costs that the City cannot estimate at this time. Offsetting revenue from the proposed mandatory drought surcharges cannot be reliably estimated and may be materially less than the revenue reduction or may not be realized at all.