



Recommendation for Action

File #: 20-3083, **Agenda Item #:** 16.

10/15/2020

Posting Language

Authorize negotiation and execution of an interlocal agreement with the Shady Hollow Municipal Utility District (District) for the transfer of the District's former water and wastewater system back to the District with reimbursement to the City in the amount of \$714,387 for costs related to improvements to the system, and additional consideration to the City provided in related agreements with the District. Related to Items 13, 14, 15, 17, and 18.

Lead Department

Austin Water.

Fiscal Note

This item has no fiscal impact.

Prior Council Action:

September 26, 2013 - Council conducted a public hearing regarding the Strategic Partnership Agreement between the City of Austin and Shady Hollow Municipal Utility District (MUD) in accordance with procedural requirements of Section 43.0751 of the Texas Local Government Code. The public hearing was conducted and the motion to close the public hearing was approved on Council Member Spelman's motion, Council Member Martinez' second on a 7-0 vote.

October 3, 2013 - Council conducted a public hearing to consider an ordinance adopting a Strategic Partnership Agreement between the City of Austin and Shady Hollow Municipal Utility District (MUD), and regarding future full purpose annexation. The public hearing was conducted and the motion to close the public hearing and approve the first reading of the ordinance was approved on Mayor Pro Tem Cole's motion, Council Member Morrison's second on a 7-0 vote.

November 21, 2013 - Council approved Ordinance No. 20131121-070 adopting a Strategic Partnership Agreement between the City of Austin and Shady Hollow Municipal Utility District (MUD). The item was approved on Council Member Spelman's motion, Council Member Martinez' second on a 7-0 vote.

May 21, 2020 - City Council approved Resolution No. 20200521-010 relating to negotiation of an amendment of the City's Strategic Partnership Agreement with the Shady Hollow Municipal Utility District, on consent on Council Member Pool's motion, Council Member Renteria's second, with an 11-0 vote.

For More Information:

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Council Committee, Boards and Commission Action:

September 9, 2020 - Recommended by the Water and Wastewater Commission on a 7-0 vote on Commissioner Ho's motion and Commissioner Michel's second with Commissioners Parton, Williams and Fisher absent.

Additional Backup Information:

City Council by Resolution No. 20200521-010 on May 21, 2020 directed the City Manager to negotiate with representatives of the Shady Hollow Municipal Utility District (District) to amend the City's Strategic Partnership Agreement (SPA) to accomplish to the greatest degree practical the purposes and objectives of the SPA with the exception of full-purpose annexation. Terms to be addressed included the use and disposition of the District's fire station, compensation to the City for fire service to District residents and the ownership of the District's former water and wastewater system. This item, along with several related items on this Council agenda, addresses those issues, with this item addressing the ownership of the District's former water and wastewater system through an agreement with the District for the City to transfer this system back to the District.

In September 1980 the City and the Shady Hollow Municipal Utility District (the "District"), previously known as the Southwest Travis County Municipal Utility District No. 1, entered into an agreement for the City to provide wholesale drinking water service to the District. The parties entered into a subsequent agreement for the City to provide wholesale wastewater service in October 1993, with an amendment executed in April 1996.

In accordance with the SPA, in April 2018 the City began providing retail water and wastewater service to approximately 1,400 former District customers who had been previously receiving wholesale water and wastewater service from the City. This April 2018 conversion also involved the transfer of the ownership of the District's water and wastewater facilities to the City.

The proposed agreement will provide for the return of the ownership of these facilities back to the District. The District will reimburse the City \$714,387 for costs incurred by the City for maintenance, repairs and upgrades. As a prerequisite to this asset transfer the District must obtain all required licenses, permits, or approvals, and comply with any other requirements under state or local laws, necessary for the District to own and operate the water and wastewater system being transferred by this agreement.

Strategic Outcome(s):

Government that Works for All.