



City of Austin

Recommendation for Action

File #: 26-1200, **Agenda Item #:** 24.

3/12/2026

Posting Language

Authorize negotiation and execution of the extension of a contract with Shady Hollow Municipal Utility District (District) for the City to provide wholesale water and wastewater services to the District. Funding: This item has no fiscal impact.

Lead Department

Austin Water.

Fiscal Note

This item has no fiscal impact.

Prior Council Action:

May 21, 2020 - City Council approved Resolution No. 20200521-010 relating to negotiation of an amendment of the City's Strategic Partnership Agreement (SPA) with the District.

October 15, 2020 - City Council authorized negotiation and execution of an interlocal agreement with the 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.

December 10, 2020 - Council authorized negotiation and execution of a contract with the District for the City to provide wholesale water and wastewater services to the District.

For More Information:

Inquiries should be directed to Vicky Addie, 512-972-0332, or vicky.addie@austintexas.gov.

Council Committee, Boards, and Commission Action:

February 18, 2026 - Recommended by the Water and Wastewater Commission on a 9-0 vote with Commissioner Marzullo absent and one vacancy.

Additional Backup Information:

In 1980, the City consented to the creation of the Shady Hollow Municipal Utility District, previously known as Southwest Travis County Municipal Utility District No. 1, in order to facilitate development of the area. Terms and conditions contained in a consent agreement and provisions of related agreements between the City and the District indicate that as the area developed, the parties anticipated the District would become part of the City through annexation.

In September 1980, the City and the District 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 terms of the 2013 Strategic Partnership Agreement (SPA), the City began providing

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

In response to legislation sought by the District and approved by the Texas Legislature in 2019, the District requested amendments to the SPA. Pursuant to the SPA amendment that Council authorized in October 2020, the Interlocal Agreement for the Transfer of Water and Wastewater Facilities that Council authorized in October 2020, and the Contract for Wholesale Water and Wastewater that Council authorized in December 2020, the District began providing retail water and wastewater service in early 2021 to approximately 1,400 former District customers who had previously been receiving retail water and wastewater service from the City since 2018.

With the transfer of retail water and wastewater customers from the City back to the District, the District requested that the City again provide wholesale water and wastewater services to the District. This Council action is to authorize the negotiation and execution of an extension of the current wholesale water and wastewater contract. Major provisions of the contract include:

- A limitation on the maximum volume and flow of wholesale water provided by the City.
- A limitation on the maximum flow of District's wastewater to be treated by the City.
- Conditions under which the District will be required to obtain the raw water necessary for the City's provision of potable water.
- Collection of capital recovery fees for each service unit of new development connected to the District system.
- Water conservation provisions consistent with City water conservation requirements.
- Cooperation regarding curtailment and water use restrictions.
- Options to renew for four additional five-year renewals, for a total of 20 years.

The District is located in the City's extra territorial jurisdiction, adjacent to Council Districts 5 and 8, and is fully built out. It primarily serves residential customers, along with an elementary school, a park, and some small commercial development.