



FAQ: Why Hurst Creek MUD Opposes Consolidation with Village of The Hills

What is the proposed consolidation?

The proposal involves merging Hurst Creek Municipal Utility District (HCM) into the Village of The Hills (VOH), transferring governance, assets, employees, and operations under VOH control. This process would require legal agreements among HCM, VOH, and the City of Lakeway, and could take 12–18 months to complete.

Why does the Board oppose consolidation?

The Board determined that consolidation would not serve the best interests of HCM residents and customers due to significant legal and administrative costs, loss of taxable property value and revenue stability, uncertainty regarding asset ownership and service continuity, potential bond complications, and disruption to HCM's proven service model.

What are the financial concerns?

Estimated annual savings from professional services are only \$17,000 annually, while legal costs for consolidation are expected to exceed \$100,000 for all parties involved. There may be other administrative savings, including personnel efficiencies. However, it is difficult to define these potential savings at this point in time. HCM currently generates approximately \$3.6 million in revenue annually, and consolidation would not materially improve financial stability. VOH may need to issue new bonds at higher interest rates, increasing costs for VOH residents.

How would property taxes and revenue be affected?

Three of HCM's largest taxable properties and 66 homes lie outside VOH boundaries. These properties would be removed from the tax base, eliminating approximately \$130,000 of annual HCM property tax revenue. Property taxes currently provide stability during drought-related water restrictions, which would be lost under a billing-only model.

What happens to HCM assets outside VOH?

Assets include an elevated storage tower, effluent storage pond, and water/wastewater pipelines within Lakeway city limits. Texas law does not provide for automatic transfer; negotiations would be required. Ownership could shift to the City of Lakeway, creating uncertainty for customers.

What about outstanding bonds?

HCM has approximately \$1.75 million in outstanding bonds. VOH may need to issue new bonds at higher interest rates to retire this debt, adding complexity and transaction cost.

How will employees be affected?

HCM's 11 employees would be terminated and offered positions with VOH. Current technical employee expertise that supports efficient management of the water and wastewater systems could be lost. Pension and benefit plans would need restructuring, creating uncertainty for employees.

Are there other legal and regulatory hurdles?

Yes. Transfers of HCM's TCEQ wastewater discharge permit, effluent water contract with The Hills Country Club, and LCRA raw water contract all require administrative processes and third-party review, adding complexity and risk.

What is the Board's official position?

The Board formally opposes the proposed consolidation and has adopted a resolution stating that the merger would not serve the best interests of HCM residents and customers.