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## **MUD 1 officially now part of city**

**By Leigh Jones**  
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Members of the Galveston County Municipal District No. 1 became official city residents Friday morning, but were defiant to the end.

District board members never accepted what they considered a hostile takeover by the city, and Dec. 10, did the only thing they could as the inevitable annexation approached — thumbed their nose at the city council.

Board members spent six months negotiating with city staff on a service plan agreement that was designed to make the area's transition as painless as possible.

The city had agreed to spend any 2006 tax revenue collected on district property to complete street and drainage improvement projects requested by residents. All board members had to do was set their own tax rate.

But Dec. 10, board members set the tax rate at zero, effectively turning down the city's offer and depriving themselves of improvements they previously listed as priorities for district residents.

"I was surprised and disappointed," said City Manager Steve LeBlanc, who had handled all of the annexation negotiations. "We had hoped to get off on a foot where we had a little more funding."

LeBlanc said he thought board members had not negotiated in good faith, implying they knew all along they would not hold up their end of the bargain.

The city, he said, had been strung along.

But board member Josie LeBeaux said she cast her vote because she suspected the city would shirk its duty.

"I thought Steve LeBlanc had lied to us when he said he would be willing to consider extending our strategic agreement," she said. "He never did that, so I didn't believe a word they said after that."

The strategic agreement, which required the board to pay a fee to remain outside city limits, expires at the end of this year. Board members had hoped to extend it for at least three years, an option LeBlanc said was never on the table.

LeBeaux was joined in her vote by board members Jim Martin and Barry Brown. Board President Thomas Lykos, who normally only votes in cases of a tie, did not vote.

Board Vice President John Otte was the only member to vote against setting a zero tax rate.

Although he agreed with LeBeaux that previous city promises had not been fulfilled, Otte said he was at least willing to give the city a chance.

“If we’re going to be in the city, I believe we need to try to make it as good as we can,” he said. “The items they promised as part of the service agreement certainly won’t be done if they have no money.”

Next year, former district property owners will be taxed at the city’s rate, currently 49 cents per \$100 of valuation. Last year, they paid 46 cents to the district to pay for the water and sewer services it provided.

As part of the annexation, the city took possession of \$1 million in district reserve funds, which will be used for three projects designed to improve the area’s wastewater treatment plant and sewer lines.

LeBlanc pointed to the reserve funds as proof of the city’s good faith to keep its commitments to its new residents. State laws governing the annexation process do not require the city to invest any acquired funds in the district.

LeBlanc described the negotiated agreement with the district as unprecedented, noting the reserve funds could have been deposited into the city’s general fund account.

According to the Galveston Central Appraisal District, MUD 1 property was worth \$300 million in 2006. City financial officials have estimated the tax base increase provided by the district could allow city council to lower next year’s tax rate by 2 cents.

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