

May 28, 1999

To: Board of Directors (Executive Committee--Action)

From: Chair, Subcommittee on Rules _____

Subject: Review of the Reporting Responsibilities of the General Manager, General Counsel, and Auditor

EXECUTIVE SUMMARY

Director Jeff Borenstein requested that the Board consider formalizing the Budget preparation process to give the General Manager authority, oversight and responsibility over the Budget for the Office of the General Counsel. (A copy of his letter is attached.) This matter was considered by the Subcommittee on Rules at its meeting on May 25, 1999. During the discussion of the request, concern was expressed that this involved a broader issue of the relationship of the Board with the General Manager, General Counsel and Auditor. A motion was adopted to place the request on the Executive Committee's Agenda with the understanding that this also involved a review of the relationships of the three District Department Heads.

DETAILED REPORT

The General Manager, General Counsel and Auditor each report directly to the Board of Directors.

The Metropolitan Administrative Code, in Section 5107, provides:

“ . . . There shall be prepared, under the direction of the General Manager, a proposed annual consolidated budget which shall be submitted to the Board no later than the date of the regular Board meeting in June immediately preceding the fiscal year to which the budget applies.”

Both the General Counsel and Auditor submit their budgets through the General Manager process. The guidelines set by the General Manager have been followed and no reported issue between the Department heads has arisen in recent years.

The General Counsel's Budget was presented to and approved by the Legal and Claims Committee at its April, 1999, meeting. The Auditor's Budget was similarly presented and approved by the Special Audit Committee.

Attachment 8b(A)

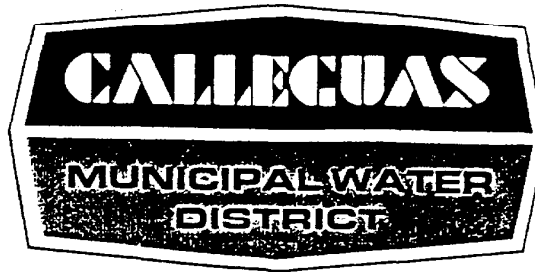
Attachment 8b(A)

**The following 2 pages are attachments to
Board Letter Item 8b**

TED GRANDSEN, PRESIDENT
DIVISION 1

GAIL L. PRINGLE, DIRECTOR
DIVISION 4

JEFFREY A. BORENSTEIN, TREASURER
DIVISION 2



WILLIAM R. SEAVER, VICE PRESIDENT
DIVISION 5

DONALD G. HAUSER, SECRETARY
DIVISION 3

DONALD R. KENDALL, Ph.D., P.E.
GENERAL MANAGER

web site: <http://www.calleguas.com>

2100 OLSEN ROAD • THOUSAND OAKS, CALIFORNIA 91360-6800 805/526-9323 • FAX: 805/522-5730 • FAX: 805/526-3675

May 20, 1999

Mr. Phil Pace, Chairman
Metropolitan Water District of Southern California
700 North Alameda Street
Los Angeles, California, 90012

Dear Chairman Pace,

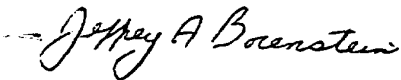
I am writing you to formally request that our Board provide the General Manager with the authority, oversight and responsibility of the budget for Office of the General Counsel. As such, I would like this item placed on the next agenda for consideration by the full Board at its Regular Meeting on June 8th, 1999. I had the opportunity to meet with General Counsel on May 10th, and share my concerns with him. He assured me that he indeed coordinates his budget with the General Manager's workplan. Since this corroborates the fact that his budget is integrally tied to the General Manager's office, he should not object to *formalizing* it as part of the budgeting process, particularly with the scrutiny with which this Board is being watched at present. I am prepared to discuss this matter not only at the appropriate subcommittees, but also at the Regular Meeting of the Board of Directors.

Please note that I am not suggesting that the General Counsel report to the General Manager. The Board of Directors appoints the General Counsel and he reports to them. However, the Board relies on the General Manager for comprehensive management and oversight of the entire District, including its finances, and ultimately holds him accountable. And as a Director, that is exactly what I expect. I have spoken with several municipal water agencies. In every case (including Calleguas), it is the General Manager who is responsible for oversight of the District's budget (which includes the General Counsel), and consequently has final authority over its implementation and management. That does not appear to be the case at Metropolitan, at least not formally.

Mr. Phil Pace
May 20, 1999
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It is interesting to note that the recently released Budget Analysis Report by Pricewaterhouse Coopers addressed the fact that the budget process "*does not facilitate clear and timely communication between the Board and staff*". Placing the General Counsel's budget under the General Manager will assuredly help alleviate this shortcoming.

Very truly yours,



Jeff Borenstein, Director

cc: Langdon W. Owen, Chairman, Legal and Claims Committee
Larry J. Kosmont, Interim Chairman, Budget and Finance Committee
Ron Gastelum, General Manager
Greg Taylor, General Counsel