

SOUTHERN CALIFORNIA RAPID TRANSIT DISTRICT,

Minutes of Regular Meeting of
the Board of Directors of the District

April 7, 1970
10:00 a.m.

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Upon notice duly given, the Directors of the Southern California Rapid Transit District met at a regular meeting in the District Board Room, 1060 South Broadway, Los Angeles, California, at 10:00 a.m. on April 7, 1970, at which time President Herbert H. Krauch called the meeting to order.

Directors Charles E. Compton, A. J. Eyraud, Jr., Herbert H. Krauch, Michael E. Macke, Don C. McMillan, Thomas G. Neusom and Douglas A. Newcomb were present. Directors Kermit M. Bill, Leonard S. Gleckman, David K. Hayward and Norman Topping were absent.

Also present were General Manager Samuel B. Nelson; General Counsel Milton McKay; Assistant General Manager for Operations George F. Goehler; Assistant General Manager for Rapid Transit Development Jack R. Gilstrap; Assistant General Manager for Engineering Richard Gallagher; Controller-Auditor-Treasurer H. L. Black; Secretary Virginia L. Rees; and the public.

Approval of Minutes

The Minutes of the Regular Meeting held March 17, 1970 were approved.

Certificate of Merit

Director Macke presented the District's Certificate of Merit to John R. Enders, Operator-of-the-Month for March, 1970 in recognition of the outstanding courtesy displayed by Mr. Enders toward his passengers and the public.

Temporary Route Diversions

After discussion, on motion duly made, seconded and unanimously carried, the following resolution was adopted:

RESOLUTION NO. R-70-76

RESOLVED, that the temporary route diversions caused by construction work affecting Lines 25, 69, 76, 107, 124-A, 134 and 176, as described in report dated March 30, 1970 filed with the Secretary, be and the same are hereby ratified and approved.

Changes of Bus Stop Zones

After discussion, on motion duly made, seconded and unanimously carried, the following resolution was adopted:

RESOLUTION NO. R-70-77

RESOLVED, that the report dated March 30, 1970 relating to bus stop changes, filed with the Secretary, be and the same is hereby ratified and approved.

Approval of Authorization For Expenditure No. 437

After discussion, on motion duly made, seconded and unanimously carried, the following resolution was adopted:

RESOLUTION NO. R-70-78

RESOLVED, that Authorization For Expenditure No. 437, covering miscellaneous requisitions of \$100 and over, but less than \$1,000, as discussed at this meeting and attached to these Minutes as Exhibit 1, be and the same is hereby approved.

Report of Purchasing Agent - Statement of Material & Supplies Account

Pursuant to Section 8.3 D of the Rules and Regulations, the Purchasing Agent's Statement of Material & Supplies Account for the Month of February, 1970 was presented to the meeting and was ordered "Received and Filed." A copy of the Statement is filed with the Secretary.

Report of Purchasing Agent - Statement of Purchases over \$99.99, Except for Routine Purchased Material or Supplies for Stock and for Ordinary Repairs

Pursuant to Section 8.2 of the Rules and Regulations, the Purchasing Agent's Statement of Purchases over \$99.99, Except Routine Purchased Material or Supplies for Stock and for Ordinary Repairs, submitted March 26, 1970 was presented to the meeting and was ordered "Received and Filed." A copy of the Report is filed with the Secretary.

State Board of Equalization - Approval of Agreement For State Administration of District Transactions and Use Taxes

After discussion, on motion of Director McMillan, seconded and unanimously carried, the following resolution was adopted:

RESOLUTION NO. R-70-79

WHEREAS, the 1969 Session of the State Legislature enacted into law Assembly Bill No. 2136 (Chapter 1567, Statutes 1969) to aid in the solution of the existing financial problems confronting public mass transportation systems and to make funds available at a time when such systems most urgently need financial assistance to assure the continuance of public transportation services and facilities; and

WHEREAS, said law authorizes the creation of a Transit District Public Transportation Improvement Fund and the adoption of a one-half of one percent transactions and use tax to be effective for a period of six months by a transit district; and

WHEREAS, the Southern California Rapid Transit District on December 2, 1969 adopted Ordinance No. 0-69-1, entitled "An Ordinance Imposing a Transactions and Use Tax to be Administered by the State Board of Equalization," which was effective on adoption; and

WHEREAS, it is necessary under Assembly Bill No. 2136 (Chapter 1567, Statutes 1969) to pay for the costs and expenses incurred by the State Board of Equalization in the administration of the District's Transactions and Use Tax imposed under Ordinance No. 0-69-1;

NOW, THEREFORE, BE IT RESOLVED, that the General Manager be and he hereby is authorized to execute on behalf of the District an agreement, entitled "Agreement For State Administration of District Transactions and Use Taxes," between the State Board of Equalization and the Southern California Rapid Transit District, a copy of which agreement is attached to these Minutes as Exhibit 2; form of agreement subject to approval of the General Counsel.

Introduction of Ordinance No. 0-70-1, entitled "An Ordinance of Southern California Rapid Transit District Amending Ordinance No. 0-69-1, Known as 'The Transactions and Use Tax Ordinance,' of the Southern California Rapid Transit District"

Director McMillan reported that Ordinance No. 0-70-1, which amends Section 9 of Ordinance No. 0-69-1 to conform

with the provisions of A. B. 153 enacted into law by the Legislature at the 1970 Session, which provide that a retailer having places of business both within and outside of the District need not collect the District tax on sales outside of the District made to residents of the District unless the taxable item is shipped into the District.

After discussion, on motion of Director McMillan, seconded and unanimously carried, Ordinance No. 0-70-1, entitled:

"An Ordinance of Southern California Rapid Transit District Amending Ordinance No. 0-69-1, Known as 'The Transactions and Use Tax Ordinance,' of the Southern California Rapid Transit District,"

was introduced.

Thereafter, Director McMillan moved that further reading of Ordinance No. 0-70-1 be waived, which motion was seconded and unanimously adopted.

Director McMillan thereupon moved that Ordinance No. 0-70-1 lay on the table until the next regular or adjourned regular meeting of the Board of Directors at which time it would be acted upon, which motion was seconded and unanimously adopted.

A copy of Ordinance No. 0-70-1 is attached to these Minutes as Exhibit 3.

Non-Contract Employees - Approval of Annual Salary Increase
For Non-Contract Employees, Including Management Group
Employees

At the request of President Krauch, General Manager Nelson reported that the Personnel & Administrative Procedures Committee on March 25, 1970 considered his report dated March 23,

1970 recommending that the SCRTD Position Classification and Salary Plan adopted November 5, 1964, as amended, be amended effective as of March 29, 1970 to provide for an increase in the schedule of rates by 6% and, further, that the schedule of rates for the Management Group Positions be also increased by 6%, which recommendation was approved by the Committee subject to concurrence therein by the Finance & Governmental Affairs Committee.

Director Eyraud, Vice-Chairman of the Finance & Governmental Affairs Committee, reported that the Committee on April 1, 1970 considered and concurred in the recommendation of the Personnel & Administrative Procedures Committee relating to the salary increase for Non-Contract Employees and Management Group Employees.

After discussion, on motion of Director Newcomb, Chairman of the Personnel & Administrative Procedures Committee, seconded and unanimously carried, the following resolution was adopted:

RESOLUTION NO. R-70-80

RESOLVED, that the Southern California Rapid Transit District Position Classification and Salary Plan adopted November 5, 1964, as amended, be and hereby is amended effective March 29, 1970 by increasing the schedule of rates thereunder by 6%, and that the schedule of rates of the Management Group Positions be also increased 6%; said increases to be made in accordance with the District's Rules and Regulations and subject to the discretion of the General Manager.

Non-Contract Employees Medical and Hospital Plan with Blue
Cross of Southern California, Adoption of

After discussion, on motion of Director Newcomb, Chairman of the Personnel & Administrative Procedures Committee, seconded and unanimously carried, the following resolution was adopted:

RESOLUTION NO. R-70-81

WHEREAS, under Resolution No. R-69-271 adopted December 2, 1969, the General Manager was authorized to negotiate with Blue Cross of Southern California for a new Non-Contract Employees insured type of Medical and Hospital Plan in cooperation with the District's consultant, Coates, Herfurth & England, and to submit the negotiated plan to the Board of Directors for approval; and

WHEREAS, since December 2, 1969 the members of the District's staff and the consultant have met at length to discuss the terms and conditions of a new Medical and Hospital Plan which would provide Non-Contract Employees with a plan similar to the present closed panel full-coverage plan and, at the same time, improve the coverage for employees' dependents; and

WHEREAS, the Personnel & Administrative Procedures Committee on March 25, 1970 considered General Manager Nelson's report dated March 24, 1970, together with memorandum dated March 11, 1970 submitted by Milton McKay, Chairman of Staff Personnel & Administrative Procedures Committee, outlining that Committee's recommendation for an insured type of Medical and Hospital Plan for Non-Contract Employees, a copy of which report and memorandum is attached to these Minutes as Exhibit 4; and

WHEREAS, General Manager Nelson recommended in said report dated March 25, 1970 that:

1. The proposed Non-Contract Medical and Hospital Plan with Blue Cross of Southern California covering both employees and dependents to the extent and as authorized by law, as described in Exhibit 4 attached to these Minutes, be adopted;
2. A contract be entered into with Blue Cross of Southern California for a one-year period commencing on or about June 1, 1970

to implement the said Non-Contract Medical and Hospital Plan; form of contract subject to approval of the General Counsel, and

3. The District contribute \$38.00 per month per Non-Contract employee for said coverage, and present employees electing to participate in Dependents Medical and Hospital Plan contribute \$7.00 per month for one dependent and \$11.00 per month for two or more dependents;

and

WHEREAS, the Personnel & Administrative Procedures Committee concurred in the General Manager's recommendation;

NOW, THEREFORE, BE IT RESOLVED, that the Non-Contract Medical and Hospital Plan with Blue Cross of Southern California, as presented to this meeting and as described in Exhibit 4 attached to these Minutes, be and the same is hereby adopted;

RESOLVED FURTHER, that the General Manager be and he hereby is authorized to execute on behalf of the District a contract between the Southern California Rapid Transit District and Blue Cross of Southern California for a one-year period commencing on or about June 1, 1970 to implement the said Non-Contract Medical and Hospital Plan; form of contract subject to approval of the General Counsel;

RESOLVED FURTHER, that the Board of Directors hereby agrees that the District will pay \$38.00 per month per Non-Contract Employee participating in said Non-Contract Medical and Hospital Plan and, further, that present employees electing to participate in the Dependents Medical and Hospital Plan will pay \$7.00 per month for one dependent and \$11.00 per month for two or more dependents;

RESOLVED FURTHER, that commencing June 1, 1970 participation by a Non-Contract Employee in the Dependents Medical and Hospital Plan shall be a condition of employment for all new employees.

Approval of Transfer of Department of Stations & Agencies
From Transportation Department to Department of
Surface Planning & Schedules, Effective April 12, 1970

Upon approval of the seven Directors present, consideration of the transfer of the Department of Stations & Agencies from the Transportation Department to the Department of Surface Planning & Schedules was added to the Agenda.

After discussion, on motion of Director Newcomb, Chairman of the Personnel & Administrative Procedures Committee, seconded and unanimously carried, the following resolution was adopted:

RESOLUTION NO. R-70-82

WHEREAS, the Personnel & Administrative Procedures Committee on April 6, 1970 considered General Manager Nelson's report dated April 6, 1970 recommending, among other things, that it would be to the best interest of the District to transfer the Manager of and the Department of Stations & Agencies from the Transportation Department to the Department of Surface Planning & Schedules, effective as of April 12, 1970; and

WHEREAS, the Personnel & Administrative Procedures Committee concurred in General Manager Nelson's recommendation;

NOW, THEREFORE, BE IT RESOLVED, that the Manager of and the Department of Stations & Agencies be and hereby are transferred from the Transportation Department to the Department of Surface Planning & Schedules, effective as of April 12, 1970.

Report of General Manager

General Manager Nelson announced that he would defer making his report on the activities of the District until the next Regular Meeting.

Commendation of Department of Public Utilities and Transportation and of Traffic Department of City of Los Angeles - Conversion to One-Way Operation on Main and Spring Sts.

After discussion, on motion of Director McMillan, seconded and unanimously carried, the following resolution was adopted:

RESOLUTION NO. R-70-83

WHEREAS, increased traffic flow is one of the prime prerequisites for easing traffic congestion in the vehicle-clogged Downtown Los Angeles Area; and

WHEREAS, the onversion of Main and Spring Streets to one-way operation is expected to enhance the ability of Southern California Rapid Transit District buses, and other motor vehicles, to move north and south through the Central City in a reasonable period of time; and

WHEREAS, the conversion has required the re-routing of 21 RTD bus lines servicing the Central City from points throughout the four county area; and

WHEREAS, the changeover has enabled the Rapid Transit District to inaugurate an alternate-stop program for local and interurban bus lines now operating on Main and Spring Streets; and

WHEREAS, the Department of Public Utilities and Transportation, and the Traffic Department of the City of Los Angeles have cooperated with the District in the rerouting of bus lines and resigning of bus stops; and

WHEREAS, indications are that city officials are considering the further expansion of the one-way street program, including the possibility of limiting Broadway and Seventh Streets to exclusive bus use,

NOW, THEREFORE, BE IT RESOLVED, the Board of Directors of the Southern California Rapid Transit District commends the Department of Public Utilities and Transportation and the Traffic Department of the City of Los Angeles for contributing to improved mobility in the Downtown Los Angeles Area.

Adjournment of Regular Meeting Scheduled to be Held on
Tuesday, April 21, 1970

After discussion, on motion duly made, seconded and
unanimously carried, the following resolution was adopted:

RESOLUTION NO. R-70-84

RESOLVED, that the Regular Meeting of the Board
of Directors scheduled to be held on Tuesday, April
21, 1970, be and hereby is adjourned to Tuesday,
April 28, 1970, at 10:00 a.m. in the District's Board
Room in the Transit District Building, 1060 South
Broadway, Los Angeles, California.

Approval of Filing with the Urban Mass Transportation Admini-
stration of an Application for a Demonstration Grant to
Develop and Test on a District Bus in Conjunction with
the Power Systems Division of North American Rockwell
Corporation a New Diesel Engine Exhaust Emission Control
System

Upon approval of the seven Directors present, consideration
of the filing with the Urban Mass Transportation Administration
of an application for a demonstration grant to develop and test
on a District bus a new diesel engine exhaust emission control
system was added to the Agenda.

After discussion, on motion of Director Compton, Chairman
of the Surface Operations Committee, seconded and unanimously
carried, the following resolution was adopted:

RESOLUTION NO. R-70-85

UMTA APPLICATION - CATALYTIC MUFFLER
FOR DIESEL ENGINE EXHAUST EMISSIONS

Resolution authorizing the filing of an application
with the Department of Transportation, United States
of America, for a demonstration grant under the Urban
Mass Transportation Act of 1964, as Amended.

WHEREAS, the Secretary of Transportation is author-
ized to make demonstration grants for mass transpor-

tation projects;

WHEREAS, the contract for financial assistance will impose certain obligations upon the applicant; and

WHEREAS, it is required by the U. S. Department of Transportation in accordance with the provisions of Title VI of the Civil Rights Act of 1964, that in connection with the filing of an application for Assistance under the Urban Mass Transportation Act of 1964, as Amended, the applicant gives an assurance that it will comply with Title VI of the Civil Rights Act of 1964 and the U. S. Department of Transportation requirements thereunder;

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the Southern California Rapid Transit District

1. That the General Manager is authorized to execute and file application on behalf of the Southern California Rapid Transit District with the U. S. Department of Transportation under the Urban Mass Transportation Act of 1964, as Amended, proposing the approval of a demonstration grant in the approximate amount of \$311,617.00 to develop and test a new concept in catalytic mufflers designed to control diesel engine exhaust emissions; form of application subject to approval of the General Counsel.
2. That the General Manager is authorized to execute and file with such application an assurance or any other document required by the U. S. Department of Transportation effectuating the purposes of Title VI of the Civil Rights Act of 1964.
3. That the General Manager is authorized to furnish such additional information as the U. S. Department of Transportation may require in connection with the application or project.

There being no further business, the meeting adjourned.

VIRGINIA L. REED

Secretary

SOUTHERN CALIFORNIA RAPID TRANSIT DISTRICT

AUTHORIZATION FOR EXPENDITURE

Budgeted Item No. See Below

No. 437
March 17, 19

Project Description

Miscellaneous Requisitions

\$100 - \$1,000

Proposed by: Various
(Department Head)

Department: Various
(Number)

Project Cost Estimate and Analysis

W.O. Item	Req. No.	Description	Budget No.	Purchase or Contract	Labor and Materials	Total	F Ac De
A	3200-574	1-D60300 Standard Desk	70-4-1	145.95		145.95	
B							
C							
D							
E							
F							
G							
H							
I							
J							
K							
Estimated Total Cost -						145.95	

Pursuant to Section 510 of the Trust Indenture
The purposes of the expenditure proposed herein are as stated above.

V. L. Shook
(Authorized Officer)

Approved By: *James E. Nelson*
(General Manager)

Certify that the expenditure proposed herein represents actual additions to, replacements of or betterments to physical property, and that the value thereof will be at least equal to the cost thereof.

Richard Gallagher
(Engineer)

Authorized by the District:
APR - 7 1970
Dorinda E. Ross
(Secretary)

AGREEMENT FOR STATE ADMINISTRATION
OF DISTRICT TRANSACTIONS AND USE TAXES

To carry out Part 1.6 of Division 2 of the Revenue and Taxation Code and the transactions and use tax ordinance of the SOUTHERN CALIFORNIA RAPID TRANSIT DISTRICT, hereinafter called "District", copy of which ordinance is attached hereto, District and the STATE BOARD OF EQUALIZATION hereinafter called the "Board", do agree as follows:

ARTICLE I
DEFINITIONS

Unless the context requires otherwise, wherever the following terms appear in this Agreement they shall be interpreted to mean the following:

1. "District Taxes" shall mean the transactions and use taxes, penalties, and interest imposed under an ordinance which complies with Part 1.6, Division 2, of the Revenue and Taxation Code.

2. "District Ordinance" shall mean the District Transactions and Use Tax Ordinance attached hereto, as amended from time to time, ordained pursuant to Chapter 1567, Statutes 1969, for the purposes of the Transit District Public Transportation Improvement Fund.

ARTICLE II

ADMINISTRATION AND COLLECTION
OF DISTRICT TAXES

A. Administration. The Board and District agree that the Board shall perform exclusively all functions incident to the administration and operation of the district ordinance.

B. Other applicable laws. District agrees that all provisions of law applicable to the administration and operation of the State Sales and Use Tax Law which are not inconsistent with Part 1.6 of Division 2 of the Revenue and Taxation Code shall be applicable to the administration and operation of the district ordinance and that money collected pursuant to the district ordinance may be deposited in the State Treasury to the credit of the Retail Sales Tax Fund and may be drawn from that Fund for the purpose of making refunds, for the purpose of compensating and reimbursing the Board pursuant to Article IV of this Agreement and for the purpose of transmitting to District the amount to which District is entitled.

C. Transmittal of money. Except as otherwise provided herein, all district taxes collected under the provisions of the district ordinance shall be transmitted to the District Treasurer periodically as promptly as feasible but not less often than twice in each calendar quarter. The first transmittal shall be made on or about the 15th day of the second month commencing after operative date of the district ordinance. A statement shall

be furnished at least quarterly indicating the amounts withheld pursuant to Articles IV and V of this Agreement.

D. Rules. The Board shall prescribe and adopt such rules and regulations as in its judgment are necessary or desirable for the administration and operation of the district ordinance and the distribution of the district taxes collected thereunder.

E. Preference. Unless the payor instructs otherwise and except as otherwise provided in this Agreement, the Board shall give no preference in applying money received for state sales and use taxes, state-administered local sales and use taxes and district transactions and use taxes owed by a taxpayer but shall apply all monies collected to the satisfaction of the claims of the State, cities, counties, cities and counties, and District as their interests appear.

F. Security. The Board agrees that any security which it hereafter requires to be furnished under the State Sales and Use Tax Law will be upon such terms that it also will be available for the payment of the claims of District for district taxes owing to it as its interest appears. The Board shall not be required to change the terms of any security now held by it and District shall not participate in any security now held by the Board.

G. Records of the Board. When requested by resolution of the board of directors of District under Section 7056 of the

Revenue and Taxation Code, the Board agrees to permit authorized personnel of District to examine the records and procedures of the Board concerning taxpayers subject to the district ordinance.

H. Annexation. District agrees that the Board shall not be required to give effect to a change in district boundaries or to an annexation, for the purpose of collecting and distributing district transactions and use taxes, earlier than the first day of the calendar quarter which commences not less than two months after notice to the Board. The notice shall include the name of the county or counties annexed to the extended district boundary. In the event District shall annex an area the boundaries of which are not coterminous with the boundaries of a county, or counties, the notice shall include a description of the area annexed and the address of the property nearest to the extended district boundary on every street crossing the boundary.

ARTICLE III

ALLOCATION OF TAX

A. Allocation. In the event the Board shall contract with more than one district to administer transactions and use taxes imposed under ordinances which comply with Part 1.6 of Division 2 of the Revenue and Taxation Code:

(1) Any payment not identified as being in payment of liability owing to a designated district or districts may be apportioned among the districts as their interest appear,

or, in the discretion of the Board, to all districts with which the Board has contracted using ratios reflected by the distribution of district taxes collected from all taxpayers.

(2) All district taxes collected as a result of determinations or billings made by the Board, and all amounts refunded or credited may be distributed or charged to the respective districts in the same ratio as the taxpayer's self-declared district taxes for the period for which the determination, billing, refund, or credit applies.

B. Vehicles, Vessels, and Aircraft. For the purpose of allocating use tax with respect to vehicles, vessels, or aircraft, the address of the registered owner appearing on the application for registration or on the certificate of ownership may be used by the Board in determining the place of use.

ARTICLE IV

COMPENSATION

A. General. The Board shall charge District for the board's services in administering this ordinance such amounts as will reimburse the Board for the cost to it in rendering the services. The State Director of Finance has determined that the total costs to the Board of administering the one-half of 1 percent district ordinance is the same as the total costs of administering 1 percent Bradley-Burns ordinances for the same geographical area. Accordingly, the costs to the Board

for its services in administering this ordinance shall be computed as though this ordinance imposed taxes at the rate of 1 percent and such costs shall be determined as provided in this Article IV.

B. Numerator. The cost of administering Parts 1, 1.5, and 1.6 of Division 2 of the Revenue and Taxation Code and the transactions and use tax ordinances for each fiscal year shall be determined in the manner herein set forth. Such cost shall include costs incurred by the Board and by other state agencies, including but not limited to the Attorney General, the State Controller, the State Personnel Board, the State Treasurer, Department of General Services and the Department of Finance. Such cost is referred to as "the administrative cost".

C. Denominator. The amounts transferred during each fiscal year from the Retail Sales Tax Fund to any county, city, or city and county (including amounts withheld to reimburse the Board for the cost to it in administering the ordinances) and to the General Fund of the State, pursuant to Section 7102 of the Revenue and Taxation Code, together with the amounts that would have been transmitted to any districts (including amounts withheld pursuant to Articles IV and V to reimburse the Board for the cost to it in administering the ordinances and to create a reserve for contingencies) pursuant to Section 7271 of the Revenue and Taxation Code, had the district taxes been imposed at the rate

of 1 percent, shall be determined. The total of such amounts shall be referred to as "the tax distributed".

D. Ratio. The administrative cost for the fiscal year shall be compared to the tax distributed, as determined under paragraph C of this article, during the fiscal year and a percentage computed. Such percentage shall be rounded off to the nearest one hundredth of 1 percent. This is referred to as "the actual cost percentage" for the fiscal year. The actual cost percentage computed for the most recent fiscal year is referred to as "the tentative cost percentage".

E. Compensation. From the amounts otherwise available for distribution to District during a fiscal year, the Board is entitled to the actual cost percentage of the amounts that would have been distributed to the District had the district taxes been imposed at the rate of 1 percent as compensation to the Board and reimbursement to it for the cost of rendering the service of administering the district ordinance. There shall be withheld from amounts collected for District the tentative cost percentage of such amounts. When the actual cost percentage for a fiscal year has been computed, the amounts which should have been withheld shall be determined. If these amounts are less than those withheld using a tentative cost percentage, the excess shall be included in the next distribution of money to

District; if more, the deficiency shall be withheld from the next distribution to District.

F. Computation and notification. The costs and percentages required by this article shall be computed by the Board and approved by the State Director of Finance. The Board will notify District of the results of its computations at least fifteen (15) days before they are submitted to the State Director of Finance for approval.

ARTICLE V

MISCELLANEOUS PROVISIONS

A. Reserve for contingencies. The Board and District agree that after December 31, 1970, the Board may be required to make refunds of overpayments of district taxes and will incur costs in performing functions incident to the administration and operation of the district ordinance and which are not paid by amounts withheld pursuant to Article IV of this Agreement. Accordingly, the Board and District agree that:

(1) The Board shall withhold from funds otherwise available for distribution to the District pursuant to Article II of this Agreement such amounts as the Board determines will be necessary to pay such refunds and pay such costs incident to the administration and operation of the district ordinance as described in the next paragraph. It is agreed that the amount

