

MEMORANDUM OF UNDERSTANDING  
AMONG  
STATE WATER RESOURCES CONTROL BOARD,  
STATE CONTROLLER, AND STATE TREASURER  
FOR EFFICIENT AND EFFECTIVE ADMINISTRATION  
OF THE STATE WATER POLLUTION CONTROL REVOLVING FUND

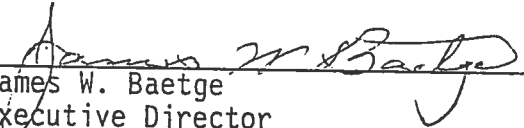
Amendments to the federal Water Quality Act of 1987 established the State Revolving Fund (SRF) Loan Program. The Act authorized The U.S. Environmental Protection Agency (EPA) to award capitalization grants through 1994 to the states to be deposited in a State Water Pollution Control Revolving Fund.

In California, the State Water Resources Control Board (State Board) will administer a fund which will be used for loans to local agencies for wastewater treatment facilities, for loans to local agencies and private organizations for nonpoint source controls and estuarine improvement activities, and for administration costs. As the administering agency, the State Board is responsible for planning and controlling the project disbursement claim process. The State Treasurer's Office and the State Controller's Office also have major roles in the financial operations of the fund. Therefore, the agencies jointly agree to the following sequence of events in processing a typical disbursement claim filed by a loan recipient:

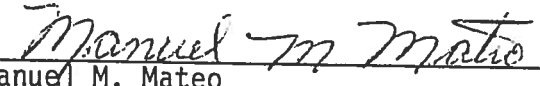
1. The Budget Office of the State Board's Division of Administrative Services (DAS) requests that the Clean Water Finance Committee (Committee) approve the issuance of bonds to cover the state share of one year's disbursement claims. The Committee consists of the Governor or his representative, the State Treasurer, the State Controller, the Director of Finance, and the Executive Director of the State Board.
2. Following approval of the bond sale by the Committee, the State Treasurer either sells the necessary bonds or has the State Board request a loan from the Pooled Money Investment Board large enough to cover one year's projected disbursement claims. If the State Treasurer sells the bonds, the Treasurer will invest the proceeds in a manner which meets the State Board's cash needs and the requirements of the federal tax laws. If the State Board requests a loan, the proceeds will be deposited in the State Revolving Loan Fund Account.
3. The local agency submits a request for cash disbursements to the Division of Loans and Grants, along with an invoice from the contractor(s) showing services rendered.
4. The Division of Loans and Grants reviews the disbursement request, determines the disbursement amount, and transmits the request to the Accounting Office of DAS. After the Accounting Office receives the request, the Accounting Office begins the disbursement process, working with the State Controller's Office.
- 5A. The Accounting Office requests payment of funds (Federal Letter of Credit drawdown) from the Federal Treasury. These funds are deposited in the Federal Revolving Loan Fund Account, with the deposit verified by the State Controller's Office.

- 5B. If the State Treasurer has sold the bonds and invested the bond sale proceeds, the Accounting Office will request that funds sufficient to cover the claim be transferred to the State Revolving Fund Loan Account.
6. DAS submits a claim to the State Controller's Office, Division of Disbursements, for issuance of a warrant against the State Treasury for the State Water Pollution Control Revolving Fund for disbursement to the loan recipient for incurred expenses.
7. DAS prepares and submits transfer-of-cash letter to the State Controller's Office authorizing the transfer of cash from the Federal Revolving Fund Account and the State Revolving Loan Fund Account to the State Water Pollution Control Revolving Fund.
8. As soon as possible after receipt of the claim, the State Controller's Office issues the warrant to the loan recipient.


This Memorandum of Understanding (MOU) covers the operations of a standard loan program and will take effect upon approval by the cooperating state agencies. If the State Board decides to undertake a leveraged program or changes the scope of the program, the signatory agencies will renegotiate this MOU. Otherwise, this MOU will remain in effect for the duration of the State Revolving Fund Loan Account.

  
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James W. Baetge  
Executive Director  
State Water Resources Control Board

Date: 8-14-89

  
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Manuel M. Mateo  
Deputy State Treasurer  
State Treasurer's Office

Date: 9-19-89

  
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Carla Lenerd  
Assistant Division Chief  
Division of Accounting  
State Controller's Office

Date: 9-7-89