

III. CAPITALIZATION GRANT AGREEMENT

A. DRAFT FY2009 American Recovery and Reinvestment Act Supplemental Intended Use Plan

(Final copy to be forwarded to EPA upon completion of Public Hearing)

STATE OF RHODE ISLAND

DRAFT FY2009 AMERICAN RECOVERY AND REINVESTMENT ACT SUPPLEMENTAL INTENDED USE PLAN

in support of the

FEDERAL FISCAL YEAR 2009 CAPITALIZATION GRANT UNDER THE AMERICAN RECOVERY AND REINVESTMENT ACT OF 2009

*To be made available by the Federal Clean Water Act for the
Clean Water State Revolving Fund*

Introduction

The Rhode Island Clean Water Finance Agency ("Agency"), hereby submits to the Environmental Protection Agency ("EPA"), the American Recovery and Reinvestment Act (ARRA) Intended Use Plan (IUP) for all Clean Water Act ("CWA"), Title VI funds available to the Clean Water State Revolving Fund (CWSRF) under the Federal Fiscal Year (FFY) 2009 American Recovery and Reinvestment allotment of \$26,314,600. It is considered a supplemental to the previously approved IUP for the 2009 that was provided to EPA.

Listing of State Revolving Fund Projects

With this award of the total FFY2009 federal allotment of \$26,314,600, it is our plan to continue assisting wastewater abatement, nonpoint source and estuary projects which will proceed quickly to construction, creating jobs and furthering the water quality objectives of the Clean Water Act. The Agency's goal is to enter into binding commitments for projects which will proceed to construction or award of construction contracts by February 17, 2010. It is also our goal to continue the proper administration of the Clean Water State Revolving Fund Program (the "Program"). To determine which projects are to be funded by the Program, the State FY2009 Project Priority List (PPL), prepared by the Rhode Island Department of Environmental Management ("DEM"), Office of Water Resources, was reviewed and projects needing CWSRF funds in FY2009 are identified in priority order and/or readiness to proceed.

The Agency recognizes that the goal of the ARRA is to expeditiously fund eligible projects that simultaneously will create jobs, promote economic recovery and generate long-term benefits from infrastructure investment. In this grant, the Agency is being called upon to accomplish goals that may not previously have been priorities in its base SRF program.

Within the State of Rhode Island the "first-use" requirement has been met. All National Municipal Policy (NMP) projects have completed construction, most receiving Title II Construction Grants funds.

Revision to the Intended Use Plan

Throughout the course of the year, the need may arise to amend this IUP. In such an event, the Program will only propose projects that have been selected from the approved PPL. The projects on this list will have been previously identified and approved through the public participation process as per 40 C.F.R. Section 35.3150 (c).

In the event that projects identified for funding in the IUP are unable to proceed, funding assistance for these projects will be deferred and other projects from the PPL will be selected for funding based on procedures in the priority determination system, readiness to proceed, and availability of funds.

Short and Long Term Goals

As required by the CWA, the RI CWSRF Program has identified the following goals for the CWSRF. The goals described below are grouped according to short-term and long-term objectives and are not listed in any particular order:

A. SHORT TERM GOALS

- Goal #1:** Continue the Program that will continue to operate in perpetuity.
- Goal #2:** Manage the Program to distribute loan monies to borrowing communities in a timely and efficient manner.
- Goal #3:** Administer rules, regulations and guidelines that are conducive to the proper functioning of the Program while ensuring compliance with the intent of the CWA.
- Goal #4:** Develop an Intended Use Plan (IUP), to be submitted along with the annual capitalization grant application, in a timely manner, to EPA.
- Goal #5:** Administer loan policies and procedures associated with the proper management of the CWSRF program.
- Goal #6:** Prepare an annual report which lists the State's accomplishments for the fiscal year and submit to EPA in a timely manner.
- Goal #7:** Assure full compliance with ARRA of 2009 & Title VI of the Clean Water Act and all federal crosscutting issues as required by the 1987 CWA amendments.

B. LONG TERM GOALS

- Goal #8:** Place emphasis on all municipal facilities in attaining compliance with RIPDES permits limitations.
- Goal #9:** Stress the importance of attaining general water quality standards where they are negatively impacted by municipal point-source discharges.
- Goal #10:** Coordinate CWSRF activities with both State and Federal enforcement activities.
- Goal #11:** Coordinate all state funded programs for wastewater treatment facilities with CWSRF activities.
- Goal #12:** Evaluate environmental needs throughout the state, by rating specific needs for wastewater construction and strive to distribute CWSRF funds in a priority manner.

- Goal #13:** Protect the public health and the environment and promote completion of cost-effective projects.
- Goal #14:** Assist communities during facilities planning and application for CWSRF funding.
- Goal #15:** Continue efforts to improve the water quality of the Narragansett Bay and its tributaries, which was designated as an Estuary of National Significance in March of 1988.
- Goal #16:** Assist in the development of an assessment and management program for Non-Point Source (NPS) and Estuary Protection projects to be considered for funding by the State CWSRF.

Program Issues and Initiatives

This IUP addresses the sources of monies expected to be available to the CWSRF with regard to the ARRA as of March 1, 2009. The use of the monies is expected to go beyond the term of this IUP. The financing capability of this IUP is based on the total federal capitalization grant awarded and paid into the Automated Clearing House (ACH) to date; direct loan repayments; revolved federal and state capital, Bond Proceeds and interest earnings from the CWSRF.

Projects are to be funded with the ARRA Capitalization Grant monies that total \$26,314,600 (See Table 1 below). In addition to the aforementioned, the Agency may use repaid funds from previous loans and proceeds from an anticipated bond sale in June, 2009. The total amount of loans issued in FY2009 relating to the ARRA Capitalization Grant is expected to total \$26,314,600. These resources may be allocated to long-term direct loans and pooled long-term financings (Leverage Loans). The resources available in the RI CWSRF are anticipated to be insufficient to finance all eligible projects ready for financing during this IUP period. The Agency will fund projects according to the Project Priority List and readiness to proceed.

Information on the CWSRF Activities to be supported

The FFY2009 ARRA Capitalization Grant funds for the CWSRF are intended for loans to municipalities, the Narragansett Bay Commission and other eligible borrowers using either direct loans or the "reserve" leverage method to meet project demand estimated for the immediate future. It is anticipated that all or a portion the Capitalization Grant, if leveraged, will be at a ratio of at least 2:1 (leveraged being defined as Total Loans divided by Net Capitalization Grant). The maximum permissible principal repayment period shall be 20 years following project completion, and may begin up to 12 months after construction is completed, but not to exceed 5 years from beginning of construction.

The Program intends to bank the authority to use four percent (4%) of the federal capitalization grant funds for DEM administrative costs to support the SRF program during a future period. Based upon the FFY2009 ARRA allotment of funds, the Program will bank the authority to recover \$1,052,584 of the FFY2009 ARRA funds from a future year's federal capitalization grant. . The Agency, from FFY98 through FFY05 and including the FFY2009 ARRA allotment, has "banked" the authority to use the 4% of the federal capitalization funds for DEM administrative costs to support the CWSRF program. To date, \$3,849,156 in Capitalization Grant funds for DEM's administrative costs have been banked. These "banked" funds have been loaned to various communities.

Assurances and Specific Proposals

The Agency provides the necessary assurances and certifications as part of the Operating Agreement between the Agency and the U.S. Environmental Protection Agency. Rhode Island's Operating Agreement includes the requirements of the following sections of the law:

602 (a): Environmental Reviews

The DEM has formulated the State Environmental Review Process (SERP) which has been approved by EPA. For FFY02 funds, we expect that most projects will require a Finding of No Significant Impact (FONSI), or, reaffirmation of a FONSI.

602 (b)(3): Binding Commitments

The Agency certifies that it will enter into Binding Commitments for 120% of each quarterly payment received under the Capitalization Grant within one (1) year of receipt of that payment into the EPA/ACH payment system.

602 (b)(4): Expeditious and Timely Expenditures

The Agency will expend all funds in the CWSRF in a timely and expeditious manner. Disbursements for approved CWSRF projects are dependent upon changeable construction schedules.

602 (b)(5): First Use for Enforceable Requirements

The Agency certifies that it will use CWSRF funds first to assure maintenance of progress towards enforceable deadlines, goals and requirements of the CWA.

602 (b)(6): Compliance with Title II Requirements

The Agency agrees to meet the specific statutory requirements for publicly owned wastewater treatment projects constructed in whole or in part before FY95 with funds directly made available by Federal Capitalization Grants.

Sources and Uses of Funds Potential

The estimated funds available for projects in this supplemental IUP with regard to the ARRA funds available to the Agency are summarized in Table 1 below.

The Agency is applying for a capitalization grant in the amount of \$26,314,600. This represents the amount that the Agency is eligible to receive under the State's allocation from the supplemental appropriation enacted under the ARRA.

Table 1 summarizes the sources and uses of the capitalization grant for which the Agency is Applying:

Table 1

Sources and Uses of Capitalization Grant

Source	Amount
Capitalization Grant Uses	\$26,314,600
Project Assistance Loans	
Program Loans	\$6,841,796
Green Project Reserve Loans	\$5,262,920
Project Assistance Subsidization	\$13,157,300
*4% Admin. Monies	\$1,052,584
Total Uses	\$26,314,600

*4% Admin. monies to be used for projects.

Criteria and Methods for Distribution of CWSRF Funds

The Agency and DEM conducted a comprehensive outreach campaign to alert potential borrowers of federal plans to provide economic recovery stimulus funding. In January 2009, notices were sent to the CWSRF potential borrowers. The Agency and DEM has focused on reaching out to communities with ready to go projects and those that may be eligible for principal forgiveness subsidy assistance. As a result of this effort the CWSRF program has identified over \$138 million in eligible projects that could be ready to proceed to construction within the time deadlines established by the ARRA. The attached project list (see attached) includes projects that have been assessed through the CWSRF prioritization process.

DEM has an integrated priority ranking system, approved by EPA Region I. A Project Priority List (PPL) is developed annually using this ranking system (Attachment A).

The CWSRF will provide loans for up to 100 percent of eligible project and finance costs; consistent with Federal limitations on the use of CWSRF funds, with the State determining the eligibility based on State developed criteria.

The Agency and DEM take several factors into consideration when determining which projects from the PPL will be funded by the CWSRF. These factors include:

- ✧ Relative ranking on the PPL;
- ✧ Indication that the community (or service district) has the authority to encumber debt for wastewater projects from the Agency;

- ✧ Indication that the community (or service district) will make application to the CWSRF for financing;
- ✧ Indication that the community's (or service district's) credit quality is adequate;
- ✧ Indication that the DEM will approve the project in the form of a Certificate of Approval; and
- ✧ Indication that projects are ready to proceed within six months of bonding the loan.

Projected Funding List

With the award of this grant in the amount of \$26,314,600, the Agency expects to fund portions of the projects identified in lists of projects attached hereto.

Additional Subsidization

The ARRA requires that not less than 50% of assistance provided is in the form of additional subsidies. The legislature of the State of Rhode Island is currently considering legislation which would establish authority to provide principal forgiveness and/or negative interest of loans.

The Agency will also revise its CWSRF Loan Policies and procedures to establish the authority to make principal forgiveness and negative interest loans.

Green Infrastructure

The ARRA requires that, to the extent there are sufficient eligible project applications, not less than 20% of the funds provided for projects must be used for water or energy efficiency, green infrastructure, or other environmentally innovative activities. The attached project list shows that 20% of the total assistance amount of \$5,262,920 is for projects or portions of projects meeting one or more of the specific objectives required by this provision.

The Agency and DEM intends to make a timely and concerted solicitation for additional projects, with the objective of determining no later than August 17, 2009 (180 days after Feb. 17 enactment), which additional qualifying projects it will amend its IUP to include in an effort to reach the 20% mark. Solicitation efforts will include a public announcement of the availability of funds and targeted meetings with associations and other groups involved in green infrastructure, water or energy efficiency improvements and other environmentally innovative activities.

Preference for Expeditious Activities

The ARRA requires priority be given to projects that will be ready to proceed to actual construction within 12 months of the date of enactment. In anticipation of compliance with this requirement, the State of Rhode Island is consulting with all potential assistance recipients with projects on the project priority list and making a determination as to which of these projects can be started and completed expeditiously. After receiving a capitalization grant, the Agency will provide ARRA assistance to projects who qualify for this preference. In addition, ARRA section 1602 requires that "recipients shall give preference to activities that can be started and completed expeditiously, including a goal of using at least 50 percent of the funds for activities that can be initiated not later than 120 days after enactment" of the Act. The Agency intends to implement this preference requirement by selecting for

first ARRA funding those projects that appear most likely to be able to start construction by August, 2009.

Avoidance of Reallotment/Relationship to Base Program

In order to meet the requirements and deadlines of the ARRA for the expeditious and timely commitment and expenditure of funds, the Agency and DEM will regularly review the data reported to EPA on the progress of assistance recipients under the statutory deadlines specified in this IUP to identify any issues with the timeliness of this progress. If such issues are identified, the Agency and DEM intends to work with EPA to resolve such issues. The Agency will include conditions in its assistance agreements to ensure that assistant recipients make timely progress with respect to entering into contracts and/or construction. If a recipient fails to maintain progress with these conditions, they will receive funding from other CWSRF monies so that ARRA funding can be provided for a project that is ready to proceed. The Agency understands that the EPA may deobligate grant funds from States that fail to meet requirements on use of ARRA funds. However, if the State is eligible for additional funds made available by a reallotment of ARRA funds, the State will provide EPA with a list of projects from its project priority list that are immediately prepared to proceed to construction.

Loan Terms and Fees

The Recovery CWSRF Program will offer the following loan terms:

- Standard Interest Rate = 1/3 off of Market Rate (The same rate will be offered to loans in the ongoing program.)
- Repayment Term: Up to 20 Years
- Loan Origination Fee: 1%
- Administrative Fee: .5% of the loans outstanding. The administrative fee is to help meet program operating expenses.

It is the Agency's intent to allocate 50% of the fund to approved borrowers in the form of additional subsidization of their loan rate in the form of principal forgiveness.

Schedule of Anticipated Payments into the ACH system

The Rhode Island CWSRF program anticipates deposits into the ACH for the FFY2009 capitalization grant as per the following schedule. At this time, it is also expected that the Agency will draw cash from the ACH as per the same schedule:

FFY09 ARRA CAPITALIZATION GRANT **ANTICIPATED PAYMENTS INTO EPA/ACH PAYMENT SYSTEM**

Federal Fiscal Quarter	Payment Into ACH	Cummulative Ceiling
Jan - Mar 2009 (09-2)	\$6,578,651	\$6,578,651
Apr - Jun 2009 (09-3)	\$8,771,533	\$15,350,184
Jul - Sep 2009 (09-4)	\$8,771,533	\$24,121,717
Oct - Dec 2009 (10-1)	\$2,192,883	\$26,314,600

Public Review and Comment

In compliance with the requirement in CWA sec. 606(c) to provide for public review and comment, the Agency will post this Supplemental 2009 ARRA Intended Use Plan and amended 2009 PPL in draft form at www.ricwfa.com/news.html and www.state.state.ri.us/dem/programs/benviron/water/finance/srf/index.htm respectively and in Providence Journal on April 15, 2009. A Joint public hearing between the Agency and DEM will be held on May 19, 2009.

Comments from attendees will be forwarded to EPA when received, along with responses from the Agency, if appropriate.

Assurances

The Agency agrees to comply with the Federal program requirements as outlined in the Operating Agreement between EPA and the Agency dated November 27, 1992, which was last amended and updated on January 21, 1997.

ECONOMIC STIMULUS PROJECT PROPOSALS - Clean Water State Revolving Fund "Brown" Project List

Project	PPL Rating Points	Brief Description	Relevant Construction Information					Est. Permanent Jobs	On DEM Priority List
			Cost (\$)	Plan/Design Status	Permit Status	Start Date	Est. Jobs*		
RIDEM Survey Responses									
NBC	45	Field's Pt. WWTF Biological Nutrient Removal	24,700,000	Design Completion Date: 2/28/09	Outstanding: DEM,CRMC	8/15/2009	320	0	Yes
East Providence	32	WWTF Biological Nutrient Removal Upgrade	10,000,000	Design Completion Date: Summer 2009	Outstanding: DEM,CRMC	Fall 2009	120	0	Yes
North Smithfield	29	Sewer Expansion Phs. 3 - Willerval/Tanglewood	5,000,000	Design Completion Date: Feb. 2009	Outstanding: DEM	5/1/2009	26	0	Yes
Warren	25	Water Street Stormwater & Sewer Remediation	2,000,000	Design Completion Date: Fall 2009	Outstanding: DEM,CRMC	2/1/2010	4	0	No
* Warwick	18	Sandy Lane/Cedar Swamp Sewers	1,593,343	Design Completion Date: 5/29/09	Outstanding: DEM	6/29/2009	6	0	Yes
* East Greenwich	17	Pinewood Sewers	2,600,000	Design Completion Date: 3/1/09	Outstanding: DEM	5/15/2009	10	0	Yes
* Middletown	17	Manhole Relining: Phs. II Priority Subareas	800,000	Design Completion Date: 3/15/09	Outstanding: DEM	5/1/2009	4	0	Yes
* Middletown	17	CIPP Sewer Sliplining: Phs II Subareas I, C & G	1,325,000	Design Completion Date: 3/15/09	Outstanding: DEM	5/1/2009	5	0	Yes
* Middletown	17	CIPP Sewer Sliplining: Phs II Subarea Lower Z	1,300,000	Design Completion Date: 3/15/09	Outstanding: DEM	5/1/2009	5	0	Yes
* Middletown	17	CIPP Sewer Sliplining: Phs II Subarea Lower E	3,700,000	Design Completion Date: 3/15/09	Outstanding: DEM	5/1/2009	15	0	Yes
			\$53,018,343						

* Projects to be considered if other projects are unable to proceed in a timely manner in accordance with ARRA.

ECONOMIC STIMULUS PROJECT PROPOSALS - Clean Water State Revolving Fund "Green" Project List

<i>Project</i>	<i>PPL Rating Points</i>	<i>Brief Description</i>	<i>Relevant Construction Information</i>					<i>Est. Permanent Jobs</i>	<i>On DEM Priority List</i>
			<i>Cost (\$)</i>	<i>Plan/Design Status</i>	<i>Permit Status</i>	<i>Start Date</i>	<i>Est. Jobs*</i>		
RIDEM Survey Responses									
NBC	45	Field's Pt. WWTF BNR Green Elements	2,562,920	Design Completion Date: 2/28/09	Outstanding: DEM,CRMC	8/15/2009	320	0	Yes
Providence	30	BMPs @ City Ponds & Woonasquatucket River	500,000						
Warren	25	Water Street Stormwater & Sewer Remediation	800,000	Design Completion Date: 8/01/09	Outstanding: DEM,CRMC	4/15/2009	12	0	No
Bristol	20	Green Infrastructure @ Town Beach & Muni Lots	1,000,000		Outstanding: DEM, CRMC	9/30/2009	4	0	No
Providence Water	19	Tasca Field Stormwater Improvements	400,000		Outstanding: DEM		4	0	No
			5,262,920						