

# Cabot UDAG Plan

## Procedures, Policies, and Regulations Handbook

Town of Cabot

Cabot UDAG Committee

Amended November 7, 2006

Cabot UDAG Committee  
c/o Cabot Town Clerk  
P.O. Box 36  
Cabot, VT 05647

The current Cabot UDAG Committee members are:

		Phone #	e-mail address
Andy Leinoff, Chair	Apptd. by the Select Board	563-2965	andy@blackgamin.com
Tom Considine	Apptd. by the School Board	563-2904	apex@fairpoint.net
Chuck Talbert	Apptd. by the Village Trustees	563-2127	wdchuck@fairpoint.net
Carla Payne	Apptd. by the Select Board to fill an elected term expiring Town Mtg Day 2007	563-2390	jpp20021@hotmail.com
Gary Katz	Elected to a 3 yr. term expiring Town Mtg Day 2008	563-2078	prt@pivot.net
Ron Lay-Sleeper	Elected to a 3 yr. term expiring Town Mtg Day 2009	563-2016	ronlaysleeper@yahoo.com

If you have any questions regarding this document or the UDAG committee, contact any UDAG Committee member, or the Town Clerk, Chris Kaldor, at 563-2279.

UDAG Committee meetings are held on the third Thursday of each month at 7:00 p.m. in the Select Board meeting room of the Willey Building.

**All meetings are open to the public.**

## Table of Contents

Preamble to this Proposed Revision.....	page 3
History & Background .....	page 3
Mission.....	page 4
Goals .....	page 4
The UDAG Plan - SUMMARY.....	page 4
The UDAG Plan – Details	
Scholarships .....	page 5
Subsidized Interest Rate Loans .....	page 6
Grants .....	page 7
Administration of the UDAG Plan	
The Committee.....	page 8
Expenses.....	page 8
Checking Accounts.....	page 8
Reporting.....	page 8
Criteria for a Financial Partner.....	page 9
The Balancing Account.....	page 10
Future Amendment of this UDAG Plan.....	page 11
APPENDIX A – Application for UDAG Scholarships.....	page 12
APPENDIX B – Application for UDAG Grants.....	page 13

## **Preamble to this Proposed Revision**

The UDAG Committee believes a significant revision to the Cabot UDAG Plan is needed in order to:

1. Preserve the purchasing power of the Fund;
2. Broaden the impact of the Fund on the Cabot community;
3. Minimize the political component of the UDAG process;
4. Eliminate the risk of losing capital from defaulted loans; and
5. Institutionalize the UDAG process.

**The Purchasing Power of the Fund** – The current UDAG Plan does not preserve the value of the Fund. The expected interest payments on the outstanding UDAG loans for all of 2006 AFTER INFLATION is estimated at -\$26,164.70. This is because many of the loans were made to Cabot government organizations at 0% interest, and many loans to Cabot businesses and residents were made at a very low interest rate. The estimated earnings of liquid UDAG assets AFTER INFLATION in 2006 is \$15,305.46. The grants made in 2006 are estimated at \$39,962.00. Summing up, in 2006 (after inflation) \$66,126.20 will be going out of the Fund, and \$15,305.46 will be flowing into the Fund. Over the long term, this kind of trend will impoverish the Fund. The proposed revision goes to great lengths to insure that inflation does not chip away at the Fund and that the Fund restrains its spending by distributing to the community its earnings AFTER INFLATION.

**Broadening the Impact of the Fund on the Cabot Community** – The Committee believes the goals of the UDAG Plan have been hobbled because of the current UDAG process of asking residents in Town come to a UDAG Committee meeting to air their financial laundry in order to apply for a commercial loan. This is uncomfortable for both the Committee and the applicant. In addition, members of the Committee, who are all volunteers with day jobs, are not in a position to effectively market the availability and advantages of UDAG loans and provide follow up support to assist successful applicants in cash flow planning, and general business infrastructure issues after the loans are granted. The Committee believes that commercial loans to Cabot residents and businesses would be more appealing if applicants dealt solely with a local financial institution at their offices. This would allow a significant amount of anonymity and guard the privacy of an applicant. Further the Committee believes a local financial institution could more effectively market the existence of the Cabot UDAG program to potential applicants.

**Minimizing the Political Component of the UDAG Process** - There have been several large 0% and low interest UDAG loans made to Cabot governmental organizations over the years to facilitate projects with great political persuasion, but structured with questionable financial wisdom. By revising the UDAG Plan to require any such government projects to borrow funds for politically popular projects from a local financial institution, and having the UDAG Fund merely subsidize the interest costs of such funding, the UDAG Committee hopes to reduce and perhaps eliminate the political components of granting such loans.

**Eliminate the Risk of Defaulted Loans** – Of the outstanding UDAG loans, about 3.7% are in default or workout. The Committee finds that dunning their neighbors on defaulted or troubled loan repayment is a particularly thankless and unpleasant task. The Plan revision places all the capital risk on new loans made under the UDAG Plan with the local financial institution that makes the loan. The UDAG Fund merely would subsidize the interest payments on these loans. It is the financial institution's capital that is actually loaned. If the borrower defaults, it is the bank's problem, and the UDAG subsidy of interest would cease.

**Institutionalize the UDAG Process** – The Plan revision is very explicit with respect to the administration of the Plan. It is hoped that this will institutionalize the operation of the UDAG Committee providing a clear blueprint for future UDAG Committee members.

## **History & Background of UDAG**

In 1987, the U.S. Department of Housing and Urban Development awarded the Town of Cabot a grant of approximately \$2 million to be loaned to the Cabot Farmers' Co-op to construct a warehouse and improve its wastewater treatment facilities. The interest rate was set at 4%. The loan to the Co-op was closed in December 1988. The Creamery repaid the loan in 2003. As these funds were paid back, they were to be used

As approved by the Cabot Select Board on 4 Oct 06

to encourage economic and social development in Cabot. In order to insure the wise stewardship of the funds and to provide for their orderly use, by voice vote Town Meeting adopted the original UDAG Plan on March 3, 1992. This Plan was subsequently amended by a motion of the Cabot UDAG Committee and a vote by Australian ballot at Town Meetings in 1995, 1998, and 2001.

## Mission Statement

**The purpose of the Cabot UDAG Plan is to provide financial resources, through a fair and consistent process, to local individuals and groups for activities and projects that serve to strengthen the economic, cultural, educational, environmental, and social well-being of the Cabot community.**

### UDAG Goals

1. Protect and enhance the quality of life and the character of the town by:
  - a. preserving agriculture;
  - b. preserving and reusing historic and important buildings;
  - c. conserving open and farm land;
  - d. enhancing recreational opportunities;
  - e. providing local amenities and community activities, and
  - f. preserving and protecting the environment and abating pollution.
2. Promote commercial development that is consistent with the scale and character of the community by:
  - a. assisting existing small business, including agriculture;
  - b. providing incentives for new business development;
  - c. assisting in the promotion of local business;
  - d. creating and protecting local employment opportunities;
  - e. attracting public and private investment, and
  - f. encouraging the use indigenous, renewable raw materials.
3. Promote education by:
  - a. supporting the programs, activities and operations of the Cabot School;
  - b. assisting students who continue their education beyond high school, and
  - c. assisting adults who are pursuing continuing education and professional development that is intended to enhance their job skills and advance their careers.
4. Improve community infrastructure, facilities and services by:
  - a. supporting local civic and community service organizations and groups, especially those that address the needs of children, adolescents, the handicapped, or the elderly, and
  - b. supporting public works projects in the Town and Village.
5. Enhance the local tax base by supporting projects and activities that serve to improve existing businesses and attract new ones.
6. Preserve the fund in perpetuity so as to be able to continue to meet the needs of the community for many years to come.

### The UDAG Plan - SUMMARY

The Cabot UDAG Plan will

1. provide **scholarships** to residents of Cabot;
2. **subsidize the interest rate on loans** to Cabot residents, businesses, community organizations, and to the Town and Village governments; and
3. **make grants** to community organizations in Cabot, and to the Town and Village of Cabot.

To facilitate these programs, the Cabot UDAG Committee (the “Committee”) has selected the Union Bank to be its **financial partner** to offer the loans which will have an interest rate subsidized by the UDAG Fund and to manage the investment of the assets of the UDAG Fund and the UDAG Scholarship Endowment (the “Endowment”). In any given year, the total return (net of inflation) on the investments of the UDAG Fund

As approved by the Cabot Select Board on 4 Oct 06

Principal will pay for the loan interest rate subsidies, UDAG Plan administrative expenses, any interest in the Balancing Account (refer to p. and grants. In any given year, the total return (net of inflation) on the Endowment will pay for scholarships offered to Cabot residents. Although the UDAG Fund and the Endowment are both managed by the trust department of the UDAG Plan's designated financial partner, the Endowment will be treated as a separate account. This will permit donations to be made to the Endowment by individuals and businesses, and allow these donations to be treated as tax deductible.

Any Cabot resident, business, community organization, or government entity seeking a subsidized loan must apply for that loan at the Union Bank. (The closest Union Bank branch is in Hardwick.) **A loan applicant does not apply to the Committee.** The Committee will have no knowledge of who applies for a subsidized loan or of the specifics of the loan application. It is the bank's decision whether or not to grant the loan. However, the bank must determine that the purpose of the loan meets the goals of the UDAG Plan in order for the loan to qualify for a UDAG interest rate subsidy. It is the bank's money that is loaned. **No Cabot UDAG Fund assets will be at risk in any of these loans.**

If this plan revision is approved by the voters at the general election on November 7, 2006, no changes in the approved revision will be attempted for at least 3 years in order to appropriately assess the success of the plan revision.

## The DETAILS

### 1. **Scholarships** –

- A. In any given year, up to 100% of the prior year's total return from the capital of the Endowment (**AFTER INFLATION**<sup>1</sup>), and after any administrative expenses strictly related to the Endowment, may be disbursed as scholarships to any Cabot residents (who have been Cabot residents for at least one year prior to the award date and who would be Cabot residents on the award date).
- B. Eligible recipients are residents pursuing post-high school education/training, and/or residents who are pursuing continuing education or professional development.
- C. Eligible activities that may be funded with these scholarships include the purchase of books and equipment required in connection with educational activities and the payment of tuition and fees for degree programs, courses and seminars.
- D. Completed scholarship applications (see APPENDIX A) must be submitted by 5:00 p.m. May 1 (or following business day, if May 1 falls on a weekend) to the Cabot School office or the Town Clerk's office.
- E. Recipients of scholarships are announced at Cabot High School graduation each year.
- F. The amount and method of selecting recipients of these scholarships will be decided by the Cabot UDAG Scholarship Subcommittee of the Cabot UDAG Committee (the "Subcommittee").
  - i. The Chairman of the Cabot UDAG Committee will appoint the Chairman of the Subcommittee.
  - ii. The Chairman of the Subcommittee will appoint at least three members to serve on this committee. One of the members must be on the staff of Cabot School. The rest of the members must be residents of Cabot.
  - iii. The Chairman of the Subcommittee will vote on decisions of the committee only in case of a tie vote of the members.
  - iv. A minimum quorum of the Subcommittee consists of at least two residents of Cabot and the Chairman of the Subcommittee.

---

<sup>1</sup> Inflation is defined as the year over year change in the consumer price index as measured on 12/31 of each year. For example, if the assets of the Endowment are \$100,000 at the beginning of the year, the total return of the Endowment are \$7,000 for the year, inflation is 3% for the year, and administrative expenses strictly related to the Endowment the prior year were \$500, then up to \$3,500 could be disbursed for scholarships for the following year.

As approved by the Cabot Select Board on 4 Oct 06

- G. The Endowment will be treated as a separate account managed by the trust department of the UDAG Plan's financial partner.
- H. The assets of the Endowment must be at least 5% of the sum of the assets of the UDAG Fund, the principal owing on loans made prior to this Plan revision, and the Endowment on 12/31 of any given year.
  - i. If the assets of the Endowment are less than 5% of the sum of the above on 12/31 of any year, capital must be contributed to the Endowment from the UDAG Fund.
  - ii. If the assets of the Endowment are more than 5% of the sum of the above on 12/31 of any year, no rebalancing occurs.
- I. The Endowment will be structured as a 501(c)(3) charity so that donations may be made to the Endowment by individuals and businesses. Such donations would qualify as a tax deductible charitable donation.

## 2. Subsidized Interest Rate Loans –

- A. After the approval of this UDAG Plan Revision, the UDAG Fund will subsidize the interest paid on loans made by the Cabot UDAG Plan's financial partner to any business or commercial venture located in Cabot or to any Cabot community organization or Cabot governmental agency.
- B. Loans that **do not qualify** for the subsidy are:
  - i. mortgages on owner occupied homes;
  - ii. loans for improvement to owner occupied homes;
  - iii. loans to purchase personal property including loans for vehicles for personal use;
  - iv. loans for travel, vacations, or medical expenses;
  - v. loans for refinancing existing debt that do not increase the cash flow of an enterprise by at least 25%; and
  - vi. loans to Cabot community organizations or Cabot governmental agencies for operating expenses.
- C. An applicant for such a subsidized loan must apply to the Committee's **financial partner** for a loan – ***NOT to the COMMITTEE.***
- D. The Committee will have no knowledge of who or what organizations apply for loans, nor will the Committee know the specifics of the loans.
- E. The Committee requires that the purpose of a loan under this subsidy program will meet the goals of the UDAG Plan and will exclude loans described in **section B** above.
- F. The Committee's financial partner will:
  - i. determine whether a loan qualifies for a UDAG subsidy;
  - ii. determine if the loan makes financial sense for both itself and the applicant;
  - iii. supply the capital for the loan; and
  - iv. service the loan.
- G. The UDAG Committee has set the current interest rate subsidy at 2%. For example, if the loan bears a nominal interest rate of 7%, the interest rate on the loan would be reduced to 5%. If the nominal interest rate on the loan is less than 4%, the interest subsidy will be ½ of the nominal interest rate. For example, if the nominal interest rate is 3%, the interest rate after the subsidy would be 1.5%.
- H. The interest subsidy will be paid directly to the financial partner by the UDAG Fund.
- I. The Cabot Town Clerk will continue to service the outstanding loans granted prior to the approval of this plan revision.
- J. The money for the interest rate subsidy program in any year will come from the total return of the UDAG Fund, net of inflation and net of expenses of the prior calendar year to administer the UDAG Plan and net of any interest charged to the Balancing Fund (*refer to p.10*).
- K. The Committee will formulate an investment objective for these assets. The financial partner's trust department will implement a strategy to achieve the investment objective formulated by the Committee. The current investment objective of the Committee is to earn a total return on its assets equal to the rate of inflation plus 3.5%.

As approved by the Cabot Select Board on 4 Oct 06

- L. The Committee will specify the total principal amount of loans it will subsidize for the coming calendar year after the financial partner reports the total principal outstanding of subsidized loans at 12/31 of the prior year.
  - M. **For the first year of this program (2007), the UDAG Fund will subsidize up to \$1,000,000 of principal loans.**
  - N. If the total return of the UDAG Fund in any year (after inflation) does not provide sufficient funds for the interest rate subsidy that year, the funds must come first out of the Balancing Fund, and then out of the UDAG Fund Principal. The Balancing Fund is described on p. 10.
3. **Grants** –
- A. The sum of money available to pay community grants voted on by Australian ballot at Town Meeting is calculated as follows:
    - i. the total return (after inflation) the calendar year before Town Meeting earned by the UDAG Fund managed by the trust department of the financial partner;
    - ii. less the expenses to administer the UDAG Plan the calendar year before Town Meeting;
    - iii. less the money used to subsidize the interest rate on loans (*refer to section 2 on p. 6*) for the calendar year before Town Meeting; and
    - iv. less any required contribution to the Balancing Fund for interest owed because of a negative balance (*refer to p. 10*).
  - B. In no case can the money available for grants in any year exceed the amount of interest subsidized the prior year.
  - C. This money can be granted to any Cabot community organization or Cabot governmental agency for **capital projects** that meet the goals of the UDAG Plan.
  - D. Eligible applicants include community groups, non-profits, civic organizations, fraternal organizations, and similarly organized groups in the Town of Cabot, as well as such other committees, agencies, organizations, or commissions that are created by the Town of Cabot, Village of Cabot or the Cabot School District. Eligible applicants include the Recreation Committee, the Conservation Committee, the Cemetery Commission, the Library Trustees, the Cabot Historical Society, et. al. **Individuals are not eligible to apply for these grants.**
  - E. An application for a Community Grant (*see APPENDIX B*) must be submitted to the UDAG Committee by the 3<sup>rd</sup> Thursday in October of each year, except for 2006 when application must be submitted by the 3<sup>rd</sup> Thursday in November.
  - F. The Committee will review grant proposals to determine whether a proposed grant meets the goals of the UDAG Plan. Applicants will be notified at which upcoming UDAG meeting the application will be reviewed so they may attend that meeting. Generally, applicants will be notified of the Committee decision within two weeks following the UDAG meeting.
  - G. This determination will be made no later than the 3<sup>rd</sup> Thursday in October each year, except for 2006 when this determination will be made no later than the 3<sup>rd</sup> Thursday in November.
  - H. When such a determination is made for all grants proposed, a warned information meeting on the grants the Committee considers consistent with the UDAG Plan will be hosted by the Committee at its regularly scheduled meeting on the 3<sup>rd</sup> Thursday of December.
  - I. The grant proposals determined by the Committee to be consistent with the UDAG Plan will be voted on by Australian ballot on Town Meeting Day.
  - J. The submission of the grant proposal to the voters does not constitute an endorsement of any grant proposal by the Committee. Each voter must decide if a particular grant proposal is a worthwhile use of UDAG funds, and cast their vote accordingly.
    - i. Each voter must indicate a YES or NO for each grant proposal.
    - ii. All proposals receiving more NO votes than YES votes will not receive a grant at that time.
    - iii. If there is money available, all grants that receive more YES votes than NO votes will be funded.
    - iv. If there is not enough money available to fund all approved grants, grants will be awarded in the following way:

As approved by the Cabot Select Board on 4 Oct 06

- a. of the grants approved (more YES votes than NO votes), the grant receiving the most YES votes will be funded first;
  - b. then the grant receiving the next most YES votes will be funded, etc., until funds left for granting are not sufficient to cover the total cost of the grant being considered.
  - c. If there are not sufficient funds for an approved grant, that grant and all others receiving fewer YES votes will not be funded at all. **NO PARTIAL FUNDING WILL BE MADE.**
  - v. Funds may be used only for the purposes specified in the grant proposal as submitted by the Committee to the voters prior to the vote. These proposals will be on file at the Town Clerk's Office.
- K.** For grants approved by the voters, payments will be made to the grantee upon submission of bills, receipts or documentation of anticipated expenditures. Grant recipients are responsible for obtaining all necessary permits and approvals prior to payout. Grants are awarded up to a specific amount for the purpose of fulfilling the objectives of the proposal. No further payments will be made once those objectives have been met.
- L.** Grant projects will have a maximum term of 18 months, commencing on the date the Australian ballot approves the grant. After 18 months, any unclaimed money in a grant will revert to the UDAG Fund.
- M.** In any given year, any money not granted on Town Meeting Day by Australian ballot from the available funds will be put in the Balancing Fund.
- N.** The Committee requires that 25% of the total funding of any grant project, for which UDAG funding is received, come from sources other than the UDAG grant. These outside funds may include cash or in-kind gifts or services. (In-kind gifts or services include the cash value of donated goods and/or services, the estimated value of volunteer labor, money donated or raised through fund-raisers, and the ordinary operating funds of the organization.)

## **Administration of the UDAG Plan**

### **The Committee –**

1. **The ultimate authority for implementing the Cabot UDAG Plan as approved by the voters of Cabot rests with the Cabot Select Board.**
2. The Cabot Select Board established a committee of Cabot residents to formulate and implement the Cabot UDAG Plan. This is referred to as **the Cabot UDAG Committee (the “Committee”)**.
3. The Committee serves only to advise the Cabot Select Board on the implementation of the Cabot UDAG Plan.
4. In practice, the Cabot Select Board has deferred to the judgment of the Committee with regard to the implementation of the Cabot UDAG Plan.
5. The Cabot Select Board appoints a Cabot resident as Chairman of the Committee.
6. Besides the Chairman of the Committee, there is a member appointed by the Cabot School Board, a member appointed by the Cabot Village Trustees, and three members elected at Town Meeting Day.
7. The elected members of the Committee serve a three year term. The terms end on three successive years so that only one member is elected at each Town Meeting.
8. The Cabot Select Board can appoint a Cabot resident to replace any elected member of the Committee who is unable to complete his/her term. Such an appointed member will complete the term of the member he/she replaced.
9. The Committee meets the third Thursdays of each month at 7pm in the Select Board meeting room in the Willey Building.
10. The Chairman of the Committee votes only in the event of a tie.
11. A minimum quorum of the Committee consists of two members and the Chairman.

As approved by the Cabot Select Board on 4 Oct 06

**Expenses -**

1. Up to .5% of the total assets of the UDAG Fund and the Endowment, but excluding the principal on loans receivable, at 12/31 of any year may be used to pay expenses<sup>2</sup> for the following calendar year. For 2006, .5% of total assets of the UDAG Fund and the Endowment amounted to \$6,547.
2. Excluded from administrative fees would be any fee paid for trust services of managing UDAG assets.

**Checking Accounts –**

1. All expenses of the UDAG Fund will be paid using the Cabot UDAG Administrative Checking Account. Any joint expenses of the Scholarship Endowment and the UDAG Fund will be paid with through the Cabot UDAG Administrative Checking Account. Signing authority for this account will be held by the Town Clerk.
2. All scholarships will be paid with the Cabot Scholarship Endowment Checking Account. Any expenses strictly related to the Endowment will be paid with the Cabot Scholarship Endowment Checking Account. Signing authority for this account will be held by the Town Clerk.

**Reporting –**

1. Committee approved minutes of each Committee meeting must be filed with the Town Clerk within 60 days of the meeting.
2. The UDAG Fund and Endowment must be audited by a CPA every year. This audit must be published in the first Town Report after the close of the calendar year audited.
3. The Chairman of the Committee must write a report highlighting progress in implementing the Cabot UDAG Plan each calendar year. This must be published in the first Town Report after the close of the calendar year reported. These reports must include, but are not limited to the following:
  - a. a statement of earnings of the assets of the UDAG Fund and Endowment;
  - b. a statement of earnings of the assets of the UDAG Fund and Endowment, net of inflation;
  - c. the amount of interest subsidized;
  - d. the principal amount of loans outstanding in the subsidized interest program at 12/31 of the reported year;
  - e. the principal amount of loans outstanding made before the adoption of this plan revision;
  - f. the amount of money available for grants to be considered by Australian ballot on Town Meeting Day;
  - g. a list of applicants for grants, the purpose of the grants, and the amount sought for consideration by voters in the upcoming Australian ballot on Town Meeting Day;
  - h. the grants approved by voters on the previous Town Meeting Day;
  - i. the amount of scholarships awarded in the reported year;
  - j. the size of the Endowment at 12/31 of the reported year;
  - k. the size of the Endowment as a percent of total UDAG Fund and Endowment assets (including loans receivable); and
  - l. the amount of money available for scholarships in coming year.

**Criteria for a Financial Partner -**

The financial partner is a local financial institution selected by the Committee with the approval of the Select Board. In determining a financial partner, the Committee must consider:

1. ease of accessibility of the local branch offices of the financial partner to Cabot residents;
2. the extent to which the financial partner would market the existence of the loan subsidy program to Cabot residents and businesses;

---

<sup>2</sup> The expenses of the Committee in 2006 to date have been under \$5,000. Of this, \$2,300 was paid to the Town of Cabot for administrative services of keeping track of loan payments, making deposits, dispersing scholarships, and maintaining the UDAG checkbook. In addition \$2,300 was paid to the Town of Cabot for the share of annual audit of Town finances attributed to the implementation of the UDAG Plan. The balance of UDAG administrative expenses this year to date have included advertising costs for warnings/notices and legal fees related to defaulted UDAG loans.

As approved by the Cabot Select Board on 4 Oct 06

3. the relevance and effectiveness of the financial partner's community reinvestment program to/for Cabot residents and businesses; and
4. the track record of the financial partner's trust department in outperforming its peers and fulfilling the investment objectives of its clients.

If the financial partner has a change of ownership, the Committee reserves the right to select a new financial partner.

#### **The Balancing Account –**

1. Because of the investment target set by the UDAG Committee, the trust department of the Union Bank has advised the Committee to expect a total return in excess of the target return in some years, but a total return below the target return in other years. On average, the trust department feels the target total return is attainable. The target return is inflation plus 3.5%. The **UDAG Fund Principal** is the assets of the UDAG Fund under management by the trust department of the financial partner. At 12/31/05, the UDAG Fund Principal, was \$1,211,164.83.
2. To take into account this expected volatility of returns on the UDAG Fund Principal, the Committee will establish a so called **Balancing Account**. The UDAG Fund Principal EXCLUDES the assets allocated to the Balancing Fund.
3. The Balancing Account is not a physically separate account from the UDAG Fund. The Balancing Account is just an abstract way of keeping track of how the UDAG process is doing – of making sure that when returns are above target, some of those excess returns are saved and will be available when returns are below target.
4. The Balancing Account will be credited with assets whenever the total return of the UDAG Fund Principal is above target, and debited of assets if the total return of the UDAG Fund is so low that the UDAG Fund cannot meet its contractual obligations to subsidize interest payments and pay administrative expenses.
5. If total return, net of inflation, earned by the UDAG Fund Principal is in excess of 4% in any year, the excess will be allocated to the Balancing Account.
6. If any money available for granting in any given year is not fully granted out, the ungranted funds will be allocated to the Balancing Account.
7. If the total return of the UDAG Fund Principal is so low that the UDAG Fund cannot meet its contractual obligations to subsidize interest payments and pay administrative expenses, the assets allocated to the Balancing Account may be used to help meet those expenses. Any assets used in this way would be debited from the Balancing Account.
8. If the total return of the UDAG Fund Principal is so low that the UDAG Fund cannot meet its contractual obligations to subsidize interest payments and pay administrative expenses, **and** there are not enough assets in the Balancing Account to make these payments, the UDAG Fund may borrow some of its principal to pay these obligations. The funds borrowed would be a debit in the Balancing Account, creating a negative balance in this account.
9. Any negative balance in the Balancing Account would accrue interest at the annual rate of CPI inflation. This hypothetical interest would be netted against the total return of the UDAG Fund Principal in any given year to determine the amount of total return, net of inflation, available for distribution the following year for interest subsidies, administrative expenses and grants.
10. If the total return of the UDAG Fund Principal in any given year exceeds CPI, any total return on the Balancing Account in excess of CPI would be used to reduce the negative balance in the Balancing Account. If there is a positive balance in the Balancing Account, the total return of the Balancing Account would remain in the Balancing Account. The total

As approved by the Cabot Select Board on 4 Oct 06

return of the Balancing Account is not available to subsidize interest, pay administrative expenses or used in the calculation to make grants, except when there is a shortfall from the total return of the UDAG Fund Principal.

11. The maximum money that can be spent on subsidizing interest, administrative expenses, and grants in any year from the UDAG Fund is 3.5% after inflation of the UDAG Fund Principal at the end of the prior year, less the CPI interest accrued in a negative Balancing Account.
12. The UDAG Fund Principal excludes the loans made by the UDAG Committee prior to the adoption of this revision (the “**Old Loans**”). However, as the Old Loans get repaid, the interest paid and principal repaid will be used first to reduce or eliminate any negative balance in the Balancing Account, and then to increase the UDAG Fund Principal. At 12/31/05, the principal of Old Loans outstanding was estimated by the Town Clerk to be \$979,120.01. In 2005, \$74,092 of principal was repaid from the Old Loans and \$7,571.90 of interest was paid.
13. After 4 years, 25% of any positive balance in the Balancing Fund may, at the discretion of the Committee, be transferred to the UDAG Fund Principal. Thereafter, annually, 25% of any positive balance in the Balancing Fund may, at the discretion of the Committee, be transferred to the UDAG Fund Principal.

#### **Future Amendment of this UDAG Plan**

The Select Board may amend this Plan without soliciting a vote by the residents of Cabot if the Committee finds that

1. such an action would not substantially alter the Plan as represented in the November 7, 2006 version; and
2. such an action would facilitate the implementation of the Plan.

If the Select Board or the Committee determine proposed amendment/s to this Plan substantially alter the Plan, an amended Plan must be submitted to the voters of Cabot for their approval/rejection.

As approved by the Cabot Select Board on 4 Oct 06

### APPENDIX A

## Application for UDAG Educational Scholarships

The following criteria will be used to award UDAG Educational Scholarships: financial need, merit and quality and completeness of application.

Please submit six (6) copies of your completed application and a personal essay to the UDAG committee by **5:00 p.m. on the 1<sup>st</sup> Monday in May** to the Cabot Town Clerk’s Office.

Late or incomplete applications may not be considered for funding.

Applicant Name \_\_\_\_\_

Address \_\_\_\_\_

Phone \_\_\_\_\_ Fax \_\_\_\_\_

Email \_\_\_\_\_

1. Have you been a legal resident of Cabot for the twelve months preceding the date of application?

Yes  No

1. Name of educational institution you plan to attend: \_\_\_\_\_

2. Course of study you plan to pursue: \_\_\_\_\_

3. Have you attached two letters of reference? Yes  No

4. Is at least one of your letters of reference from a resident of Cabot? Yes  No

5. If currently in school, have you attached a copy of your transcript? Yes  No

No, not currently in school

6. Have you attached your personal essay?  Yes  No

Your essay may not be longer than two (2) typewritten pages. Please tell us about yourself; describe your personal goals and how your choice of educational coursework will help you meet those goals.

Also, please include:

- Will your proposed course of study or training lead to a degree, diploma or other certificate?
- How many years of study are required to complete the course?
- Have you already completed any required work for this course of study?
- What is the total cost of your course of study or training?

7. Applicants are also required to submit a letter from the academic institution stating that the UDAG Educational Scholarship will not simply replace or reduce financial aid grants or scholarships otherwise awarded by the educational institution.

UDAG Educational Scholarships shall be disbursed directly to the educational institution or training program based on an official invoice and documentation of enrollment. For higher education and trade/technical programs, payment is made only in the second semester or advanced term and students must maintain a minimum 2.0 grade point average.

## APPENDIX B

### Application for UDAG Grants

Name of Community Group \_\_\_\_\_

Contact Person \_\_\_\_\_

Address \_\_\_\_\_

Phone \_\_\_\_\_ Fax \_\_\_\_\_

Email \_\_\_\_\_

Total Cost of Project:	\$ _____	
Total Amount Requested from UDAG	\$ _____	
Total Amount Secured from other sources	\$ _____	(at least 25% of total project cost)

Please submit a narrative description of your project that includes the following information:

#### Organizational Information

- List the board membership and/or key leadership of your group.
- Briefly describe the history of your group.
- Describe the services you provide and who your organization serves.
- Include the organization mission statement and/or goals.

#### Project Information

- Describe the project for which you seek funding.
- Include a timeline for implementing & completing project.
- How will the project address the goals of UDAG (See page 4 of the UDAG Guidelines)
- If the project benefits a specific population, please describe, including numbers affected.
- If the project is a building or renovation, attach drawings.

#### Financial Information

- Attach a project budget that includes cost estimates and bid documents, if applicable.
- List other funders and/or income sources for your project. (25% of total project cost must be secured from sources other than UDAG)
  - Describe how on-going operating or maintenance costs for the contemplated capital project will be met.

The UDAG Committee reserves the right to request additional information to help make a grant award decision.

Completed application should be submitted to the Cabot Town Clerk's Office.

Signed

\_\_\_\_\_  
Community Group Representative

\_\_\_\_\_  
Date