

## UDAG COMMITTEE REPORT TO THE VOTERS

Challenged by three separate devastating flood incidents in town, these are actions the UDAG Committee took during the year to respond to critical needs:

- The UDAG Committee worked with the Select Board and Town Clerk to respond to the immediate needs of flood-ravaged village businesses and voted to support their ability to continue to serve the people of Cabot in the amount of one \$15,000 grant each for Harry's Hardware and the Cabot Village Store, and one \$4,000 grant for the Cabot Garage. Eligible entities were defined as unique town or commercial resources significant in the economic viability of our commercial village center; distinct and necessary economic entities that are unique town or commercial resources. This does not include residential properties, personal or commercial. The committee will continue to work with the Select Board and businesses if additional needs can be addressed with UDAG funds so that these businesses may continue to offer service.
- The Committee also voted that, in an emergency situation, the UDAG committee will make direct expenditures or reimburse expenditures for the correction of hazmat conditions and removal of hazmat materials to protect the public in a natural disaster. The committee chair was directed to cut a check for hazmat removal.

In addition, the committee has removed the limitation on the UDAG subsidized interest rate loan program being offered through only the UDAG committee's financial partner by opening up the program to other qualified lenders, in order to maximize availability of this resource to the business owners of Cabot.

The committee wishes to express its gratitude to Cathleen Maine, as her term in office comes to a close, for her effort as head of the UDAG Scholarship Subcommittee and the work she has been doing on behalf of Cabot.

## UDAG PLAN REVISION

Below is the revised UDAG Plan. We hope you will read it carefully and contact UDAG Committee members if you have any questions or suggestions. Additional copies of this proposal as well as the previous plan are available at the Town Office or from the UDAG Committee chair, Jan Westervelt, [jrwcabot@yahoo.com](mailto:jrwcabot@yahoo.com).

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### Town of Cabot UDAG Plan As of January 2012

If you have any questions regarding this document or the UDAG committee, contact any UDAG Committee member. 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.

### 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 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;
- 3. make grants to community organizations in Cabot, and to the Town of Cabot and the Cabot School; and
- 4. award development grants requested by community organizations in Cabot, the Town of Cabot or Cabot School.

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

Anyone seeking a subsidized loan must apply for that loan at the Union Bank or other qualified lender. 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 assets will be at risk in any of these loans.

## **The DETAILS**

- 1. **Scholarships** –
  - A. In any given year, up to 4% of the trailing 6 quarters average balance to 3/31 of any year in the Scholarship Endowment may be disbursed as scholarships to eligible Cabot residents. Eligible recipients are residents pursuing post-high school education/training, and/or continuing education or professional development, who have been Cabot residents for at least twelve months as of the application deadline and who will be Cabot residents on the award date.
  - B. 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.
  - C. Completed scholarship applications must be submitted by 5:00 p.m. May 1 (or following business day, if May 1 falls on a weekend) mailed to Cabot UDAG Fund; P.O. Box 125; Cabot, VT 05647.
  - D. Recipients of scholarships are announced at Cabot High School graduation each year.
  - E. 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 Chair of the Cabot UDAG Committee will appoint the Chair of the Subcommittee.
    - ii. The Chair 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 Chair 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 Chair of the Subcommittee.
  - F. The Scholarship Endowment will be treated as a separate account managed by the trust department of the UDAG Plan's financial partner.
  - G. The assets of the Scholarship Endowment must be at least 10% of the sum of the assets of the UDAG Trust, the principal owing on loans made prior to this Plan revision, and the Scholarship Endowment on 12/31 of

any given year.

- i. If the assets of the Endowment are less than 10% 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 10% of the sum of the above on 12/31 of any year, no rebalancing occurs.

2. **Subsidized Interest Rate Loans** –

- A. The UDAG Trust will subsidize the interest paid on loans made by the Cabot UDAG Plan's financial partner **or qualified lender** to any business or commercial venture located in Cabot or to any Cabot community organization or Cabot governmental agency. ***A qualified lender is one who makes a loan to the borrower in an arms-length transaction.*** The term of such subsidies shall be ten years.
- 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 **or other qualified lender** for a loan.
- D. 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.
- E. The Committee's financial partner will:
  - i. determine whether a loan qualifies for a UDAG subsidy and may consult with the Committee to reach such a determination;
  - 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.
  - v. for loans by a qualified lender, the Committee will determine if the loan qualifies for a UDAG subsidy.***
- F. 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%. ***In the event of losses incurred in a natural disaster declared by the Governor of Vermont by an otherwise qualified borrower, the interest subsidy shall be 100% of the interest up to a rate of 7% per annum.***
- G. The interest subsidy will be paid directly to the financial partner from the UDAG Trust. ***The interest subsidy for interest paid by borrowers to qualified lenders will be made as a reimbursement to the borrower for documented interest paid on a calendar quarter basis.***
- H. The Cabot UDAG Committee will continue to service the outstanding loans granted prior to the approval of the Plan revision of 2006.
- I. The money available for the interest rate subsidy program in any year will be no more than 4% of the trailing 6 quarters average balance of the UDAG Fund from 9/30 of any year. 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 4%.
- J. 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.
- K. Applicants who live outside the Town of Cabot may be eligible for loan subsidies if the businesses for which they seek the loans are located in Cabot; but the partner must consult the Committee before making subsidized loans to out-of-town residents.

3. **Grants-**

- A. The sum of money available to pay community grants voted on by Australian ballot at Town Meeting will be the difference between
  - i. 4% of the average balance in the UDAG Trust and the UDAG Administrative Checking Account at the calendar quarter end for the 6 quarters prior to 10/31.

- ii. less the expenses to administer the UDAG Plan in the 12 months prior to the calendar quarter end prior to 10/31.
  - iii. less the money used to subsidize the interest rate on loans (refer to section 2) for the 12 months prior to the calendar quarter end prior to 10/31.
  - iv. any funds available for granting not used in any given year can be set aside and added to the grant funds as determined in i – iii (above) in subsequent years, however, any such set aside funds will be excluded from the calculation of the total assets of the UDAG Fund and the UDAG Administrative Checking Account from the quarter end after Town Meeting when calculating 4% of the average balance available for subsequent grants.
- B. 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.
  - C. 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, and no assets purchased with these grants may be owned by or distributed to any private party or be installed permanently on private property.
  - D. An application for a Community Grant must be submitted to the UDAG Committee by October 1 of each year. The application must be mailed to Cabot UDAG Committee, P.O. Box 125 Cabot, VT 05647.
  - E. 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.
  - F. This determination will be made no later than the 3rd Thursday in October each year.
  - G. 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 3rd Thursday of December.
  - H. 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.
  - I. 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.
    - iii. If there is not enough money available to fund all approved grants, grants will be awarded in the following way:
      - 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.**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.
  - J. Grant recipients are responsible for obtaining all necessary permits and approvals prior to payout, and no payouts will be made before all necessary permits or permissions are obtained. 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.
  - K. Grant projects will have a maximum term of nine months, commencing on the date the Australian ballot approves the grant. After nine months, any unclaimed money in a grant will revert to the UDAG Fund.
  - L. In any given year, any money not granted on Town Meeting Day by Australian ballot from the available funds will revert to the UDAG Fund.
  - M. Grantees are expected to purchase goods and services for their projects from Cabot vendors as far as possible and are encouraged to show estimates and bid documents from local vendors on their applications; and the Committee may request such information if it is not shown on the application, and the Committee may find that an application does not meet the goals of the Plan if it fails to include local vendors; and the

Committee may request progress reports for granted projects and may withhold payment of granted funds if the project deviates significantly from its application description.

- N. Grant payments will be made by authorization of the Committee after receipt of dated invoice(s) from grantee showing vendor, vendor address and phone and goods and/or services purchased. Neither in-kind donations nor volunteer hours are eligible for reimbursement.

#### **4. Development Grants -**

The Committee is authorized to grant up to \$10,000 each year at its discretion to such groups as are eligible for Town Meeting grants, for the cost of engaging outside vendors such as grant-writers and consultants to write grants or conduct feasibility or planning studies for projects the Committee deems would advance the goals of this plan and be of substantial public benefit. Eligible projects need not meet the criteria for Town Meeting grant eligibility, but no single grant shall exceed \$2,500. Grant payments shall be made only upon presentation of invoice from outside vendors, and payment shall be made only to such vendors, up to the amount of the grant. Development Grant applications may be submitted between March 1 and September 1, and the Committee shall act upon such applications before September 30.

### **Administration of the UDAG Plan**

#### **The Committee –**

1. In 1992, the Town Meeting 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”).
2. The Cabot Select Board appoints a Cabot resident as Chair of the Committee.
3. Besides the Chair 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.
4. The elected members of the Committee serve three year terms. The terms end on three successive years so that only one member is elected at each Town Meeting.
5. 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.
6. The Committee meets the third Thursdays of each month at 7pm in the Select Board meeting room in the Willey Building.
7. The Chairman of the Committee votes only in the event of a tie.

#### **Expenses -**

Up to .5% of the total assets of the UDAG Trust and the Scholarship Endowment, but excluding the principal on loans receivable, at 12/31 of any year may be used to pay expenses for the following calendar year. Excluded from administrative fees would be any fee paid for trust services of managing UDAG assets.

#### **Checking Accounts –**

1. All UDAG expenses, including Town Meeting and Development Grants, will be paid using the Cabot UDAG Administrative Checking Account. Any joint expenses of the Scholarship Endowment and the UDAG Trust will be paid through the Cabot UDAG Administrative Checking Account. Signing authority for this account will be held by the Chair of the UDAG Committee, the Town Treasurer and the Assistant Town Treasurer.
2. All scholarships will be paid from the Cabot Scholarship Endowment Checking Account. Any expenses strictly related to the Scholarship Endowment will be paid with the Cabot Scholarship Endowment Checking Account. Signing authority for this account will be held by the Chair of the UDAG Committee, the Town Treasurer and the Assistant Town Treasurer.
3. No payment of UDAG funds shall be made except by authorization of the UDAG Committee, and all payments so authorized shall be made.

#### **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 should include, but are not limited to the following:
  - a. a statement of earnings of the assets of the UDAG Trust and Scholarship Endowment;
  - b. a statement of earnings of the assets of the UDAG Trust and Scholarship 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 Scholarship Endowment at 12/31 of the reported year;
- k. the size of the Scholarship Endowment as a percent of total UDAG Trust and Scholarship 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;
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.

This Plan shall be in effect until amended, repealed or revised by the Cabot Town Meeting, and shall be binding upon all public officials, elected or appointed, and shall be deemed to have been reaffirmed by any Town Meeting that does not repeal it. But the Town Meeting, annual or special, may amend, repeal or revise the Plan by Australian ballot.