

STATE OF RHODE ISLAND
FY2006 INTENDED USE PLAN

in support of the

FEDERAL FISCAL YEAR 2005 CAPITALIZATION GRANT

*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 Intended Use Plan (IUP) for all Clean Water Act ("CWA"), Title VI funds available to the Clean Water State Revolving Fund (CWSRF) including the Federal Fiscal Year (FFY) 2005 allotment of \$7,208,600. The FFY2005 funding includes the State of Rhode Island's twenty-percent match of \$1,441,720 for a total amount of \$8,650,320. This plan also reiterates the Agency's intended use of revolved monies.

Listing of State Revolving Fund Projects

With this award of the total FFY2005 federal and state allotment of \$8,650,320 it is our plan to continue assisting wastewater abatement projects in Rhode Island and 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 FY2006 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 FY2006 are identified in priority order. The projects identified for funding are in the communities of Bristol, Cranston, Jamestown, Middletown, Narragansett, South Kingstown, Warren, Warwick and West Warwick along with the Narragansett Bay Commission.

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 ©.

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 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 permit 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 as of September 30, 2005. 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 and state 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 this year's available Capitalization Grant monies and state match which totals \$8,650,320 (See Table 1 attached hereto). In addition to the aforementioned, the Agency will use repaid funds from previous loans and proceeds from an anticipated bond sale in November, 2005. The total amount of loans issued in FY2006 from the CWSRF is expected to total \$72 million. These resources will be allocated to long-term direct loans, pooled long-term financings (Leverage Loans), and the Community Septic System Loan Program (CSSLP). 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 FFY2005 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 and beyond. It is anticipated that all or a portion the Capitalization Grant plus the State Match, if leveraged, will be at a ratio of at least 2:1 (leveraged being defined as Total Loans divided by Net Capitalization Grant plus the State Match). 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.

Rhode Island's CWSRF has de-allocated LIST funds, federal direct loan re-payments, and state match direct loan repayments in the fund. These amounts will be used to fund direct loans (not leveraged), or for leveraged revenue bond pool issues, or to fund another LIST fund during this IUP period as project need and timing dictates.

The Agency has used its first round of revolved funds for direct (not leveraged) loans to municipalities for establishing management and repair programs for on-site disposal systems (OSDS) to achieve the goals and objectives of the approved Section 319 Non-point Source Management Plan. This program called the Community Septic System Loan Program (CSSLP) was publicly announced in March of 1998. Municipalities and special purpose districts whose primary function is management of OSDS are eligible to apply for direct loans funded by the revolved CWSRF funds. The Agency in cooperation with DEM and the Rhode Island Housing & Mortgage Finance Corporation (RIHMFC), successfully launched its CSSLP as part of the CWSRF in the spring of 1999. The Agency has engaged RIHMFC to be the homeowner loan administrator on behalf of the community for the CSSLP. The CSSLP allows communities without wastewater treatment facilities to access low-interest cost CWSRF funds. Communities are able to access these funds after completing an On-Site Wastewater Management Plan approved by DEM. Once the plan appears on DEM's PPL and the Certificate of Approval (CA) is obtained, the community will negotiate a loan with the Agency. The amount requested should be sufficient to repair or replace failing, failed or sub-standard septic

systems. Once the loan is negotiated, the community may then allow residents to access the funds. The borrowing cost for the homeowner will be 2% for a term up to ten years. To date, the Agency has made eight CSSLP loans to communities in Rhode Island in the total amount of \$2,150,000. Several other communities whose On-Site Wastewater Management Plans are being prepared or reviewed have expressed interest in becoming part of the CSSLP program.

Rhode Island's CWSRF intends to bank the authority to use four percent (4%) of the federal capitalization grant funds for DEM administrative costs to support the CWSRF program during a future period. Based upon the FFY2005 allotment of funds, the Program will bank the authority to recover \$288,344 from a future year's federal capitalization grant. To date, \$2,796,572 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 Isl'nd'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 IUP are summarized in Table 1 attached hereto. The estimate includes awarded but unused (undedicated) EPA and State capitalization grants available to be drawn from the ACH (see Table 1 attached hereto); direct loan repayments; deallocated reserve funds; Estimated Bond Proceeds; and interest earnings on investments of CWSRF resources.

In fiscal years 1997 and 1998, the Rhode Island Clean Water Finance Agency, with concurrence from its financial advisor, determined that a prudent financing strategy would include direct loans made with the federal and state match capitalization grants instead of pooled leveraged financing to accommodate the accumulation of federal award in the ACH and relatively slow construction starts. Also, the delay in the start of the Combined Sewer Overflow project by the Narragansett Bay Commission contributed to this decision. The Agency originated \$18.5 million in three direct loans in fiscal year 1997. Two loans were also made in fiscal year 1998, totaling \$11.4 million using this financing mechanism.

Criteria and Methods for Distribution of CWSRF Funds

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

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 \$7,208,600, plus the State Match of \$1,441,720 for a total amount of \$8,650,320 the Agency expects to fund portions of the projects identified in Table 2 attached hereto.

Schedule of Anticipated Payments into the ACH system

The Rhode Island CWSRF program anticipates deposits into the ACH for the FFY2005 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:

FFY05 CAPITALIZATION GRANT ANTICIPATED PAYMENTS INTO EPA/ACH PAYMENT SYSTEM

Federal Fiscal Quarter	Payment Into ACH	Cummulative Ceiling
Oct - Dec 2005 (06-1)	\$1,802,150	\$1,802,150
Jan - Mar 2006 (06-2)	\$1,802,150	\$3,604,300
Apr - Jun 2006 (06-3)	\$1,802,150	\$5,406,450
Jul - Sep 2006 (06-4)	\$1,802,150	\$7,208,600

Public Review and Comment

The Joint public hearing for the FY2006 Intended Use Plan and FY2006 Project Priority List is to be held on September 15, 2005. Notice for the joint public hearing was announced in the Providence Journal Bulletin on August 15, 2005. Comments from attendees will be forwarded to EPA when received, along with responses from the Agency, if appropriate.

TABLE 1

Cap Grant Year	Cap Grant Amount	State Match	DEM Admin. 4%	Banked DEM Admin. 4%	Grants pledged for specific purpose	State Match Pledged for a Specific Purpose	Cap Grants Available	State Match Available	Total Cap Grant & State Match Available
CS44000190-0	\$13,378,481	\$2,675,696	\$535,139.24		\$13,378,481.00	\$2,675,696.20	\$0.00	\$0.00	\$0.00
CS44000191-0, 2	\$26,826,822	\$5,365,379	\$1,073,072.88		\$26,826,822.00	\$5,365,379.00	\$0.00	\$0.00	\$0.00
CS44000193	\$12,905,937	\$2,581,187	\$516,237.48		\$12,905,937.00	\$2,581,187.40	\$0.00	\$0.00	\$0.00
CS44000194	\$7,988,800	\$1,597,760	\$319,552.00		\$7,988,800.00	\$1,597,760.00	\$0.00	\$0.00	\$0.00
CS44000195	\$8,254,100	\$1,650,820	\$330,164.00		\$8,254,100.00	\$1,650,820.00	\$0.00	\$0.00	\$0.00
CS44000196	\$13,547,500	\$2,709,500	\$541,900.00		\$13,547,500.00	\$2,709,500.00	\$0.00	\$0.00	\$0.00
CS44000197	\$4,127,100	\$825,420	\$165,084.00		\$4,127,100.00	\$825,420.00	\$0.00	\$0.00	\$0.00
CS44000198	\$9,033,100	\$1,806,620	\$361,324.00	\$361,324.00	\$9,033,100.00	\$1,806,620.00	\$0.00	\$0.00	\$0.00
CS44000199	\$9,033,800	\$1,806,760	\$361,352.00	\$361,352.00	\$9,033,800.00	\$1,806,760.00	\$0.00	\$0.00	\$0.00
CS44000100	\$9,002,900	\$1,800,580	\$360,116.00	\$360,116.00	\$9,002,900.00	\$1,800,580.00	\$0.00	\$0.00	\$0.00
CS44000101	\$8,921,900	\$1,784,380	\$356,876.00	\$356,876.00	\$8,921,900.00	\$1,784,380.00	\$0.00	\$0.00	\$0.00
CS44000102	\$8,942,000	\$1,788,400	\$357,680.00	\$357,680.00	\$8,942,000.00	\$1,788,400.00	\$0.00	\$0.00	\$0.00
CS44000103	\$8,883,300	\$1,776,660	\$355,332.00	\$355,332.00	\$8,883,300.00	\$1,776,660.00	\$0.00	\$0.00	\$0.00
CS44000104	\$8,888,700	\$1,777,740	\$355,548.00	\$355,548.00	\$8,888,700.00	\$1,777,740.00	\$0.00	\$0.00	\$0.00
CS44000105	\$7,208,600	\$1,441,720	\$288,344.00	\$288,344.00	\$0.00	\$0.00	\$7,208,600.00	\$1,441,720.00	\$8,650,320.00
TOTALS	\$156,943,040	\$31,388,623	\$6,277,721.60	\$2,796,572.00	\$149,734,440.00	\$29,946,902.60	\$7,208,600.00	\$1,441,720.00	\$8,650,320.00

TABLE 2

POINTS	COMMUNITY	PROJECT NAME	FY06 Estimated PPL COST (\$)	FY06 Project Cost (\$)	Funded with Available Cap Grant (LIST)	Funded with Available State Match (\$)	Funded with Repayment and/or Leveraged Funds (\$)
62	NBC	Cont. 302.06C Main Spine Tunnel *	173,000,000	20,917,201	720,860		20,196,341
60	NBC	Cont. 302.03RS - Resident Services for Phase I Construction*	30,250,000	2,350,000	720,860		1,629,140
60	NBC	Cont. 302.14C Tunnel Pump Station & Site 1 Fitout*	56,000,000	5,150,000	720,860		4,429,140
57	NBC	Cont. 807C Bucklin Point WWTF Improvements *	63,000,000	1,582,799	720,860		861,939
45	Warwick	Buttonwoods Sewers	3,200,000	3,200,000	836,198		2,363,802
45	Warwick	Capron Farms/Claypool Sewer Project	3,200,000	3,200,000	836,198		2,363,802
43	Warwick	Warwick Cove Phs. II-B Sewers	3,200,000	3,200,000	836,198		2,363,802
43	Warwick	Spinnaker Lane Sewer Project	500,000	1,000,000	836,198		163,802
34	Middletown	Wave Avenue Pump Station Upgrade	2,500,000	2,500,000			2,500,000
29	Middletown	Slate Hill Farm Subdivision Sewer Expansion	1,500,000	1,500,000			1,500,000
29	Warwick	Governor Francis Farms I Sewer Project	3,900,000	3,900,000	836,198		3,063,802
26	Middletown	Bailey Brook Interceptor Line - Relining	1,000,000	1,000,000			1,000,000
26	Warwick	Bayside-Longmeadow Sewers	3,900,000	500,000	144,172		355,828
26	West Warwick	Lower Maisie Quinn Interceptor (refinance)	8,350,000	7,719,000			7,719,000
23	Bristol	Final Landfill Closure (refinance)	1,500,000	1,650,000			1,650,000
21	Narragansett	Knowles Camp Sanitary Sewer	400,000	450,000			450,000
20	Narragansett	Town's Share of West Kingston/URI Landfill Closure	981,162	350,000			350,000
20	South Kingstown	Town's Share of West Kingston/URI Landfill Closure	990,000	950,000			950,000
19	Jamestown	Jamestown WWTF Improvements	2,000,000	2,000,000		720,860	1,279,140
19	Middletown	Birchwood Sewer Repair*	1,021,500	365,671			365,671
19	Warren	Sewer Rehab Contract 3	1,230,000	600,000			600,000
18	Bristol	Phs. I & II III Rehabilitation	1,200,000	1,200,000			1,200,000
17	Cranston	Plainfield Pike Sewer Upgrade	1,000,000	900,000		720,860	179,140
17	Middletown	Allston Ave Area (SSES Subarea I) Sewer Repair	300,000	300,000			300,000
17	Warren	Sewer Metering/Capacity Management	100,000	50,000			50,000
16	Middletown	Smythe Street Sewer Repair*	285,000	84,354			84,354
15	Middletown	Miantonomi Avenue Sewer Replacement	200,000	249,975			249,975
14	Bristol	Chlorine and DeChlorine Upgrade	250,000	250,000			250,000
12	Bristol	Compost Facility Maintenance Building	300,000	150,000			150,000
12	Bristol	Sludge Pump Replacement	125,000	125,000			125,000
12	Warren	Asylum Rd Pump Station Improvements	255,000	255,000			255,000
10	Bristol	Wet Well Sensors	30,000	30,000			30,000
9	Bristol	Pump Stations Submersible Pumps Upgrade	250,000	250,000			250,000
		**TOTAL Projects on Project Priority List FY06:	692,436,866	67,929,000	7,208,600	1,441,720	59,278,680

* Multi-year projects requiring a series of loan agreements

** All projects not shown. Projects shown are expected to be funded w/2005 Capitalization Grant