

ENVIRONMENTAL FINANCIAL ADVISORY BOARD ENVIRONMENTAL PROTECTION AGENCY

Webcast Meeting Agenda
Tuesday, October 18, 2011 at 1:00 p.m.

1:00 PM	Roll Call / Introductions Welcome and Opening Remarks	Brad Abelow, Chair Mike Shapiro, DFO
1:15 PM	Strengthened Role of Federal Advisory Committees at EPA Funding EPA's Priorities (FY 2012/2013)	Bob Perciasepe EPA, Deputy Administrator Barbara Bennett EPA, Chief Financial Officer
1:45 PM	<u>Work Groups Report Out</u> Financing Clean Air Technology Financing Tribal Environmental Programs	Sharon Dixon Peay, Chair Bill Cobb, Co- Chair
2:30 PM	BREAK	
2:45 PM	<u>Work Group Report Out</u> Financing Transit-Oriented Development	Phil Johnson, Chair
3:30 PM	Potential New Projects (Requests for Assistance from EPA)	Full Board Discussion
4:40 PM	Public Comment	Mike Shapiro (facilitate discussion)
4:45 PM	Next Steps and Closing Remarks	Brad Abelow Mike Shapiro
5:00 PM	ADJOURN	

EPA-190-S-11-005

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WELCOME

Mr. Mike Shapiro, EFAB (Environmental Financial Advisory Board) DFO (Designated Federal Official) welcomed committee members and opened the webcast meeting of the Environmental Financial Advisory Board. He reviewed the background information and biographical data that was distributed to all committee members, provided instructions for procedures in asking questions or clarifications and took the roll call.

ROLL CALL

Committee Members Present:

Mr. Bradley Abelow, Chair
Ms. Helen Akparanta
Mr. Gavin Clarkson
Mr. William Cobb
Mr. Eric Draper
Ms. Frances Dubrowski
Ms. Donna Ducharme
Mr. Rick Giardina
Ms. Ann Grodnik
Mr. Scott Haskins
Mr. Philip Johnson
Mr. Thomas Liu
Mr. Gregory Mason
Ms. Mathilde McLean
Ms. Lindene E. Patton
Ms. Sharon Dixon Peay
Mr. Tobias Rittner
Mr. Wayne Seaton
Ms. Blanca Surgeon
Ms. Leanne Tobias
Ms. Chiara Trabucchi
Ms. Cynthia Williams

Committee Members Absent:

Mr. James Gebhardt
Ms. Deborah Livesay
Ms. Karen Massey
Mr. Steve Thompson

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Expert Witnesses Present:

Ms. Angela Buzard
Ms. Sarah Diefendorf
Mr. David Eberle
Ms. Lauren Heberle
Ms. Heather Himmelberger
Mr. Jeff Hughes
Mr. Sam Merrill
Mr. Kevin O'Brien
Ms. Sara Pesek
Ms. Joanne Throwe

Expert Witnesses Absent:

Ms. Mary Belardo

Staff/Others Present:

Mr. Charles Bartsch
Ms. Barbara Bennett
Ms. Vanessa Bowie
Ms. Alecia Crichlow
Mr. Joseph Dillon
Ms. Susan Emerson
Mr. Charles Imohiosen
Mr. Timothy McProuty
Mr. Bob Perciasepe
Ms. Pamela Scott
Mr. Michael Shapiro (DFO)
Ms. Sandra Williams

Mr. Shapiro introduced Mr. Perciasepe, the Deputy Administrator for the EPA (Environmental Protection Agency) who had served as the assistant administrator of both the water and air programs. He advised that he had previously held positions in state and local government and the non-profit sector, had a distinguished career focused entirely on environmental protection and now played a key role at the EPA.

STRENGTHENED ROLE OF FEDERAL ADVISORY COMMITTEES AT EPA

Mr. Bob Perciasepe, EPA, Deputy Administrator

- Commented that he was very happy to be given the opportunity to speak.
- Noted how important it was for committee members to volunteer to assist the EPA and the federal government in having its mission enriched by their advice. Explained that the EPA had the responsibility of making many decisions and the agency's ability to deal with such issues was enhanced by the aggregate advice provided by the advisory committees.

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- Emphasized that most officials in Washington were informed about current issues and conditions across the country but they also wanted to have their knowledge base increased about important issues by members of the advisory committees as they were the most up-to-date sources with experts from academia, business, industry, local and state government, organizations and the financial and legal sectors.
- Expressed his appreciation and that of the EPA Administrator for the time that the committee members put into discussing the issues. Mentioned the importance of the diversity of the members on such committees and in obtaining a good cross-section of viewpoints from across the country.
- Commented on the agenda and noted an interest in the Tribal Environmental Programs because that was a large area for the EPA not just in statutory responsibility but in the broader trust responsibility as a part of the federal government.
- Added that the Clean Air Technology Program was also important and noted the close relationship between the EPA and technology development in the United States. Stated that there had been great strides in technology due to the programs at the EPA striving for a cleaner environment and the new laws enacted which the EPA was entrusted to implement. Noted that programs instituted to improve the environment created a more competitive spirit which often improved technology further and encouraged innovation.
- Discussed the issue of clean air and improvements being instituted in technology today and compared it with the late 70s when he first became involved in environmental issues. Felt at that time that it would not be possible to improve conditions where public health could be beneficially impacted. Noted that he often brought up that experience to people who felt that the daunting challenge of dealing with greenhouse gases might never be overcome. Added that in the 70s when the Clean Air Act was enacted most people did not understand how they would achieve those targets. Added now that there was a new level of technology with the automobile industry which was promising near-zero emissions for internal combustion engines.
- Noted the importance and the challenge of sustainable communities for the EPA and what their role would be. Stated that the EPA believed that healthy and clean communities were essential and noted the added financial benefits of having a sustainable community.
- Thanked Mr. Abelow and Mr. Shapiro for their leadership for the committee. Recognized and welcomed the new members of the committee including Ms. Helen Akparanta, Mr. Gavin Clarkson, Ms. Frances Dubrowski, Ms. Donna Ducharme, Mr. Rick Giardina, Mr. Tobias Rittner, Mr. Wayne Seaton, Ms. Blanca Surgeon and Ms. Cynthia Williams.
- Stated that the United States had many challenges on a host of fronts and balancing environmental and public health issues with financial and economic issues was at the center of some of the debates

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taking place in the country at present and would be playing out intensely against the next election cycle.

FUNDING EPA'S PRIORITIES (FY2012/2013)

Ms. Barbara Bennett, EPA, Chief Financial Officer

- Thanked the committee for the opportunity to speak and thanked the new members for joining the Board.
- Stated that when she met with the Board in March the discussion centered on the budget and the outlook for the fiscal year and the difficult choices the agency would be faced with while they maintained their fundamental mission of protecting human health and the environment.
- Noted that they now have had to adapt to increasing budgetary constraints while continuing to invest in environmental priorities and striving to make their operations more efficient and effective.
- Stated that in the EPA's 2011 budget there was a significant reduction in travel and noted the appreciation of the EPA in doing the pilot Webinar for the meeting. Noted that it gave them the opportunity to try something new which was very helpful notwithstanding the few technical difficulties. Commented that there were many departments and agencies in the government that were considering the environmental and financial advantages of having webinars. Noted that they hoped to be a leader in conducting such webinars.
- Confirmed that the agency was cognizant of the importance of continuing the work of the EFAB. Noted that the advice of a financial advisory board could be especially helpful during times of budgetary constraints.
- Mentioned Mr. Perciasepe's comments about making use of advisory boards and advised that she had instructed her senior level managers to identify major policy issues involving administrative priorities where EFAB could provide financially-related assistance. Stated that she was pleased that in response to the request that EFAB had received several potential issues from headquarters and regional programs that would be discussed at the meeting.
- Discussed the budget:
 - She said that she would like to discuss some of the fiscal realities that they were facing in 2012 and provide them with some information on the outlook for 2013.
 - For 2012 they are currently operating under a continuing resolution that specifies budget levels of 1.5 percent below the 2011 operating plan level. The CR expires on November 18th.

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- The 2012 President's Budget request was approximately \$9 billion which was a slight increase over 2011's enacted budget.
- There are some significant increases in the 2012 budget in the President's Budget request as compared to the 2011 enacted budget which included an additional \$70 million for state and local air quality management grants, \$55 million for state revolving funds and \$50 million for Great Lakes.
- Some of the significant decreases in the 2012 President's Budget compared to the 2011 enacted level include a decrease of \$50 million for DERA Grants and \$42 million for Superfund cleanup.
- In July the House Appropriations Sub-Committee markup allocated \$7.1 billion for the agency, \$1.8 billion less than the President's Budget for 2012 and \$1.5 billion less than the 2011 enacted budget. She advised that the House marked up the Appropriations Bill prior to the debt deal.
- She said that the Senate Appropriations Committee just posted its draft of the 2012 budget numbers for the Agency over the past weekend. The Senate draft budget provides \$8.62 billion for the EPA which is \$62 million below the 2011 enacted level and \$353 million below the 2012 President's Budget.
- The draft includes a \$34 million rescission of unobligated balances in STAG (State and Tribal Assistance Grants) and Superfund accounts and she added that this was different than what they had in 2011.
- She stated that regardless of the final levels for FY 2012, a smaller overall EPA budget was to be expected compared to 2011.
- Discussed the 2013 budget:
 - The budget for 2013 does not appear to be much brighter at the current time.
 - The OMB (Office of Management and Budget) directed every agency's 2013 submission to be 5 percent below its 2011 enacted budgets and to identify additional funding reductions that would result in a request of 10 percent below their 2011 enacted levels.
 - She noted that more details could not be given on the 2013 budget as it did not become public until the president released it to the Congress in February.
 - Considering the tight budgets ahead she noted that the EPA would be making an effort to prioritize and to identify efficiencies and to seek innovative cost-effective strategies.
- Thanked the Board and noted that the EPA appreciated their diverse expertise and perspectives.

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- Noted that the EPA looked forward to continuing to receive their advice on innovative financing and capital investment approaches and to assist the EPA and its partners in addressing their many environmental challenges.

Mr. Shapiro thanked Ms. Bennett and asked Mr. Abelow if he would like to take the opportunity to make any opening remarks.

OPENING REMARKS

Mr. Bradley Abelow, *Chair*

- Thanked both Mr. Perciasepe and Ms. Bennett for their comments and stated that he would like to turn over the duties of the Chair to Mr. Shapiro as it was more practical as it was a webinar format.
- Thanked all the members of EFAB for taking part in the first Webinar and considering the remarks of Ms. Bennett regarding the financial benefits, thought it would be beneficial to try to make technology work for them as an organization. Thought they would try to limit their 'in person' meetings to one in 2011.
- Welcomed the new members to EFAB and noted he looked forward to meeting them in person at the next meeting.

WORK GROUPS REPORT OUT – FINANCING TRIBAL ENVIRONMENTAL PROGRAM

Mr. William Cobb, *Member, Tribal Environmental Program Work Group*

- Stated that the working group recognized that their Chair was not in attendance due to pressing personal matters.
- Noted that the working group had three new members taking part.
- Reviewed the charge they received from the EPA:
 - It focuses on sustained financing for environmental programs. He noted there had been some discussion about the meaning of that including aspects of projects but confirmed the real focus was sustaining environmental programs.
 - He stated that with environmental programs they asked what would the driver be for a tribe to have an environmental program in the first place. They looked at a spectrum of programs and added that there was a huge range from non-existent to highly sophisticated with the Navajo Tribe. They felt that there had to be a nexus between the economic activity and environmental programs. He explained that a water program would not be needed if there was no water nexus either in the form of a water supply or waste water treatment.

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- He commented on the issue of how tribes could build today on funding that they received from the federal government and how could capacity be improved. In addition they were concerned with how that capacity could be sustained over time. They considered this an important point in that it was fairly simple to start the funding and build capacity but with some mechanism absent, the sustaining element may not continue.
- Discussed the three elements the working group engaged in and the first would be the identification and nomination of tribes:
 - To participate in a survey that would generate information for case studies. The intent would be that the case studies represent points across the spectrum.
 - There is a listing of tribes nominated to date and they are still in the process of gathering nominations. Members are encouraged to submit names as the participation has been limited in terms of ideas.
 - He noted that Ms. Diefendorf did a review of the breakdown of tribes by region and this showed that once Alaska is taken out there is a heavily disproportionate number of tribes from the West so the original idea of trying to have equal distribution across all EPA regions may not be appropriate.
- Discussed the second element which was the development of draft survey questions:
 - The survey questions are intended to form the basis of a gathering of information with the question asked, what are the programs? He noted the reply would have the end result of being an illustration of the spectrum of programs out there.
 - They want to ask how those programs are tied to economic development activities. He mentioned that they were wary in initial conversations about the influence of casino revenue. He mentioned that Ms. Diefendorf did a review of the casino density across the tribal populations. They were surprised to see a high percentage of tribes have casino revenue so their ability to factor out casino revenue would probably not work, and this prevalence would have to be taken into account.
 - He noted that they were also looking for other economic development programs that might exist. They are interested in determining what the specific components for funding are that they have today with a view to seeing all elements of the funding issue. They want a high level of detail to make recommendations about shifting the distribution within the tribe or alternatively find opportunities to increase the size of the funding opportunities.
 - They also want the tribes to articulate what types of unique barriers they face which could be removed to improve the opportunities for them in the financing arena.

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- Discussed the third element which is selection criteria:
 - He said they would not review this in detail but they had tried to flesh it out a bit more.
 - He said that they would be reverse engineering it a bit and try to think about what buckets their conclusions would fit into and whether that would be along the lines of dealing with constraints, improving the size of funding or thinking creatively about other options. He added that they were also considering how they would frame the recommendations.
- Discussed their next steps:
 - They need some additional recommendations out of the working group on tribes for them to look at for the case studies.
 - They would then have to work with the EPA to finalize the questions and talk about the process of contacting the tribes.
 - One important aspect came up repeatedly during discussions of the working group was the need to present the information request in a manner that is respectful of tribal sovereign status and based on the goal of building tribal capacity for self-direction of environmental programs where appropriate.
 - He stated that another issue that had to be discussed was the creation of a workforce to get the survey work done, possibly using some interns for this purpose.
 - He noted that the combination of how they go about it and who would carry it out is going to affect the timeframe going forward for the working group.
 - He did note that for their working group the lack of face-to-face time among the group has been a challenge and they were looking at ideas of how they could get together and accelerate the process.

COMMITTEE DISCUSSION

Mr. Abelow commented that the area of focus for the working group seemed to be of greater and greater interest to the agency so he thought that it was important to maintain an ongoing dialogue of information and ideas between the agency and the working group.

Ms. Dubrowski noted that as a new member that she appreciated Mr. Cobb's concise summary and she considered it an important project to be assigned to work on.

Ms. Tobias commented that the summary was terrific and a lot of care was put into the identification of the tribes. She asked whether, as they were refining the survey form, would they consider closed-in questions to make some of the data easier to answer. She also asked if they could investigate online

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responses such as SurveyMonkey which did not cost a lot and might make it easier to collect the information if the tribes considered it appropriate.

Mr. Shapiro commented that the working group might be aware of this but there were restrictions under federal law as to how many people they could contact and ask similar questions without tripping certain requirements. He thought they might be aware of this but he thought in part it might cause there to be some limitations in the study design. Mr. Shapiro asked about the request for assistance and the question of engaging interns as the collection of data was a critical part of the exercise.

Mr. Clarkson stated that barring the interns the Mashantucket American Indians have their Mashantucket Pequot Museum and Research Center and he did not know their policy with working with outside parties doing surveys but he felt it was within their area and might be a possibility. He also noted that he knew both the Executive and Deputy Executive there if that was helpful.

WORK GROUPS REPORT OUT – FINANCING CLEAN AIR TECHNOLOGY

Ms. Sharon Dixon Peay, *Chair*

- Stated that she wanted to review the work of the group to date and would end dealing with next steps.
- Noted that after meeting with the EPA and reviewing their work with the promulgation of the rules and the subsequent delay, they attempted to narrow the scope of the work to respond to specific requests that the EPA made with regard to the industries impacted by the rules.
- Stated that the whole point of that was that they needed to determine what the needs of the industries were so they would better be able to shape effective incentives and would encourage them to move to more advanced technologies or cleaner technologies.
- Explained that the group spent time considering the best way to review the industries and to determine important points of information that would be helpful to the EPA, particularly in their coordination with the DOE (Department of Energy) that would be engaged in outreach activities with various industries across the country as those industries moved to compliance.
- Noted that there had been some changes due to the timing of the rules in addition to changes in the rules as well.
- Stated that as a group they considered it an opportune time to summarize the observations made to date in looking at the industries and to bring together some thoughts about the overall process of developing incentives and helping industries go to cleaner technologies.
- Noted that the group had drafted a letter that had summarized the work of EFAB work to date and set up the prospect of further meetings with the EPA to determine the next steps.

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Ms. Bowie noted that the working group had attached a draft letter for which they had requested the full board's review and comment. She asked the board members if any had comments on the draft. She stated that subsequent to the webcast meeting members could also email comments directly to Ms. Dixon Peay, the Chair. She also added that they would like to finalize the letter within the next few weeks and forward it to the EPA.

Mr. Shapiro indicated that comments should come at least seven days from October 18, 2011. He stated that immediate comments could be made by members during committee discussion.

COMMITTEE DISCUSSION

Ms. Dixon Peay asked that if members had substantive comments she would suggest that they try to submit the comments earlier than later. It was also noted that there were comments from Ms. Leanne Tobias that did not make it into the current version of the letter.

Mr. Cobb stated that he would provide some comments within the next couple of days. Mr. Haskins noted that he appreciated the work of the group. Ms. Tobias noted that she would be sending in a couple of minor wording suggestions by email. Ms. Trabucchi thanked them for the summary and stated that she would be sending them some comments via email.

Mr. Shapiro noted that any comments should be submitted in writing within seven days to Ms. Dixon Peay and Ms. Scott.

WORK GROUPS REPORT OUT – FINANCING TRANSIT-ORIENTED DEVELOPMENT

Mr. Philip Johnson, *Chair*

- Thanked the committee members for their work during conference calls and other discussions. Noted that he was looking forward to working together with the new members.
- Reviewed the charge given to the working group from the EPA:
 - The EPA charged EFAB to develop and describe four new, innovative models that could be used to finance Transit-Oriented Development (TOD) infrastructure.
 - The EFAB may create the new models by building off existing approaches already used by capital markets and public funding means.
 - The new models would address scenarios based on particular infrastructure needs and market factors.

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- At least one model should address each of the following scenarios: TOD (transit-oriented development) at a single existing station; TOD at a single planned station; TOD along an existing, multiple-stations transit line; and TOD along a planned, multiple-stations transit line.
- Within the parameters of the charge EFAB has been asked to describe public, private, and/or public-private entities or what would be best suited for the financial models.
- EFAB should note that any conflict with federal funding criteria or whether the models may be used with such funding opportunities.
- EFAB should note any models that might require state legislation or enabling legislation.
- The charge could be deemed a success if the new models are considered acceptable options to the greater financial community for possible implementation.
- Stated that the committee looked at the charge in the context of transit-oriented development and also from the perspective of sustainable communities.
- Noted that their approach would be to first address the specifics of the charge but looking at TOD within the overall context of sustainable communities and particularly the role of the EPA in sustainable communities as well as how the financing and funding priorities of the EPA would relate to sustainable communities over the next few years.
- Commented on the funding constraints being experienced by the EPA and noted that state and local governments were experiencing a similar situation. Noted that this complicated TOD.
- Noted that TOD brought with it a number of other issues and therefore TOD could take various forms in different communities.
- Stated that in the context of sustainable communities the group was trying to determine how they might address the charge and then find ways TOD could fit within the overall issue of sustainable communities together and in conjunction with the EPA, its role and funding priorities.
- Commented that concentrating dense development around transit stops to create nodes of dense, mixed-use neighborhoods required intensive use and a different placement of traditional infrastructure than would normally be needed for a typical suburban automobile-oriented development. Added that within an urban environment a core infrastructure needed to include the assembling and holding of land, the provision of parking, road, utilities, and bike/pedestrian access.
- Noted that in the context of sustainable communities they were looking at the issue of the density development that would occur around transit stations. Noted that several federal agencies such as the Sustainable Task Force, the Department of Transportation and the Department of Housing and Community Development would all play a role in providing the resources in order to bring about TOD infrastructure financing in sustainable communities. Said some of the issues that they needed

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to address were looking at funding priorities of the DOT and looking at various ways and formulas of how funding was made available.

- Discussed the EPA's Smart Growth Implementation Assistance Program (SGIA) and its main focal points within their charge which included the development of model financing strategies for infrastructure investments located around TOD and the creation of an infrastructure financing toolkit. Commented on the ways that the SGIA could be adapted to unique communities.
- Discussed the group's concept of a workshop based on TOD. Described the aims of the workshop which included bringing together practitioners from across the United States who were engaged in TOD at a high level. Noted that the participants were known for their creativity in design, financing and how TOD was incorporated with surrounding sustainable communities. The workshop would encourage a discussion with these leaders in TOD to determine where they are today given the nation's economic challenges after which a more in-depth study could be done for each of the specific cities to assist in the further development of workable models.

COMMITTEE DISCUSSION

Mr. Shapiro asked if Mr. Johnson had been working with the Office of Sustainable Communities on the development of the workshop. Mr. Johnson responded yes and this was continuing on an ongoing basis.

Mr. Mason asked for specifics on the workshop location etc. He said he was reflecting on the 2007 workshop that was held in Atlanta and then EFAB had a meeting shortly after or in conjunction with it and noted a lot of legwork was required to make it happen. He said he would call Mr. Johnson offline.

Mr. Haskins noted that he was impressed with the breadth and scope of the effort and he considered it an important topic and he thought the workshop approach to developing the ideas and models was interesting. He thought putting boundaries around the scope of the effort would also be important as it was starting from a broad base. He thought they should monitor the timeline for the project. He thought the project sounded great and he was interested in participating.

Ms. Grodnik said she was also interested in boundaries for the workshop to be certain that they would be answering the questions that were originally asked of them in the charge. She thought it would be a very interesting conversation.

Mr. Giardina thanked Mr. Johnson for the briefing. He noted that as a new member of the board in the working group he was anxious to learn more about the particular topic and participate as they would go forward. He noted that he had a better understanding of what the charge was and noted that he looked forward to working with everyone on the working group.

Ms. Ducharme noted that she was on the working group. She noted that she liked the ideas but she thought they should be careful to respond to the questions in the charge.

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Ms. Dubrowski thought the workshop approach looked very interesting from the point of view of obtaining feedback beyond EFAB. She asked if they would be able to do this with constraints on travel funding. Ms. Bowie responded that they had discussed this with the Office of Policy and they were thinking of having a planning visit in conjunction with the March 2012 meeting. She added that it could then coincide with the March meeting which would therefore limit travel expenditures.

Mr. Cobb thought the idea was fantastic. He noted that even though he was not in that working group the agenda was excellent and he would certainly attend. He thought as far as funding was concerned for that kind of a workshop that most of the people associated with the topic would probably pay enough to cover its costs. He thought that they should try to ensure some minimal amount of funding to ensure that the workshop took place as it was well organized, diverse and had a good selection of case studies.

Mr. Eberle complimented Mr. Johnson on giving a great summary on a complex topic. He said that he had discussed the issues with federal and state government but neglected to remind the group that the private sector was in equal chaos with regard to financing real estate development. He said his comment on funding priorities particularly the EPA working to shape DOT funding requirements was on target. He noted that he was assigned a task on the workshop and confirmed he would be delighted to do that. He said he currently sits on the city council on Boise, Idaho and they are currently in the middle of a debate for mid-size cities. He thought that for each of their states they should look at the kinds of financial mechanisms that might be adapted to help develop private/public partnerships on a local basis. He gave an example of a model they had adapted and its problematic issues. He thought the workshop was a great idea.

Mr. Shapiro thought the workshop was a great idea especially if it could assist the working group focus its efforts. He said that if they wanted to do the workshop in conjunction with the March meeting then they should start to organize and block in dates as soon as possible.

Mr. McProuty who worked with Mr. Johnson stated it was his hope that within the next four to five weeks that they would have another conference call to bring the new members joining the working group up to speed and to have an extended discussion on the issues that Mr. Shapiro was talking about so they could progress with their work.

Mr. Shapiro thanked the three groups and stated that they had all worked hard beginning from a broad base to develop specific areas of focus and thereby provide valuable advice. He thanked them for their work in moving the projects forward.

BREAK

The Environmental Financial Advisory Board recessed for a 20-minute break.

POTENTIAL NEW PROJECTS (REQUESTS FOR ASSISTANCE FROM EPA)

Full Board Discussion

Mr. Shapiro described the processes:

- Noted that the materials they received before the meeting included a total of nine proposals, eight were available a week before and the ninth had just been received. He said that they did have an opportunity to solicit some feedback from members of EFAB, from ranking projects, general comments on individual projects and questions.
- Added that they included the feedback within the summary which was titled, Summary of Project Review and Comments.
- Said that the potential charge for a project dealing with the financing of infrastructure was on a separate sheet.
- Discussed the documented timing criteria for projects which summarized some high-level criteria that EFAB used in helping to choose projects.
- Listed the criteria used for projects:
 - Does it fit with EPA goals and priorities?
 - Is there a client? Either a. EPA or b. EPA partner (eg. state/local government)
 - Is the project within the Board's capability?
 - Can the project be completed in one year?
 - Are specific recommendations likely?
 - Is there interest and support within the Board for this project?
 - Is there a need?
- Asked the members to keep these criteria in mind.
- Noted that there was a question of how much work EFAB could take on at one time. Noted that he thought they could not take on nine new projects with the three ongoing projects. Stated that even if the nine proposals were extremely good they had to set priorities.
- Stated that they had three ongoing projects that the members had heard about during the meeting and he noted that judging by the report outs he did not think any of them would be completed at an early date.

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- Stated that given the capacity of EFAB and the supporting staff that at any one point in time six to seven projects might be a maximum total to administer. Added that with three ongoing projects they would be looking to add perhaps three or four of the proposals.
- Commented on one of the proposals from Region 8, on page 2 of Table – Project Review and Comments, The Financial Sustainability of Tribal Environmental Infrastructure. Said that several members of the Board noted in their comments that it was closely related to the existing project on the Financial Sustainability of Tribal Environmental Programs. Noted that it dealt more with projects than programs but shared many of the same issues. Stated that they might want to consider, as they begin the comment stage, to decide whether that proposal ought to be considered within the portfolio of the existing tribal work group or separately.
- Noted that in keeping with their interest in making sure that the EFAB portfolio reflected a variety of programs and areas of interest across the agency and thought they should select a group of projects that represented the spectrum of interests across the EPA.
- Asked if the parties who had proposed the green infrastructure charge would be available on the phone to discuss the proposal. Noted that Mr. Charles Imohiosen from the Administrator's Office was on the phone and one of his portfolios was promoting investment in environmental and sustainable activities. Noted that there were two collaborators, Mr. Charles Imohiosen and Mr. Charles Bartsch, Senior Advisor for Economic Development in the Office of Solid Waste and Emergency Response. Stated that Mr. Bartsch headed the Green Infrastructure Work Group Sub-Committee on Financing. Commented that Mr. Bartsch would be providing details on the proposal and he stated as follows:
 - They wanted to figure out some ways in which they could expand financing options for green infrastructure.
 - This included a full range of green infrastructure options.
 - They wanted to have EFAB consider four questions:
 - The first question dealing with municipal debt financing is a key factor. He said that they had heard there were a number of barriers in the debt financing market that would inhibit the advancement of green infrastructure primarily due to the perceived risks associated with it. Would bonds work on private property, and are the technical standards or the mechanics of green infrastructure understood sufficiently by the bond market so they would be willing to take on the risk and are there a lot of perceptual challenges? He said they are trying to determine if the barriers are real or perceived. They want to find out in the context of CSO compliance projects situations where green infrastructure could play a small but key role in a larger project.

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- The second question focuses on federal financing opportunities. He noted that there are a number of federal financing tools out there such as development programs, tax incentives, small business incentives and while they do not use the term green infrastructure they clearly present programs that support a green infrastructure financing strategy. A preliminary list of programs such as block grants, USDA (United States Department of Agriculture) rural development programs etc. is attached to the charge. They tried to determine if there were barriers in using some of the financing programs. For example is the HUD block grant requirement that 70 percent of the money go to assist low and moderate income people a barrier in deploying that tool? They are also trying to see if barriers have been inadvertently created by policies or rules.
- The third question concerned redevelopment like Smart Growth or implementation projects and he noted that environmental insurance has played an important role in the past helping to deal with risk. Due to market conditions some of these types of tools are not being used. Environmental insurance is an important option in mitigating some of the green infrastructure technology risk. They want to know if there are insurance products out there that still could be used.
- The fourth question that is being asked is are there other private sector tools out there that could be tapped to deal with environmental risk that might be used and viewed as a good integral infrastructure strategy. Considering all these questions they are interested to know if there are variations in project ownership. Do publicly-owned projects have a different track record or more success in obtaining environmental insurance or accessing some of the other tools than privately-owned projects?

Mr. Imohiosen made additional comments:

- Noted that they were envisioning and hoping the Board would take on this project and they hoped that they would consider the four questions but also that the questions would stimulate further thought on a broader set of issues they faced dealing with green infrastructure financing. Stated that they were open to modification of the charge to facilitate receiving a timely response.
- Mentioned municipal debt financing as a priority financing source and noted that one of the issues that was important to have would be a revenue stream for any type of debt issuance. Noted that part of the challenge was that not every jurisdiction may be authorized to collect fees. Added that other solutions would be going through a legislative process if that would be necessary, but that EPA would prefer that EFAB focus on administrative solutions under current law at this point, should EFAB decide to accept the charge.
- Stated that one of the key things that EPA would like to be able to do as it expand focus on green infrastructure would be to look at infrastructure solutions in the context of consent decrees or

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permitting options. Added that they wanted to be able to know if there were specific inputs needed in order to be able to effectively model the financing solutions.

Mr. Bartsch commented further:

- Stated that they thought there were some opportunities in a number of communities for green infrastructure strategies to take hold, perhaps soon. Noted that in the charge they asked if they could have some of the questions answered within six months, and he emphasized that we recognized doing so would entail some research, and incorporating this time frame therefore meant that a response would not be completely comprehensive. But they would like to obtain as much information as possible within that time frame to help support and nurture emerging efforts, to provide necessary information for green infrastructure activities to advance, and also to inform future charges.

COMMITTEE DISCUSSION

Ms. Patton commented that she hoped that they could modify the charge slightly to mandate that if they move forward with it that they review work that had been done by others. She noted that a huge amount of work was done and was noted in the annual report of the Association of Structural Engineers concerning infrastructure as well as a body of work done by the World Economic Forum. She added that there was also work done in evaluating green infrastructure by regional and other groups and noted that she did not want to waste precious resources they had and re-invent that.

She made a second point in that they should have a realistic expectation for insurance. She added that insurance had worked in the context of Brownfield and other pollution management areas because the subject damages were bodily injury and property damage. She explained that generally when you have economic damages those would be often directly bodily injury or property damage when they are on the basis of calculation. She added that in the context of green infrastructure the type of damages that people would be concerned about would be pure economic damages so the kinds of tools were different. She said that if they were thinking about insurance to guarantee income that would not happen. She explained that they could do unique things with weather derivatives, sunshine derivatives or a radiated derivative where you could define a fortuitous event. She sought to clarify this as when Board members were evaluating their capacity to do this they recognize that this would be primarily an alternative financing tool activity and no magic bullet in insurance.

Ms. Tobias commented that it was a good area of inquiry and she thought that the charge should be refined to make sure that it was sufficiently targeted so they obtained good results. She thought there was an area of overlap with the working group that Mr. Johnson was chairing. She said Mr. Johnson was looking at transit-oriented infrastructure and there might be some parallel issues with the charge. She wondered if they should both be folded into the same group or minimize the opportunities to cross-pollinate between the two groups.

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Ms. McLean stated, following on the comments of Ms. Tobias that she did not believe that there was much overlap with TOD based on her experience working with green infrastructure financing in New York. She commented on the differences between public and private property and financing green infrastructure and the legal implications that could arise. She thought that their solution should be able to work for multiple types of property.

Ms. Dixon Peay commented that keeping within that six-month timeframe was important as she had had experience with researching programs and they were finding that many programs were in the process of being fleshed out and therefore taking any action involved acting quickly to take advantage of new initiatives in the energy efficiency area.

Mr. Haskins complimented them on explaining their charge. He thought that the idea was that within a period of six months they should identify an achievable scope. He noted that there could be some follow-up work in a subsequent study after the first six-month effort.

Mr. Clarkson noted that there was a conversation about tribal projects that crossed over to municipal debt financing part of the charge and he said that there were a number of tribes that were trying to finance green infrastructure. He said that they were running into problems with regard to a statute that limited and restricted what tribes could finance and what was tax exempt on, to only those that were "essential government functions". He added that there had been a lot of ambiguity and lack of clarity from the Department of Treasury (DOT) and the Internal Revenue Service (IRS) about what that actually meant. He gave an example of a tribe that wanted to create a large project than was necessary to meet the needs of the tribe and that would have given them economies of scale and where they could have offloaded the costs to the surrounding community in the form of shared revenues and the IRS said it was too commercial. He added that those types of problems are a barrier to tribes that are trying to finance green infrastructure.

Mr. Shapiro noted that they would not have time to give the other projects similar time but they wanted to allocate some time to discussion with regard to this project. He thanked Mr. Bartsch for his time.

Mr. Shapiro noted the following:

- Said that he had reviewed some of the comments with regard to the other projects as well as discussions within the EPA.
- Stated that he would suggest some areas of focus that he would consider a reasonable portfolio and noted that he did not intend his comments to be taken as a last word but as a means to expedite the discussion:
 - He suggested that the tribal infrastructure piece be considered by the existing tribal working group as a potential addition or element of their portfolio.

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- He suggested the energy efficiency proposal from Region 1, the first project on page 1. He noted the importance of having diversity in the portfolio and thought that Region 1 had considered the issue of energy efficiency and how to stimulate investments in energy efficiency so he considered that this would be a good client to work with.
- He stated that the second would be the green infrastructure proposal that they had just heard and he noted that there was a great deal of interest in the area across the agency.
- The third would be drinking water pricing and infrastructure investments, listed on page 3. He felt that it dealt with the important issue of financial constraints with revenues for supporting water infrastructure and the priorities to achieving greater efficiency. He said it was ranked high by a number of members.
- He thought that would constitute a full agenda but noted if he was going to add one more it would be the ORD proposal for innovative, for helping think through some of the venture capital financing associated with the water cluster, in part, he thought because it built on the financing technology theme. He would consider that a fourth project although that might be too much but he thought it might reflect a clear priority for the agency.

COMMITTEE DISCUSSION

Mr. Shapiro stated that for the discussion rather than use the roll call list to solicit comments would just let members contribute as he thought it stimulated a better discussion.

Ms. Dubrowski thanked Mr. Shapiro for pointing them in that direction. She thought the energy efficiency project with municipalities would be critical especially considering the cutbacks in state and local funding so she thought that should be a high priority. She said that with regard to the tribal project she thought it made sense to fold that into the existing examination. That said, she acknowledged that the existing working group was in the process of trying to collect a large amount of information with already existing limits on the number of questions they could ask so if the new project was folded in she suggested that it be done with the understanding that the committee would explore how far they actually could get into the additional questions posed and, at the conclusion of the project, revisit the question of whether additional examination was needed. Mr. Shapiro agreed and said that the EPA and the USDA had accumulated a lot of information on tribal infrastructure and there might be some that they could draw upon.

Ms. Patton commented on the water financing and she thought they should look at what was out there, what had been done in Las Vegas and broadly in Nevada and contrast that with what had been done in California. She questioned the framing of the proposal. She said by defining per capita it suggested two things: a lack of focus on the fact that they had an increase and not a decline in population, and an implied a focus on individual rate payers. She thought the solutions were really re-distributing costs. She said in Nevada it was not a structure that focused on individual rate-payers. It changed the rate for

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commercial institutions. She wanted to know what the agency was asking for in terms of exploring those structures. Mr. Shapiro thought some of those issues could be worked out in developing the full scope. He acknowledged her comment about the decline in the population but said that the toughest challenges were in small, medium and more rural communities that had declining populations. He said this concerned people in the drinking water community because those are communities that were challenged by both aging infrastructure and demands of new regulatory requirements.

Mr. Cobb noted that it would be a two-part charge and the survey was structured and had constraints. He thought the group could take on the second proposal but it would have to be a two-part charge run on separate tracks. He thought the framing was important with regard to the energy efficiency project.

Mr. Johnson commented about the energy efficiency and the municipalities which he thought had some real potential. He stated that his company was involved with an energy efficiency project in Washington where the city council had created what was called a sustainable energy utility and the funding was coming from a small charge on utility bills so each citizen was providing dollars to the sustainable energy utility. He described what his company was doing to conserve energy in the city. He stated that some municipalities had found a way to cover the sustainable source of income to make it happen.

Mr. Haskins said that he agreed with the priorities and the pricing issue was important. He said there was a complementary effort and research project that Mr. Hughes was involved in that he thought he might mention. He suggested that in connection with the green infrastructure project that there was a lot of information available and there were some parallel research efforts, one of pricing in particular for water infrastructure that the Research Foundation was involved in so he suggested screening the marketplace to ensure there was no duplication of effort.

Mr. Giardina said that he liked the prioritization especially the program on drinking water pricing infrastructure. He said that if the issue was water then just pricing. He thought the issue in the industry was one of revenue stability driven by a number of factors influencing per capita water use. He echoed the remarks of Mr. Haskins and said they should look across the horizon at existing research efforts. He thought they were talking about a variety of potential solutions beyond pricing that had to do with rate design, a better alignment of fixed costs for utility providers with fixed revenues and financial policies. He thought it was a topic that was on the radar for utility companies across the country. He thought that they should look at research and consider partnering with others.

Ms. Ducharme thought that the cluster proposal was something to consider in the future. She thought that the nexus between environmental issues and economic development would be fruitful.

Mr. Liu stated that he appreciated the comments regarding the framing of the charge. He thought the three chosen proposals made a lot of sense and he thought it was a good idea to get the insights of the EPA in terms of what was important to the administrator. He brought up one of the proposals submitted by the Office of Water and thought if they were going to accept a fourth charge that this might be a good one to consider.

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Ms. Dixon Peay agreed with previous comments and wanted to add her voice too concerning Mr. Liu's comments about the item regarding federal water and financing approaches. She thought it was very timely. Regarding the tribal group she thought that there was enough differentiation between the current and new charge that if the group took over the second charge as well that there should be two tracks.

Mr. Hughes said that they would be particularly interested in integrating a major applied research project that they are just starting with the Water Research Foundation specifically on addressing the revenue caps and shortfalls linked to a variety of factors including usage and economic issues. He noted that he facilitated a workshop forum for the Water Research Foundation during the summer with about 20 CFOs and put the results of that into a Water Research Foundation publication. He said their new project would begin from there and they did have some vision about pricing the impact on capital investment options. Mr. Shapiro acknowledged that the two areas sounded closely related.

Mr. Shapiro reviewed the situation regarding the working groups:

- Stated that one way he was thinking about the projects was that they had three ongoing projects and most of the board members were on one or more groups.
- Noted that for each of the new projects they would accept for the future they would have to form a working group and he added that members should have an interest in that area.
- Asked the members to comment if they were interested in specific projects and explained why he would like their reactions so he could see the level of their enthusiasm.

Mr. Mason stated that he was interested in the infrastructure bank concept which he said was timely.

Mr. Abelow said he found it complicated because they all had their priorities although they came to the right question at the end about their capacity and he said that he was not sure how they would resolve that. Mr. Shapiro agreed that the toughest challenge was capacity and staffing issues.

Mr. Shapiro said they would try for the three projects plus the tribal but allow members over the next week or so to provide additional comments regarding the issue of capacity for the group as well as the staffing it entailed. He asked for the views of Ms. Bowie to see what could be supported with their infrastructure. He said they would try for the three plus the tribal but allow members over the next week to provide any additional comments if they did want to add one more. He said there seemed to be some consolidation around the infrastructure bank opportunity. He asked members who were interested in that to let them know. Mr. Shapiro asked Ms. Bowie how they should proceed following that week. He asked if they should circulate a formal proposal to the EFAB members as to where they saw the priorities coming out and then solicit interested participation.

Ms. Bowie responded yes, participation and leadership for a working group Chair.

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A staff member suggested participation for the three additional projects. He also suggested as a part of that process they could review the comments and interest and possibly consider a fourth charge which would either be the technology cluster or the infrastructure banking.

Mr. Shapiro confirmed that they would solicit interest in three that were discussed plus the tribal one. Once they saw what people were committed to they would solicit interest in the potential fourth project. He said the first request would go out by the end of the week with a week's turnaround and then they would follow up with the additional group request. Mr. Shapiro thanked everyone concerned with preparing supporting documentation for the meeting.

PUBLIC COMMENT

Mr. Shapiro asked if there were members of the public on the call as this was their opportunity to speak.

Mr. Shapiro confirmed that there were no public comments.

NEXT STEPS AND CLOSING REMARKS

Mr. Abelow discussed the new format of the meeting, i.e. using the webcast meeting and asked for feedback on this. He noted his appreciation and thanked everyone for their patience in dealing with the new format.

Mr. Shapiro said that as the DFO he thanked everyone for their patience and willingness to work considering some of the technology limitations. He thought it was a very productive discussion. He thanked the staff and new members and noted that they would all meet in March.

Ms. Bowie said they were working on establishing the dates for the March meeting and the workshop and as soon as they were organized members would be informed.

ADJOURNMENT

The Environmental Financial Advisory Board adjourned for the day at 5:00 p.m.