

U.S. ENVIRONMENTAL PROTECTION AGENCY
ENVIRONMENTAL FINANCIAL ADVISORY BOARD (EFAB)
MEETING SUMMARY

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Introductions and Opening Remarks Day 1

Mike Shapiro, EFAB Designated Federal Official (DFO)

Karen Massey, EFAB Meeting Chair

Mr. Shapiro opened the meeting at 1:30 PM, welcomed everyone, and invited them to introduce themselves. He noted that EPA expects the appointment of a new administrator soon and that that person will appoint the next chair of EFAB.

Ms. Massey: We are moving into the new norm of one meeting per year supplemented by teleconferences. We need to think about new projects and defining them more thoroughly and making them more useful. We will probably have to finish more projects at a time when we have fewer meetings. We also need to use technology better, e.g., Sharepoint. Since we will be getting new Board members, we need to think about how we can better integrate them.

Report Out: Energy Efficiency/GHG Emissions Reduction

Karen Massey & Ann Grodnik, EFAB Work Group Co-Chairs

Ms. Massey: In the packet distributed to Board members is the penultimate version of the report. The charge came from Region 1 to provide for small communities a roadmap for how to proceed. We created nothing new but distilled a multitude of ideas and thoughts so someone in the community quickly could use it to convince administrators with rationales and examples. It is a good starting point for energy efficiency projects.

The work group asks the committee to accept the project report. They propose to give the recommendations in the cover letter, namely: The report should be disseminated widely and broadly; they should coordinate their activities between various relevant government entities, commissions and advisory boards, including EPA's Local Government Advisory Board, which might be a good cross-pollination opportunity. We recommend that Region 1 do the same. Recipients should be actively referred to the excellent energy-efficiency information already on the EPA website (Energy Star has Target-finder to easily set energy goals); and they should monitor the models to determine what is effective and what can be replicated. That goes right back to disseminating relevant information.

Discussion

- In answer to *Blanca Surgeon*, *Ms. Massey* said the report constitutes the energy-efficient/greenhouse gases paper, which can be handed to local government as a resource. They need to add the charge to the introductory paragraph. The background section covers energy efficiency opportunities for local government, the cost savings, and the challenges, which all communities face. Next the report talks about the challenges that small communities in particular find when they start an energy efficiency project. They stress

deep retrofits, e.g. HVAC systems, and how sometimes the communities can combine projects, such as HVAC and lighting, for savings. Sometimes the community cannot borrow money, so the report addresses the steps communities need to take to do such a project, such as the baseline and the audit and gave online resources. It also defines an energy audit and who does them. The report is intended to be something a local government can use immediately. The research is distilled to something valid, easy to read, and useful and is followed by the appropriate scope (e.g., “Don’t bite off more than you can chew.”) and financing of the project, supported by small- and large-community examples with pros and cons. They talk about grants, bonds, sale-leasebacks, and other vehicles that are out there.

- Mr. Shapiro agreed they could put the charge in the cover letter. Ms. Massey invited Board members to submit final edits within two weeks. In response to *Joe Dillon*, *Ms. Massey* explained that the charge evolved and as it did, they dealt with the client three different times along the way. Mr. Dillon agreed that they could ask members to vote, and the Board agreed to accept this project. It will be circulated for editorial changes.

Report Out: Green Infrastructure Finance

Lindene Patton & Chiara Trabucchi, EFAB Work Group Co-Chairs

Ms. Trabucchi: The charge was undertaken about three years ago, and the EPA stakeholders have changed since then. The report is titled, “The Prospects and Promise for SRF Funding in the Green Infrastructure Space.” Jim Gebhardt contributed the section on ideas for flexible financing solutions to leverage existing financing possibilities in the state revolving fund (SRF) program, and the group considered how to go about doing it and possible challenges. Ms. Trabucchi requested the Board to review the letter and the report and give comments by June 3 so the report can be submitted to EPA’s Office of Water.

Mr. Gebhardt views this report as an assembly of ingredients that might be brought to bear on green infrastructure financing including how the SRFs might be used [to help cities’ efforts on this challenge], e.g., Philadelphia’s successful attack on storm-water problems with green infrastructure solutions. The report discusses what the SRF can do and what EPA has done to promote green infrastructure solutions. For background, Philadelphia wants to promote market-based, green infrastructure solutions where many externalities are dealt with on the property that generates them, e.g., a price charge per service would be adjusted if they could manage their rainwater on their property. Instead of the impervious price point this provides a pervious (with green infrastructure solutions) price point, i.e., a certain amount of rainwater flow is managed on site and results in a much lower price. That cash-flow saving can be used to raise capital to induce the green infrastructure projects. The message is, to the extent that you can induce energy efficiency on your property, you can reduce costs. The concept in Philadelphia is, in fact, how do we induce different price signals in the properties based on the behavior of the various property owners. This is a 20- to

25-year roll-out with a capital expense savings to the city at large of about \$8 billion. The capital expense the public will have to take on is about \$2 billion with another \$1 to 2 billion for the commercial property owners to take on.

The SRF is a mechanism to lend support for eligible projects by invoking the guarantee authority that will allow them to access the market at lower, more favorable interest rates. Projects benefit from lower market prices and from subsidies generated from investment earnings garnered. As the dollars come in, the balance sheets continue to strengthen. In addition, you have the cash flow of repayment on loans, etc., giving a reservoir of credit to support infrastructure projects.

The report identifies four processes including operating at the state level, and sub-state revolving fund where an aggregator below the SRF pulls projects together for the SRF, which goes to market at between 3 and 4%. The SRF may perhaps have a AAA rating, and there may be excess capacity to take something else on. Mr. Gebhardt will provide an Excel spreadsheet that will aid such calculations; he will make it user-friendly and circulate it to EFAB members by June 30. In looking at the capacity questions, the rating agencies must be included; they make assumptions about what losses would be incurred. Mr. Gebhardt's underlying assumption was that the average project would be below investment grade. Loss discounts can be quite severe, and many SRF have cross-financing mechanisms, which can double the amount of available money.

Discussion

- *Mr. Gebhardt* recommended that EPA support a “race to the top” provision (more money when you take on more innovation) [recommendation #5] because it provides an incentive to shake off bureaucratic intransigence.
- *Tom Liu*: The timing of this report is apt in light of the President’s budget proposal for FY 2014 and its effects on EPA. This tool complements, but does not replace, the direct loan program.
- *Sharon Dixon Peay*: I cannot support that race to the top. Just because a state is not being innovative doesn’t mean their need is not so great. The paper could benefit from a clearer explanation of the benefits of the additional commitments, which administrators could take back to their agencies. Recipients need to know the benefits. There is also some synergy that comes out of an idea like this. On the state level, people are trying to meet mandates of the energy goal. There should be something that helps programs see the benefit of this.
- *Leanne Tobias* is sympathetic to having incentive funding to spur states to finance project needs. Is there a recommendation to provide that kind of incentive that would meet the concerns of Ms. Massey and Ms. Peay? How can we incentivize conservative states and not penalize them? Is there a recommendation the group as a whole could support? *Ms. Peay*: We already offer guarantees under current SRF legislation. We need to talk about the programmatic side. The report will enable people to find out more about this, recognizing that some entities might not be ready for this immediately.

- *Ms. Massey:* My concern is that if it were a new pot of money, it would be different, but any new money will come at the expense of existing money. *Ms. Trabucchi:* This looks at the balance sheet and, with the private market, does additional projects with the money that can be generated in the unused capacity. The beauty of the SRF program is that each state can craft what it needs. The longevity of this program adds to the ability to go to this step. *Mr. Gebhardt:* Some SRF and project administrators do not appreciate that the capacity exists, and this report can open their eyes.
- *Ms. Surgeon:* SRF programs are different in every state. So, with this report we are stimulating states that are ready and receptive. Can we also recommend in the report that the states that are ready pilot and document their experience; then have another report-out next year? The pilot would give a blueprint.
- *Ms. Trabucchi:* Mr. Gebhardt established such a guarantee program in New York. But, *Mr. Gebhardt* said, not in the context of green framework. The work group took on the notion that there are worthy projects for which we do not have money, so we wanted to encourage them to use SFR. We crafted an indenture that allows us to take on those programs. The subordinated financing is really a place-holder. However, they have not moved in this direction.
- *Ms. Peay:* This presents dual priorities, namely, SRF and the state's energy goals and priorities. *Mr. Gebhardt* thought it would be instructive to see how things unfold in Philadelphia.
- *Mr. Dillon* saw phrases like "recommendation to go to Congress," and thought they were not in keeping with the charge. But, said *Mr. Haskins*, that was #5 and Ms. Massey already killed that. Under federal law, all states have this authority, but under state, law they may not. States should tease out what authority they actually have. *Mr. Dillon* concluded that the Recommendation #3 was to collect data.
- *Mr. Haskins:* Another issue is state administration versus sub-state administration of SRF programs. We need to be sure we finance SRF-eligible projects. How does that translate to sub-state projects? The guidance does not speak specifically about project eligibility. Can they self-certify or does the SRF have to step in? Recommendation #1 is about evaluating that aspect of the SRF. He will make sure he references the appropriate section of the report. It really is about teasing out that efficient frontier. Where project reviews are taking place is where some work might need to be done on the guidance.
- *Mr. Dillon* asked the Board to look at the initial charge. The work group might add that this is one financing option, and they will be presenting others, e.g., the possibility of using insurance. Some of the initial clients no longer exist. *Ms. McLean:* The work group interim dialogue will think through whether there are additional challenge items. They want a solid, meaningful step forward in the context of the Agency's charge. The work group will address other clients in a conversational format with whoever has taken over the charge. *Mr. Shapiro:* The original chargers were part of a cross-cutting green infrastructure task force.

Now, a part is reconnecting with people in the Office of Water to define what their needs are at this point. The work group may want to present it as the situation at this phase, and maybe they want to have another phase. *Ms. McLean* would like to present it that way, that there are multiple phases.

- *Mr. Johnson:* There is a tremendous amount of abandoned property to be dealt with having thousands of feet of impervious surface. The issue is to clean up the watershed and eliminate as much run-off as possible, especially around the Chesapeake Bay. If a public entity created a special tax for these huge unused parking lots, it would create a flow of money. Where you have a mandate, like the Chesapeake Bay, this can be used as a mechanism to finance projects. The public entity will not be able to avoid dealing with these issues if they have a mandate to do so. *Mr. Gebhardt:* This falls within the eligibility for SRF funding. These people probably already are doing something about these issues, but the question is the state of the art and whether their effort is sufficient, and whether remediation is required. A number of reports have been provided on these issues, and he will cite them in the final product.
- *Mr. Draper:* Florida was the first state to adopt the American nutrient requirement, and it will require much money. We need to be sure any push-back comes from the states. He endorses a recommendation to further that.
- *Mr. Shapiro:* The report will be finalized and circulated; then we could have a conference call with the Green Infrastructure Task Force. *Ms. Trabucchi* asked Board members to review both the letter and the report by June 3 and send feedback to *Tim McProuty*, *Mr. Gebhardt*, or herself.

Report Out: Drinking Water Pricing & Infrastructure Investment

Scott Haskins & Rick Giardina, EFAB Work Group Co-Chairs

Mr. Haskins: The report outline was distributed earlier and comments included in this draft. They will be ready to present a final draft in 60 to 90 days. They want feedback on the updated draft circulated to Board members today. First, the goal is not to write a textbook, but to come up with an abridged version that highlights the most important aspects of this charge and issue. Second, the work group wants to leverage research underway by the Environmental Finance Center of North Carolina as principle investigator for a project that parallels this effort, and they want to incorporate the results of that report—new trends and innovations—into this report. Third, the work group wants to address the intended use of this report. They are identifying, documenting, and providing references for pricing and financing needs. EPA could use it for education and outreach.

Mr. Giardina reviewed the charge: given demands on budgets and the decline in water revenue (due to conservation, the economy, and drought), they address how industry can be prepared to move forward stabilizing and enhancing the revenue base. The capital demands will persist. We want to identify tools to direct utilities to help them navigate their way through these challenges. We

need to focus on things that yield the most benefits for the smallest expense, and transmit information on the latest thinking, trends, and innovations to industry. One conclusion is that as operational costs go up, the industry's revenues have to go up, too. Yet, innovative financing is not free financing. It must be repaid, and the system must be maintained. Utilities managers in general recognize this; they must convince utilities decision-makers; and we need to give them the tools to do it. Much can be done on the cost side, e.g., cost effective measures, centralizing, or decentralizing. The work group focus is on the revenue side, the pricing side.

The report starts with a discussion of the charge, with the status of declining revenues and the reality of limited state and federal funding. It then moves to the needs of the systems, which must be put in context in terms of increased financing and other costs. EPA initiatives and future mandates are listed. The report is arranged according to cash flow from operations, cash flow from investments, and cash flow from financing. We created a template last fall to give each author direction.

Mr. Haskins: We acknowledge the cost side, but much has been done on that, so our focus is the revenue side, e.g., rate structuring. Research shows the importance of stakeholder communication and the value of the water message. We may want to use the document to educate stakeholders on the value of water. We do not intend to do a whole study on small utilities, but we may make special points that apply to them. He invited feedback from the Board members.

Discussion

- *Ms. Surgeon:* Among EPA initiatives are regionalization and consolidation. EPA initiatives started with small systems, but large systems are taking advantage of them. Dealing with drought is one of the big savings besides conservation. The #1 motivator for consolidation is to save money, which can quadruple the budget to enable many more activities. People in the San Francisco Bay area and Arizona are doing it. *Mr. Haskins* noted that the section on governance relates to this, although it was not identified in the initial charge. That is probably a project in itself. Consolidation has been slow to start but it is a coming trend with 50,000+ utilities. But a challenge is the drive toward the status quo. It would be a major scope expansion. It's a big trend but slow to happen.
- *Ms. Surgeon:* It was framed from the management perspective, so it is a leadership issue. But, we could frame it from a financial point of view and give a few pilot examples with the savings achieved. Maybe it can be touched on in the innovation section. *Mr. Haskins:* Another example is consolidation of wastewater in San Diego, which is a large governance issue.
- *Ms. McLean:* We are trying to keep the focus narrow so these reports can be concise. These people are combining systems to cut costs, not increase revenue. It is an entirely different project. *Mr. Haskins* agreed that the charge of this work group is the revenue side. What are

the opportunities to stabilize revenues? But, said *Ms. Surgeon*, it offers a way to stabilize things, so it would be good to mention it.

- *Ms. Akparanta*: In Baltimore, the population declined in the city, but they had the water system; so legislation mandated that the city sell water to the county at cost. Such an arrangement is not a complete merger, but a cooperative agreement. *Mr. Haskins* thought this might be a second phase or another project. The work group could recommend that it be done. Industry needs documentation and examples.
- *Ms. Surgeon* asked whether water banks and water trusts had been considered. *Mr. Haskins*: The work group appointed a 4- or 5-member team to identify, but not reinvent, those tools.
- *Mr. Haskins* will get the North Carolina information within a month, which will then be included in the report's framework for the final draft. *Mr. Shapiro* expects the final product by the Fall meeting, which will be addressing issues the Office of Water raised to EFAB.

Report Out: Transit-Oriented Development

Phil Johnson, EFAB Work Group Chair

The draft report will be ready in about 60 days, and the final in 90. *Mr. Johnson* thanked committee members, especially Leanne Tobias.

Mr. Johnson noted that the mission evolved from the charge. The work group intended to provide four models of transit-oriented development (TOD) from the Office of Policy and Smart Growth. To do this, they had to consider infrastructure in general and the definition of TOD in relation to infrastructure, defined in the context of smart growth, which limits what can be done in the world of finance. Environmentally friendly development—bike trails, green space, parks, land banking, etc.—is not for institutional and private equity, but has to be financed in some way. How do you value land not being used to generate revenue? And how does that fit in the context of TOD? Then TOD is considered from the viewpoint of a community approach and smart growth where equity occurs in different income levels. In fact, TOD has no community equity, and near Metro stations has created urban removal and homogenized communities of well-to-do people, e.g., near the Metro stop on Capitol Hill in Washington, DC, the demographics have flipped from being 75% African American to 75% European American in less than 10 years because people who have lived there for generations can no longer afford the property taxes. TOD also must be looked at from point of view of sustainability.

The charge brought four types of models. One model is for stations built along existing transit lines. The work group convened a workshop and a roundtable on TOD, both of which were very successful. The workshop discussed traditional things and examples and captured much information and a broader definition of TOD. The Agency has issued its own report based on the workshop and the roundtable. The workshop made clear that the private sector has hundreds of billions of dollars to fund infrastructure of the United States through, for instance, private equity, Carlyle fund, et al. The workshop discussed how to expand beyond tax increment financing (TIF), bonds, and so forth, and their criteria for return on investment, etc. Private sector pension fund investors were represented and reported what they were prepared to finance and not finance. The roundtable

produced a wealth of information that the EFAB work group can use to draft its report from the institutional investors' point of view on underwriting criteria, etc.

Subsequent discussion revealed that these investors' approach was somewhat innovative. They are going into communities on a deal-by-deal basis. EFAB has been talking about leveraging existing pots of money. In California, they set up a special program from a Special Purpose Vehicle (SPV); then looked into how else to help the city, so the city would be able to repay the loan. It is in their best interest to use these creative means, to foster the relationship between public and private executives. What came out of the workshop and roundtable was that institutional investors want to broaden the conversation. The TOD report will focus on using private investment and public equity and leveraging that to progress.

Ms. Tobias: The work group considered how EPA might undertake additional technical assistance programs. Many local governments do not have the sophistication to represent themselves well in negotiating complex TOD deals. What this group does is paper-based research. EPA might want to develop checklists of steps local governments should take in the policy area, include a process description of each step, and, in the context of case studies that have been collected, develop sample documents. Law firms already active in the community could facilitate this. Work group members discussed how cost effective that might be. Typically law firms active in negotiating transactions already have form agreements that are customized to the particular deal. Sample agreements could be compiled as one of the tools local governments need. Another area that emerged is that when institutionally financed entities are involved, the timeframe may be more compressed, especially with TOD. Would that also apply to drinking water and wastewater treatment projects? The Board might be in a position to provide feedback to the Agency regarding technical assistance with innovative approaches. Because the work group mounted the workshop and the roundtable, we received compelling feedback, and we have transcripts and recordings that could be shared with the public; it was a value-added process. In the future those techniques might be more broadly used to expand the usefulness. It provides an opportunity to reach beyond the boundaries of the Agency and influence local governments on the issues.

Discussion

- *Ms. Akparanta* cautioned giving form documents from a federal agency that can be disseminated nationwide because state laws differ. *Ms. Tobias* thought they could be issued with caveats that the people have to comply with the law in their state. She has seen it done. The work group recognizes that one size does not fit all, but it gives a starting point. *Mr. Uku* also raised questions about that. Very strong caveats should be included saying that they must contact their own counsel. Those documents will be tied to a specific action. *Ms. Akparanta:* In that case the documents could be sent out as a case study.
- *Ms. Ducharme* asked if the roundtable included a discussion of helping a community understand what type of institution might be interested for what type of project. *Mr. Johnson* said the report could help a community understand what types of projects investors might want to fund so they can determine whether their project is worth pursuing. What came out of it was that some institutions want communities to send their deals for them to review. The report lists things that are likely to be funded (or not). *Ms. Ducharme* thought

the more you could use it for a guide for the community, the better off they will be. Even if the investor will review anything, applying means a lot of work for the applicant.

- *Mr. Dillon* asked if the work group intent was still on following the outline. *Mr. Johnson* said they are. For the institutional financing piece, provide a toolbox approach—institutional financing and private equity are available; the report will list what is needed, the planning needed, etc. They will also address the difference between advice from an investment banker and a public official. There is a natural tension from the advisor who may be recommending traditional methods, e.g., tax-exempt bonds. But, another option an investment banker might bring up may be in the community's best interest. Communities should know how to develop a range of options and not depend on any one advisor. The report will list a broad menu of options and how they might be assessed to make the choice.
- *Ms. Surgeon*: The workshop last year was held immediately after the meeting. It was so informative that she thought EFAB should try to convene others, maybe one per year, because interested people are already there. It would also be good for new members to be introduced to and become acclimated to the work of the Board. *Mr. Dillon*: Workshops also inform report writing and enable development of the report because of the opportunities to comment and get feedback. *Mr. Shapiro*: We have a summary of the workshop and will have one of the roundtable as free-standing products, but these could be attached to this report.
- *Mr. Johnson*: The roundtable opened our eyes to the couple of trillion dollars that could be accessed for infrastructure, and which would also create jobs. We cannot afford to neglect this issue. EFAB needs to foster a conversation across the country about institutional financing to put money into infrastructure. If the United States continues on the path of austerity, the dollars available to finance infrastructure in the future must come from the private sector. EFAB needs to play a role in fostering this conversation between the public and private sectors, and we must find a way to get involved. *Ms. Ducharme* agreed, but saw the need to tell the other side of the story for the communities. When funding comes from private sources, parking and toll costs increase 300% or so. There is a cost side. Profit from private financing often drives up the cost of public goods. We have to tell people what the costs are and how to protect themselves—the up-sides and the down-sides and how to weigh those. Bringing private money in is a good thing, but not entirely good. We should present a balanced picture as we try to help them make decisions about this. *Mr. Johnson* and *Ms. Tobias* thought this was a good point. We would be derelict if we didn't do that and we are in a position to be sensitive to that. The Center for American Progress has published a new report that gives some of the things to watch in public/private partnerships and fixes to apply to avoid pitfalls. *Mr. Uku*: At the end of the day, it is a cost benefit calculus—can the people they elected prevent falling bridges?
- *Mr. Haskins*: It is important to distinguish between finance and community development. TOD by definition involves multiple parties, land use, and other things besides transportation. The challenge is bringing public and private parties to the table. How it is financed is EFAB's purview. How does a community deal with these issues, make good decisions, and get it financed? Urban development and community development are complex.
- *Ms. Peay*: We would be remiss if we didn't mention that all these schemes ultimately rely on the same person, the taxpayer. Balance has to start at that level. Even the smallest

communities have these difficult issues to solve, but their revenue sources still depend on the taxpayer.

Other Discussion

- *Ms. Surgeon:* The charge the Board has now is for one year, fiscal year 2012/13. *Mr. Dillon* explained that in October 2013, EFAB develops a new annual plan for fiscal year 2013/14. *Mr. Shapiro* hoped new members could be sworn in for the fall meeting. The summer is when we begin defining topics to take up; then we use the fall meeting to discuss those topics. The first part presents the Agency's Strategic Plan.
- *Ms. Peay:* It does beg the question because if we have only one face-to-face meeting it might be better to have it for the planning meeting. Could we change processes to have an effective planning process? *Ms. Akparanta* agreed. It would be better not to introduce new members via teleconference. It would also be good not to have day-long video meetings. *Mr. Shapiro:* We're speculating that we are able to justify and afford one meeting; if it comes to that, we would prefer to have it in the fall rather than the spring. The problem is that the budget process is not very clear, and people may be reluctant to commit to a fall meeting when the decision has to be made in the summer. Regardless, we have to use the non-in person meetings more effectively through planning how to use the time and using up-to-date technology. *Ms. Ducharme:* If we wind up with a video conference in the fall, it might be a good idea to set up a buddy system for the new people.

Mr. Shapiro adjourned the day's sessions at 4:45 PM.

May 16, 2013

Opening Remarks Day 2

Mike Shapiro, EFAB Designated Federal Official

Karen Massey, EFAB Meeting Chair

Mr. Shapiro opened the meeting at 8:35 AM.

Environmental Finance Center Network Update

Kevin O'Brien, President of EFC Network & Director of Great Lakes EFC, & Mark Lichtenstein, Executive Director, Region 2 EFC, Joanne Throwe, Director, Region 3 EFC, Sarah Diefendorf, Director, Region 9 EFC

Mr. O'Brien: The Environmental Finance Center (EFC) network has been developing shared capacity that exceeds that of each center and builds on what we do as individual centers. Partnerships are working on sustainable communities with the Department of Housing and Urban Development (HUD); on energy issues with the Department of Energy (DOE); and now with EPA on small water systems training and technical leadership development. EFC representatives have met with state EPA officials in all 50 states and the five territories, and training has been conducted in 21 states, providing training identified by the state EPAs as most in need for the small water systems. Glen Barnes from the University of North Carolina (UNC) and Mr. O'Brien did two training sessions in Illinois, one with a very small system and one with a medium-sized system (10,000 connections or less). They had a great experience working with trailer park owners, many of whom were third-generation operators, who provide housing, water and sewage, and social services. The EFC has dealt with capital spending from the pockets of trailer park owners to unbelievably sophisticated administrators of small water systems who had handled bond rating and going back and improving that rating. The EFC is following up with leadership development training in each region and providing technical assistance for some of those communities who request it. Meeting the needs of water and sewerage has reached an economy of scale throughout the United States. The EFC has become the collective, connective tissue of the EPA down to tiny governments throughout the country. *Mr. Lichtenstein* will make his graphics presentation available to EFAB as a pdf file. *Before we go region by region with what the centers are working on, we have another EFC network presentation that Joanne Throwe is going to speak to.*

Ms. Throwe: Under the leadership of Region 4, Lauren Herberle, Director at the University of Louisville, is leading a project with the three agencies, DOT, HUD, and EPA coming together, on a sustainable communities grant. It has been a successful project, an opportunity for the communities to receive technical assistance. We have four of the EFCs working together. We have EFCs in Region 1, our EFC in Region 3, EFCs in Region 4, and we have Heather Himmelberger helping out. The four centers come together, and when someone wants water resources information or other help

such as office hours, we get on the phone and help them. It could be wastewater, drinking water, storm water, planning, and how climate affects it. It's been great to cover the entire country on this network project. We feel we have had an impact on how water decisions have been made nationwide. *Mr. O'Brien* added that they have an aggressive program dealing with rate setting, which has been very helpful. (In fact, Region 5 adopted what they did.) They also direct small water systems projects along with Heather Himmelberger.

Mr. O'Brien, Region 1: In New England, the focus is on the COAST tool which predicts damage from various types of storms, and it may be applicable elsewhere. Region 2 has discussed it in relations to Super Storm Sandy.

Mr. O'Brien, Region 2: New York has the award-winning Save the Rain project. *Mr. O'Brien* focused on the sustainable materials project. Puerto Rico and the Virgin Islands have very low recycling rates and serious solid waste management problems. The Regional Administrator has been focusing on these two issues. She asked that two partnerships be formed in 2010, and *Mr. O'Brien* reports great progress for both because of the collaborative government and collaborative participation. With a "clean slate" because of the low recycling rates, they can do it right, and the new governor is taking this on as an opportunity for job development. They are looking at innovating financing models, such as the upside-down financing model for solid waste management, which helps municipalities that have fixed costs but must finance waste management. We are directly supporting President Obama's top three priorities for Puerto Rico: statehood, economic development, and remediation of Vieques. Our Center is on the Vieques task force, and Superfund clean-up is part of this.

Ms. Throwe, Region 3: Region 3 doubled or tripled to about 21 active projects (for a staff of 21). They opened an office in Pennsylvania staffed with Pennsylvanians, which helps penetrate the Pennsylvania market, and they opened an office in Shenandoah Valley for Virginia. Their focus is getting communities to work together on storm water disposal. For example, in Lancaster County, Pennsylvania, six municipalities are thinking about ways to collaborate and increase efficiency. On the Eastern Shore of Maryland, which was unregulated, they passed a utility fee based on our help throughout the year, and they dedicated \$300,000 out of the general fund in addition to a fee to deal with storm water. Energy is a big driver in this region, and a large project with the state of Maryland is pushing renewable transportation and energy efficiency of buildings. Technical assistance is important to help communities pass the policies that have to be in place to receive a grant. Thirty one communities came forward, and they get the money based on the size of the community.

Mr. O'Brien: The University of North Carolina at Chapel Hill, also out of Region 4, has an aggressive program dealing with local governments with rate setting. They have dashboards for water and wastewater systems in North Carolina and Georgia that are unbelievably helpful. Region 5 has just copied what they did. They also direct small water systems projects along with Heather Himmelberger, who was at New Mexico Tech.

Mr. O'Brien, Region 5: At Cleveland State, the EFC is involved in several state-wide initiatives in Michigan and Ohio. In Saginaw, Michigan, they are trying to minimize infrastructure in water and sewer systems in neighborhoods no longer viable for residence. The EFC convened a transit oriented development finance seminar with them. They have a Combined Sewer Overflow (CSO) order, but, instead of minimizing the amount of storm water going into the sewer system, Cleveland is looking at green infrastructure strategies to develop park space and community gardens from its 42,000 vacant lots, which will absorb storm water. They also have a problem with urban renewal, in that when they bulldozed vacant houses, they left the foundation in place, which impedes absorption as well as other development. They are working to identify a strategy to finance the removal of the foundations. The EFC also worked to get financing mechanisms with a Southern Illinois steel company that has two problems: an internal water treatment facility that is not working, and a contaminated pond. In addition, working across the country, they are providing modeling for a company that defines naming rights values for public assets, e.g., naming pavilions at the London Olympics, or naming stations in the Dallas Area Rapid Transit (DART) system, as an annuity, maybe \$1 to 4 million a year for 25 years for a transit line, and for a station, maybe \$150,000 to \$300,000 for 10 years. The EFC is talking to the various entities about dedicating these revenues to capital purposes.

Ms. Throwe, Region 7: Wichita is serving Region 7. They are using a wastewater infrastructure decision-making tool, which once community data have been collected, helps make the right decisions to move forward. They have a municipal utility management program, which helps people see what could happen if they changed one thing or another. They also need an internal energy efficiency audit system to find ways to help them save money.

Ms. Diefendorf, Region 8: Heather Himmelberger is working with the Region on several projects from the University of New Mexico and continuing work with the Tribes, specifically in Wyoming, providing technical assistance for leak detection, and capacity building with HUD. A new project is sanitary surveys of oil platforms in the Gulf of Mexico. They also have a small-system asset-management training course, which they take from Guam to Maine.

Ms. Diefendorf, Region 9: Region 9 is underway with 10 training sessions across the country for small water systems, each a day and a half long through the end of August. The EFC is dealing with seven different Tribes, mostly in Northern California, on tribal green economies. They have a sustainable tribal business workbook. We've been working one-on-one with the tribes, walking them through their business ideas, understanding their assumptions and the potential barriers to achieving those assumptions. We developed a financial analysis spreadsheet that will help them look at the business they choose from a financial perspective. The businesses go from wanting to start a recycling business to getting a transfer station on the reservation; to connecting to grid-scale solar power; to bringing goats onto the reservation to clear brush. In California it is potentially quite a sustainable solution to the problem of brush in the fire season, and the goats also eat poison oak.

Finally, a new initiative, Environmental Finance International, with Maryland, New York, and California is intended to share their unique expertise to close the capacity gap. The research on obstacles to rural economic development was done with the United Nations Development Programme (UNDP). The issue is looking at what gets in the way of rural economic development in developing countries. They will begin with South Africa, putting themselves in place for several years to build up a community with the combined talents at their three universities and to help South Africans build their capacity for financial capacity and enterprise development.

Mr. O'Brien: The Region 10 report will be posted on the website. All of the projects discussed are about leveraging the money they get from EPA. EPA support is crucial to continue work on environmental financial issues.

Discussion

- *Mr. Giardina:* Getting the storm-water data that allow them to do the billing is the usual problem. *Ms. Throwe* agreed that this is a big problem. The EFC works with two communities per year and guides them by opening their books and talking to the engineers and everyone in every department. It is a big project that takes a lot of effort. Most are probably Phase 2 and unregulated, but Phase 1 also needs help. The level of service they provide is compared with what they need to bring in for the next ten years. It focuses on what they need to pay attention to, and they are just starting to pay attention to the program, and it's making a difference. *Mr. Giardina:* A storm-water fee seems like a difficult concept for communities to grasp. *Ms. Throwe* agreed. Its stormwater financing and outreach. Much public engagement is needed, and that has been a major EFC focus. We make sure everyone has a chance to voice his or her opinion at public meetings before it's time to vote. Then the legislators can say that the time to discuss is over. Outreach has to go hand- in- hand with technical progress.
- *Mr. Uku* asked whether they work with the SRF. *Mr. Lichtenstein* said it is very actively done in New York. The EFC helps local government navigate through the process. *Mr. O'Brien* added that in Ohio EFC has worked for years with the SRF. Brownfields are a big issue there, and we put together a partnership to clean up brownfields that threaten the water supply. They got hands-on help in a consulting fashion, *pro bono*, to communities with major problems to minor problems. *Mr. Lichtenstein:* Heather Himmelberger in the Southwest has been the most active, but so has the UNC.
- *Ms. Surgeon:* On leadership training, one of the issues in small communities is that the boards for small water systems are composed of people over 50. It's a generational issue— young people don't want to get involved, they just want to pay the bills. But the boards have no term limits so serving becomes a life sentence as well as an ownership issue. *Ms. Diefendorf:* EFC training offers things like: how to frame a message, tell your story, make your decision, access and appropriately use your stakeholders. The same issue of older board members occurs with other organizations, e.g., the League of Women Voters. Passing board

membership on to the next generation is a problem they are trying to address. Ms. Diefendorf offered to share tools with Ms. Surgeon.

Report Out: Clean Air Technology

Sharon Dixon Peay, EFAB Work Group Chair

Clean air technology is a very broad topic, which is at the mercy of the regulatory process. Two key collaborations occurred: EPA's Office of Air and Radiation engaged EFAB to produce a comprehensive financial analysis report at the beginning of the process, which was efficient for this work group; and EPA is collaborating with DOE—a very effective way of combining EPA's goals of with DOE's vast resources.

The work group thought they had met the charge. The client was pleased with the product and agreed that they had met the charge, so they are done. Ms. Peay thanked her work group members and supporters.

Report Out: Tribal Environmental Programs

William Cobb, EFAB Work Group Chair

Mr. Cobb sought the Board's comments (within two weeks) on the final draft based on comments from the group yesterday and then approval of this final draft. Last September the work group recommended that EPA support Treasury recommendations on tribal bonds. Last year the work group, with client concurrence, focused on a survey approach. Since then, the project shifted away from the survey approach, and the work group was instructed not to look for development of new information, but to rely on what Board members know about available information in the public domain that answers the charge. The major challenge was lack of centralized data in the public domain that they could access relative to both tribal budgets and financing programs, so the project ended with what work group members knew. There is no summary of available information, and the report is rather thin because there isn't much public domain information on this topic, and they cannot get access to specific information. Options can be found on pages 7, 8, and 9. They found examples of state analysis of technical capacity of the Tribe to take on environmental programs, but no financial analysis. They could see agendas, but not presentations, so they recommend fostering the dialogue and putting those results in the public domain.

Discussion

- *Ms. Surgeon:* The Tribes could take the opportunity of Gap Funding and add a modified Gap so we can start collecting data by just adding an end-of-the-year report, which would then be part of the public domain and which contains financial information. Tribes are more open to providing that information in this age of diminished funding.

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- *Mr. Haskins:* The issue of transparency applies here and to other areas as well, e.g., consumer confidence reports on the drinking water side. Financial disclosure also seems to be an underlying issue. Do they really know the deal they're getting?
 - *Ms. Massey:* Would it have been helpful if someone in the client's organization was part of your work group and short-cut the group's work by telling you the data simply are not there?
Mr. Cobb: That is not specific to this work group and this topic. The person who originates the charge may have a particular idea and goal, but it may not be embraced by management, and management changes over time.
 - *Ms. Surgeon:* The concept of looking for this information is important and necessary. Funding is necessary to gather the information, perhaps by hiring Native American students to do it. Regardless, getting this information would require more work. The charge is important to EPA, so we need to ask the Tribes and do a survey of what is important to them. But we need funding to do a charge like that—it has to come with money and changes in policy. *Mr. Cobb* concluded that if work group members do not have the underlying capacity to address the topic, they should not be addressing it, and this should be included in the introductory packet of information. It became a limiting factor in how this group could work. Furthermore, EFC work is done under confidentiality provisions, so that information cannot be brought to the table. *Ms. Surgeon* thought this should be added to the report. *Mr. Shapiro*, however, thought that information might be better reported to the Agency in another way, perhaps verbally. There has also been a change in the client's management and leadership. EFAB is not a research organization, but a group of experts. For a real survey to have been undertaken, it would have had to go through the Office of Management and Budget (OMB) and would have been a four-year process. EFAB reviews the Agency work and provides advice to the Agency based on members' expertise, and new ideas for projects have to include these questions.
 - *Ms. Massey* echoed *Mr. Cobb*. As for accountability and transparency, few statutes require financial data that underpin the programmatic data. EFAB members need to think about statutory underpinnings of what they are being asked to do. As the Agency thinks about national priorities, our charges should be rooted in national priorities. Requests that do not follow this cause problems. Government wants to move into E-enterprise, and a next-generation agenda. Maybe EFAB could support and inform the Agency on how E-enterprise could use financial information.
 - *Ms. Peay:* Several projects are crucial to ongoing and future work. This group did look at the charges in terms of priorities of the group. We need to think about overall implementation and debrief on what went on there to inform work going forward. As a group of financial experts, we deal with topics that need financial expertise, but not subject matter expertise. So if EFAB members don't know the subject matter and data is not readily available to us, we cannot be effective. We should have a conversation about this at another point.

- *Ms. Tobias:* Over the past few years, there has been a transition in thinking of how charges are to be executed. At first, original research was expected, but with the client's financial resources. Now we are in a transitional time and if EFAB takes a charge, we need a clear implementation plan suggested by the client, and we need to know what information is available. Avenues to explore this particular topic were very limited, so either resources have to be brought to bear or the work group has to already have the expertise.
- *Mr. Cobb:* This is a generic comment. An implementation plan was associated with the original charge; each element of the original charge assumed an implementation plan, but each encountered a roadblock. It sounds rational, but investigation disproves that. Then you get into adaptive management, but does adaptive management allow you to get the information? There are poorly conceived charges, and charges that appear to be well conceived but have unforeseen roadblocks. *Ms. Tobias:* One way to be creative may be to involve trade associations and other groups that are already involved in the area. One area extremely hard to crack is when subject matter is in an area where there are no resources, e.g., it is hard to access the Tribes, even though we know Tribes are under served.
- *Mr. Shapiro* noted that the final Gap Guidance is now available. The Agency does believe that Tribes should have access to clean air and water and proper sanitation and health—these are important issues for the Agency.

Infrastructure Impact of Super Storm Sandy

Janet Woodka, Director, EPA Office of Regional Operations

Hurricane Sandy was the second most costly disaster in U.S. history, and repairing wastewater and drinking water infrastructure are most important. Congress appropriated \$600 million into our SRFs for increasing resiliency and mitigating storm damage. This differs from what EPA did after Hurricane Katrina. One of the biggest differences in approach is with the current scarcity of federal resources, we need to know how EPA funds work with other Agency funds and with state and local funds or even private sector funds. To do this, the government is trying not to operate in a series of silos. Now HUD runs community block grants thinking holistically about bringing the entire community back. In addition to working well with HUD, EPA is working with the Federal Emergency Management Agency (FEMA)—last night EPA received FEMA's guidance about their approach to cleaning up wastewater facilities. And, now we address the question of what will make that treatment facility more resilient. All are working together from the highest level down, and this is not limited to New York and New Jersey. We are working closely with FEMA and HUD partly because EPA funds are directed only to Region 2.

Storms are becoming more significant and more costly, and in response, EPA is working on increasing resiliency and asking for feedback as to what resiliency means and how to get it. We build to the 100-year storm, but we've had 100-year storms more frequently and the impacts are

becoming more serious. We also want to address non-weather disasters that could impact the infrastructure.

Hurricane Sandy caused \$75 billion worth of damage and Congress appropriated \$60 billion to provide repairs; 650,000 homes were damaged or destroyed; 230,000 cars were damaged or destroyed; and 8 million people had no electricity for several days to weeks. But, the damage differed from the damage Katrina caused in which entire neighborhoods were rendered uninhabitable. Instead, buildings were flooded to the first floor, but this has long-lasting impacts. For instance, the presence of mold could impact the real estate market in the future. EPA was involved in this disaster remediation because it can provide information on safe and clean air and water. EPA worked with the Center for Disease Control and Prevention (CDC) and the Occupational Safety and Health Administration (OSHA) to train workers to gut houses, etc. We need to consider the capacity and technology of landfills as demolished buildings and vehicles are removed. What about asbestos? What can be recycled and reused? At the same time, people need to get their lives back on track and rebuild their homes and businesses. The team at EPA has been outstanding on this. EPA notified states of their allocations on state water revolving funds, and issued draft guidance for projects that would increase resiliency and help with mitigation.

Ms. Woodka did the same kind of thing on the Deep Water Horizon spill. As Director of Regional Operations, her job is to be the WD-40 between regions and Headquarters and to try to facilitate their conversations, ensuring that policy formulated at Headquarters will work in the field, ensuring coordination and parity. She sits for the Administrator and Deputy Administrator on a number of working groups, including Strong Cities, Strong Communities, a successful program that came out of work to remediate the damage Hurricane Katrina caused.

Discussion

- *Ms. Tobias:* At this meeting we have been discussing the best types of projects and roles EFAB can fulfill for EPA. It would be valuable to get a sense of financing challenges and how this Board could be helpful. *Ms. Woodka:* An advisory board like this, composed of people with different professional backgrounds and expertises, has different perspectives to offer and helps us understand where the opportunities and impediments are. At the same time, disasters offer opportunities to do things in a different way. We are looking at different ideas about how to encourage sustainability and efficiency. Agencies with funds are looking at giving grants and competitions. A private-sector group is looking at resiliency and sustainability from the perspective of the elderly, i.e., putting solar panels on homes or nursing homes of people on fixed incomes. They were trying to determine whether there were programs they could tie into. We will work with this more broadly when we talk about green infrastructure. The Department of the Interior (DOI) has almost \$1 billion for green infrastructure, and the Army Corps of Engineers also wants to work on green infrastructure. What costs could have been avoided if we had done it better, e.g., avoiding housing families

displaced by storms, avoiding rebuilding this facility if we did X, Y and Z. We could talk with you about ideas and get feedback as to whether we should be doing anything differently. We are looking into place-based policy, which has made remediation work for Hurricane Sandy easier. Having a disaster means a more intensive focus for us. Could we give communities points if they have gotten grants elsewhere in addition to EPA? Likewise, we should reward collaboration. At the state and local level, agencies should also be working together and should be rewarded. Congressional appropriations use existing funding mechanisms, e.g., block grants. (To do it differently would require new legislation and a few years.) Challenges on the federal side are replicated on the state and local sides. Feedback as to whether something works or what could be done would open up another door.

- *Ms. Trabucchi:* The Green Infrastructure Work Group's report deals with the intersection between the SRF program and financial guarantees and green infrastructure. There may be other ways members of the Board can support your efforts both for national emergency response and business as usual.

Ms. Woodka: Government is actively seeking infrastructure/bank mechanisms. It could be an interesting opportunity for the private investment and financial security side—it's not all tunnels, bridges, and roads. We're actively looking at seeding such programs. Thinking through issues and options like you are doing would be incredibly helpful.

- *Mr. Gebhardt:* SRF are basically infrastructure banks that specialize in environmental infrastructure. As for the issue of private/public partnership dollars, according to law, privately owned projects are eligible in nonpoint spheres, and SRF can interface aggressively with those situations as they arise. *Ms. Woodka:* It will be important if the governors want to move forward with such a thing. The SRF is a great model for disaster assistance. After Katrina, federal assistance provided a one-time allotment. However, the Gulf Coast is still dealing with emerging issues, and a revolving fund would have been a great mechanism. She would strongly encourage a revolving fund for these situations and would be grateful that a certain percentage could be forgiven.
- *Ms. Surgeon:* The issue of resiliency is a huge and complicated concept. Do you think we have learned lessons we can articulate about building resiliency for the future? *Ms. Woodka:* We have learned a lot. Craig Fugate is one of the best if not the best FEMA Administrator: he is very pragmatic and he understands what we are learning. At the same time, Secretary Shaun Donovan has pushed HUD in the same direction, and we are seeing it at the DOT, Army Corps and DOI. For example, Katrina damaged or destroyed 125 schools, but most were outdated and in poor condition. EPA worked with FEMA and rebuilt 60 schools to modern standards with cisterns, a bladder underneath, and raised floor and raised electric wiring and plugs. Now, if the floors flood, they can be hosed down and electricity will not be lost. We have learned basic, common-sense things. Now, after a disaster, EPA sends in people who have had a similar experience, e.g., after the Greenville floods, they sent citizens who had experienced Katrina and who could make these sorts of suggestions, but not as a disembodied Agency.

- *Mr. Liu:* \$600 million seems like a lot of money to remediate storm damage, but it is a drop in bucket. Also, how is that money being applied and what are the restrictions? What percentage is that of what we need to get back to where we were? *Ms. Woodka:* FEMA offers public assistance to rebuild public facilities, i.e., it restores functionality, not the facility as it was. EPA money is complementary. For example, where FEMA makes a building ready for Wi-Fi, EPA may pay for installation of the Wi-Fi. FEMA directed \$2 billion for a water treatment facility, but not for a secondary treatment facility or for a back-up power source; EPA paid for that. For Katrina damage, EPA created a wetland for one of the facilities, which will slow down the inflow of storm water. Money for resilience should not be a one-off, but should evolve in light of performance and be repeated. The \$1 billion to \$2 billion is a significant amount and the SRF will continue. This is a significant opportunity that will be fascinating to work on.

Ms. Woodka invited people to email other questions to her.

Wastewater Financing & Management Challenges

Andrew Sawyers, Director, EPA Office of Wastewater Management

The question comes to how best to create a model for the future using SRF as a basis for nontraditional projects. The American Recovery & Reinvestment Act (ARRA) in 2009 funded about \$2 billion in green infrastructure projects, but few other efforts have been made in this area. Many states are doing things differently and trying to include green projects in their discussion. They are starting to see the benefits of green infrastructure and the potential impact to mitigate storm water, which will support resiliency. Storm water is a big part of the answer to wet weather controls.

Mr. Sawyers thought the analysis in *Mr. Gebhardt's* report was on target, but he wonders about implementing some of the recommendations. He wants EFAB to start thinking about SRF and other mechanisms to address nontraditional projects, not your typical water and wastewater projects. The time will come when EFAB must consider the future of SRF and whether environmental issues are the right way to use them. He would say yes, but we also have to anticipate the critical needs that are before us. Projects can be funded under the Green Project Reserve (GPR). After ARRA, appropriation language specified that 20% had to be spent on green infrastructure projects, and 2012 and 2013 funding dropped to 10%, and there is significant interest in financing these projects. If the appropriation language does not dictate that these are funded, how can we be sure they get funded? The question is how best can the Agency approach the financing issue and encourage others to think about green infrastructure projects.

The President's budget for 2014 calls for 20% funding for green infrastructure. The Office of Wastewater Management is asking EFAB to think about whether it should think about public-private partnerships (P3) as a significant transaction with SRF, but broader. It should benefit all

stakeholders involved. How do we energize communities to think about green infrastructure as a way to address wet weather issues? We are not asking about affordability, but how best to support our efforts collectively, creating advocates and funding streams.

Discussion

- *Ms. Tobias:* One work group reported transit-oriented development and how to use P3 approaches; while the subject is not storm water, some of the findings could be transferred to storm water.
- *Mr. Haskins:* One challenge in SRF is what is a good project versus a bad project, which is the same with green infrastructure projects. When dealing with storm water you are also dealing with community development, economic development, and can meet other community objectives in a broader way and P3 could enter into it. *Mr. Sawyers:* SRF addresses issues specifically related to utilities, but a storm-water effort has to go beyond utilities. We have to bring in additional stakeholders to think about it. Addressing storm water is not a singular focus, but a community-wide focus. We will have good projects, but also we need community-wide projects. How do we engage a broader set of stakeholders, using SRF as a pivot to leverage additional resources to get community benefits?
- *Ms. Ducharme:* Many lessons have been learned over the last two and a half years from the investments made with the Recovery Act. As for valuing the respective market and nonmarket benefits, the goal is to have an effort with case studies of prospective valuations that can be translated to economic benefits. Some of these valuations can be used for storm water. What might the Board be able to do? Some would be interested in supporting such a charge. *Mr. Sawyers* agreed it would be useful. When he was on EFAB, we produced academic documents. Now he is more pragmatic and thinks about what can be implemented, how we can add value, improve water quality, and maintain human health. Any charge from the Office of Wastewater Management as well as the Office of Water will be looking for pragmatic solutions. We want very practical, implementable projects.
- *Mr. Lichtenstein* announced that on October 21 Syracuse University will convene the 10 EPA partners to consider innovative financing and management practices. He will send an explanatory email to EFAB members.
- *Ms. Peay:* It is very timely and important to consider these issues at the state and local level where a lot of work is being done to coordinate resources.
- *Mr. Shapiro* noted that both New York and New Jersey are developing intended use plans for the \$600 million allotment.

EPA Budget Perspectives

Maryann Froehlich, Acting Chief Financial Officer, EPA, & David Bloom, Acting Deputy Chief Financial Officer

The government is dealing simultaneously with budgets for three fiscal years: FY 2015, FY 2014, and implementation of the FY 2013 budget and the sequester. Decreasing budgets means long discussions and hard choices. For the 2014 budget, EPA is looking at different ways to do business. For example:

- E-enterprise is a \$60 million investment across many offices to bring them into the digital age. E-manifest is perhaps the most important part: hazardous waste requires tracking, all of which is now done on paper, but when it is converted to an electronic format, people can communicate directly with EPA for compliance monitoring and other concerns.
- EPA will continue to support categorical grants—air, water, waste—for state and local governments.
- EPA supports Superfund. Although small reductions will not harm emergency response, projects will go at a slower pace, and the Agency will not take on new sites.
- \$1.9 billion is going to SRF, federal capitalization grants, state matches—money that can be leveraged.
- EPA is considering work space consolidation and has already eliminated a few hundred thousand square feet of property use over the last few years. EPA is conducting lab studies to find additional areas for improved operational efficiency.
- Air, climate change will continue to be an emphasis.

Soon, EPA will have a new Administrator, who will have a new set of priorities.

Discussion

- *Mr. Bloom:* Current budget discussions are ongoing for FY 2014, and the agency is starting to look at FY 2015 budget scenarios. Until the President and Congress come to agreement, there will always be the threat of sequester for the next 9 years. Overall, federal discretionary funds will not increase over the next few years. That is why the work of this Board and the EFCs is so important to help manage decreasing resources as effectively as possible. It requires stepping back and analyzing how we do our business. The E-enterprise is a new business model.
- *Ms. Tobias:* How does that affect the resources this Board and the EFCs will have?
Ms. Froehlich: We have requested funding in the FY 2014 budget for the EFCs. EPA

considers the EFCs a valuable partnership and is committed to continuing this Board's work, although not at the same level.

- *Mr. Gebhardt:* The public needs to know the good work the government does and that the government has invested its dollars, not spent them. The work EPA does is an investment for society. The \$60 million investment in E-enterprise is a good example of that.

Ms. Froehlich thanked the four members rotating off EFAB—Mr. Haskins, Ms. Patton, Mr. Gebhardt, and Mr. Thompson. More formal recognition will be awarded at a later time.

General Discussion

Karen Massey, EFAB Meeting Chair

Mike Shapiro, EFAB Designated Federal Official

Joe Dillon, Director, EPA, Center for Environmental Finance

- *Ms. Trabucchi:* Certain things require face-to-face interaction. Is it valuable for members to communicate these ideas to Mr. Shapiro in writing? *Mr. Shapiro* would not charge a member to do that, but it would be welcome. This is a highly valued group, and the Agency would like to make the best use possible. All Federal Advisory Committee Act (FACA) groups are being scaled down. How best to use that time and effort are things on which we would like feedback.
- *Mr. Cobb:* Interaction with client personnel is important as we initiate work, and it would be an interesting twist to kick off a new charge without a face-to-face meeting. *Mr. Dillon* thought changing the in-person meeting to the fall when new members first come would be good. But, we need to submit this to the Agency by August to send out information in advance of the meeting. We also need to see where they are with current projects, and that is better done face-to-face. At the same time we should continue to work to improve work group teleconferences. *Mr. Shapiro:* Maybe work group meetings should be the last thing we do, not the first, but the trick will be to get the client to attend an afternoon meeting for the closeout. We also need to think about rotating the work process.
- *Ms. Akparanta:* For those on the project whose term has expired, how do we continue to work on the project until we get the report out? *Mr. Haskins* and his work group intend to finish the report within 60 to 90 days, which is when his term expires. *Mr. Giardina* will continue, but they may want to appoint another co-chair if there is follow-on work.
- *Mr. Giardina:* When new members join the Board, the buddy system *Ms. Ducharme* suggested would be a good idea and could be done in the summer, which would allow the new people to be familiar with current projects. Maybe set up buddies by geographic areas or topics.

- *Ms. Surgeon:* It would have helped some members focus by having a briefing packet to frame their understanding of how this FACA functions. There has to be a charge before there can be an authorization for you to study something.
- *Ms. Surgeon:* How long should a teleconference be? What should our process be? Should it be one whole day or broken in two days or different weeks? *Ms. Ducharme:* It is valuable to meet in person, but maybe teleconferences could be held in an afternoon and again the following morning or maybe two mornings, leaving time for workgroup stuff. *Ms. Tobias:* Breaking up meetings into two days would be good. And, people could be listening together regionally to make it more interactive. *Mr. Shapiro* observed that it takes more than a casual amount of effort to make these things work. Video is much more effective than audio only.
- *Ms. Peay:* Dissemination of information before and after the electronic media communication is helpful so people can refer to material during the meeting. People multitask, so we need to keep their interest and use this medium more effectively. But we should not limit it to only one super-call. Why not have a shorter, quarterly teleconference.
- *Mr. Shapiro:* Our focus must be how to use this technology with the workgroups where the work gets done. We need it to be interactive without the in-person contact.
- *Mr. Haskins:* One idea is to have task-leader calls, like those done recently, as a way to mobilize people, to compare notes, and to get the sentiment of EFAB members as well as EPA. Not having two face-to-face meetings is a shame. He is not suggesting that new members be expected to pay their own way, but encouraging that might help. Bringing new members on in October, getting buddies, rechartering teams and all that requires more discussion, and for some people that may not work. We have to get the teams working effectively together to have a productive working session, and that may take a longer time. It makes a difference. There are multiple benefits of in-person interaction including contributing to an important mission, working together to do important things and networking together.
- *Ms. Tobias* also felt that the interactions during and outside the meetings build the trust needed for work during conference calls and emails. We get to know each other, and it creates *esprit de corps*, which makes the work groups function together more effectively. *Mr. Shapiro* will use this information to shape the process for the fall meeting.

Public Comment

There were no public comments.

Meeting Recap & Next steps

Mike Shapiro, EFAB Designated Federal Official

Ms. Massey thanked Board members for their good participation and hard work. *Mr. Dillon* seconded that and added that the staff will work to improve the Board process. *Ms. Peay* thanked

them for arranging meetings and putting everything together and adjusting to everyone's schedule. *Mr. Shapiro* thought they had had good discussion and had made good progress.

Mr. Shapiro adjourned the meeting at 2:20 PM