

ENVIRONMENTAL PROTECTION AGENCY ENVIRONMENTAL FINANCIAL ADVISORY BOARD STRATEGIC ACTION AGENDA FISCAL YEARS 2016-2017

BACKGROUND

The Environmental Financial Advisory Board (EFAB) is chartered under the Federal Advisory Committee Act to advise EPA on environmental finance issues, options proposals, and trends. EFAB seeks ways of lowering costs and increasing investments in public purpose environmental facilities and services. EFAB is supported by EPA's Office of Water, Water Infrastructure Resiliency and Finance Center, within the Office of Wastewater Management.

EFAB's Designated Federal Official is Michael Shapiro, Deputy Assistant Administrator for the Office of Water. EFAB's plans and operation are aligned with the major environmental goals presented in EPA's strategic plan.

EPA GOALS

EFAB's work is organized in support of the 5 major goals in EPA's *Strategic Plan*:

- 1. Addressing Climate Change and Improving Air Quality**
- 2. Protecting America's Waters**
- 3. Cleaning Up Communities and Advancing Sustainable Development**
- 4. Ensuring the Safety of Chemicals and Preventing Pollution**
- 5. Protecting Human Health and the Environment by Enforcing Laws and Ensuring Compliance**

EFAB OBJECTIVES

In its strategic planning process, EFAB applies these thematic EPA goals in the context of the requirement in its charter to provide advice and recommendations on the following issues:

- Reducing the cost of financing sustainable environmental facilities, discouraging polluting behavior, and encouraging stewardship of natural resources;
- Creating incentives to increase private investment in the provision of environmental services and removing or reducing constraints on private involvement imposed by current regulations;
- Developing new and innovative environmental financing approaches and supporting and encouraging the use of cost-effective existing approaches;
- Identifying approaches specifically targeted to small community financing;
- Assessing government strategies for implementing public-private partnerships, including privatization and operations and maintenance issues, and other alternative financing mechanisms;
- Improving governmental principles of accounting and disclosure standards to help improve sustainability of environmental programs;
- Increasing the capacity issue of state and local governments to carry out their respective environmental programs under current Federal tax laws;
- Increasing the total investment in environmental protection and stewardship of public and private environmental resources to help ease the environmental financing challenge facing our nation; and

- Removing barriers and increasing opportunities for the U.S. financial services and environmental goods and services industries in other nations.

Based on these goals and objectives and input from EPA, EFAB develops a *Strategic Action Agenda* describing its workgroup structure and lists ongoing and completed projects. Given the number, scope, and nature of the issues that EFAB addresses, its workgroups take the lead in developing projects for consideration and approval by the Full Board.

PROJECT SUMMARIES FY 2016

Project Title: Financing Legacy O&M Costs at Green Infrastructure Project Sites

Work Group Co-Chairs: Donna Ducharme and Leanne Tobias

EPA Strategic Goal: Protecting America's Waters

EPA Client: Office of Water

Anticipated Report Date: March 2016

Plenty of attention and efforts have been devoted to funding/financing the capital costs of construction and clean-up at environmental sites that do not generate ongoing revenues. But less attention has been given to finding mechanisms for funding the legacy (perhaps permanent) operations and maintenance costs associated with such sites. This workgroup is exploring the mechanisms that are, and might be, available to cover these ongoing legacy costs at green infrastructure project sites. Examples of mechanisms to be examined may include fully funded trusts, escrow accounts, utility structures, annuity products, a variety of bonding instruments, and others. The project will consider the feasibility and costs of each instrument examined and their suitability to differing environmental sites and conditions.

Project Title: Financial Capacity Development for Small Drinking/Wastewater Systems

Work Group Co-Chairs: Heather Himmelberger and Jennifer Wasinger

EPA Strategic Goal: Protecting America's Waters

EPA Client: Office of Water

Anticipated Report Date: March 2016

Small water systems face many challenges to being financially sustainable. These include developing affordable rate structures, building the capacity to analyze financial alternatives, and obtaining the funding needed to build, run, maintain, and replace infrastructure. These challenges are exacerbated by the limited technical capability and capacity of staff working at small systems. Many entities work with small systems including EPA, USDA, technical assistance providers (e.g. NRWA, RCAP, EFCs, etc.), but their efforts are often not well coordinated. This workgroup seeks to identify ways that EPA can work with all of the interested entities to provide a coordinated range of technical and financial assistance to help small systems become sustainable enterprises on an ongoing basis.

Project Title: Financing Pre-Development Activities in Communities

Work Group Co-Chairs: Ed Crooks and Hope Cupit

EPA Strategic Goal: Protecting America's Waters

EPA Client: Office of Water

Anticipated Report Date: March 2016

For communities considering innovative projects, decisions during phases of project development that precede construction (pre-development) are often limited by a lack of funding. Pre-development activities include planning, project prioritization and selection, permitting and entitlements, engineering and design,

and financing and funding. Although only a small part of total costs, these activities have considerable influence on which technologies and financing approaches are chosen, especially with regards to emerging technologies and alternative financing. Due to fiscal constraints, large needs and risk aversion, governments tend to focus resources on conventional projects and infrastructure construction, thereby underinvesting in pre-development. This workgroup is focusing on identifying ways that EPA can assist local governments with project planning and financial analysis of water infrastructure projects.

Project Title: Public-Private Partnerships for Water Infrastructure Projects

Work Group Co-Chairs: Lisa Daniel and Richard Weiss

EPA Strategic Goal: Protecting America's Waters

EPA Client: Office of Water

Anticipated Report Date: August 2016

Although water infrastructure needs are increasing, funding for EPA's State Revolving Funds (SRFs) and other Federal programs are not keeping pace. Innovative solutions are needed now more than ever and public-private partnerships (P3s) can be one such innovation. P3s can help communities secure funding for infrastructure projects and support long-term system operations via risk allocation and performance-based equities. With few water sector examples, questions remain about how effectively P3s will work. This workgroup is looking at the costs and benefits of P3s for water utilities and exploring the technical assistance that EPA might provide to help communities better cope with the legal and financial elements of P3s. The group is also reviewing the P3 case studies and other P3 work products being developed by the Environmental Finance Center at the University of North Carolina.

Project Title: Financing Stormwater and Green Infrastructure Programs

Work Group Co-Chairs: Joanne Throwe and Mathilde McLean Crosby

EPA Strategic Goal: Protecting America's Waters

EPA Client: Office of Water

Anticipated Report Date: March 2016

Managing stormwater is a challenge for many communities whether the motivation is flooding, water quality, water quantity, or revitalization. There are about 8,000 municipalities required to implement stormwater programs, but only about 1,400 stormwater utilities. Financing these programs and encouraging green infrastructure are EPA priorities. This workgroup is identifying the barriers that communities face in developing dedicated sources of revenue for stormwater and green infrastructure programs. It is also exploring ways to address those barriers and actions that EPA and other interested parties can take to grow the number of communities with dedicated revenue sources in this area.

Potential Project Title: Household Affordability Challenges in the Water Sector

Work Group Co-Chairs: Tom Liu and Rick Giardina

EPA Strategic Goal: Protecting America's Waters

EPA Client: Office of Water

Anticipated Report Date: March 2016

Many communities are experiencing hardship in financing the projects and activities needed to meet their wastewater and drinking water obligations. Furthermore, many households within communities are challenged in meeting their portions of the costs of these obligations. EPA has taken a number of steps to include flexibility in its programs to help communities meet their obligations in an affordable manner, but is looking to do more. In response to an EPA request, this workgroup seeks to identify ways that EPA can further assist communities with affordability challenges in implementing their water infrastructure with a particular emphasis on addressing the challenges of household affordability.

COMPLETED REPORT FY 2015

1. *Improving the Environmental Compliance Status of Small Water Systems in Puerto Rico*,
December 2014

EPA Strategic Goals: Protecting Human Health and the Environment by Enforcing Laws and Assuring Compliance and Protecting America's Waters

Primary Customer: Office of Enforcement and Compliance Assurance

View this report at:

http://www.epa.gov/sites/production/files/2014-12/documents/small_water_systems_in_puerto_rico.pdf

View all EFAB Reports at:

<http://www.epa.gov/envirofinance/publications>

- ▶ This Strategic Action Agenda is a flexible planning tool and is updated during the fiscal year as needed. All revisions will be shown on the home page at:
<http://www.epa.gov/envirofinance/efab.htm>
- ▶ Comments are important and welcomed. For additional information, contact Vanessa Bowie at bowie.vanessa@epa.gov.

830F16001