

# Environmental Finance Center Network

## 1995 Annual Report

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### FOREWORD

This is the first "Annual Report" of the Environmental Finance Center network, covering all principal activities of the six Environmental Finance Centers (EFCs) through 1995. The Environmental Protection Agency provided seed funding in 1992 for the first EFC at the [New Mexico Engineering Research Institute of the University of New Mexico](#). Soon thereafter, Centers were established at the [University of Maryland](#) and the [Maxwell School at Syracuse University](#). Two more EFCs were added; one in 1994 at [California State University at Hayward](#), and another in early 1995 at [Cleveland State University](#). In late 1995, a Center was established at [Boise State University](#) in an alliance with the University of Idaho and Idaho State University. Now, with six EFCs strategically located at major universities throughout the country, the Network is poised to become a major force assisting local governments and small businesses in meeting environmental standards. Essentially, the EFCs provide finance training, educational, and analytical services designed around the "how to pay" issues of environmental compliance.

A central goal of the EFCs is to help create sustainable environmental systems in the public and private sectors. Sustainable systems have the financial, technical, and institutional resources and capability to operate indefinitely in compliance with federal and state environmental requirements. This is one of the most formidable challenges, if not the most, facing the regulated community. Costs of needed public and private purpose systems and improvements often outstrip available resources. Yet paying for compliance has been and will continue to be a responsibility of local governments and the private sector. Over the years federal grants provided vital assistance in the construction of public-purpose wastewater treatment facilities, but these generous subsidies no longer continue. Moreover, nothing like the construction grants program ever

existed for funding drinking water and solid waste infrastructure needs. The introduction of State Revolving Funds to fill the vacuum created by the phase-out of construction grants has helped, but this worthy program has been woefully underfunded, with needs well exceeding the reach of its subsidized assistance.

Unavoidably then, the cost burden of meeting environmental mandates by creating sustainable systems fall squarely on the regulated community. For their part, the EFCs' financial outreach services focus on identifying ways of avoiding costs, lowering costs, and shifting costs as well as increasing private sector investment in environmental systems. The reader will find in the following pages many innovative and traditional activities the EFCs have undertaken in accomplishing these objectives. Their work, however, is just beginning, and the sum total of its benefits will make a major contribution to environmental progress in this country.

## ACKNOWLEDGMENT

A great many dedicated people have helped the EFCs along the way. We are deeply indebted to all who have played a role in this unfinished story. Thank you.

The Environmental Finance Program Staff/USEPA

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## EXECUTIVE SUMMARY

This is the first "Annual Report" of the Environmental Finance Center Network. The report describes the major accomplishments of the six university based Environmental Finance Centers (EFCs) through 1995. The Environmental Protection Agency has helped establish the Centers and works with them to set priorities and coordinate and plan activities. The EFCs' financial outreach services focus on identifying ways of avoiding costs (pollution prevention), lowering costs, and shifting costs as well as increasing private sector investment in environmental systems.

### EFC at University of New Mexico (Region 6)

Established in 1992, the University of New Mexico EFC has an extensive history of local government assistance, emphasizing public-private partnership applications to environmental systems. The EFC first developed a course on public-private partnerships for environmental systems and is now working on several projects for financing environmental facilities along the U.S./Mexican border. The New Mexico EFC has helped with the implementation of the NAFTA environmental agreement by assisting the new Border Environment Cooperation Commission on financing needs facing border communities.

### **Accomplishments**

- **NAFTA:** The EFC hosted the Border Environment Cooperation Commission (BECC)/ North American Development Bank (NADBank) Environmental Financing Conference for the BECC Directors. This conference was jointly sponsored by the Department of State and the Environmental Protection Agency.
- **U.S.-Mexican Border:** the EFC is concentrating on enhancing environmental systems in low-income communities along the Mexican border. Specifically, the EFC is analyzing various types of legal and organizational structures available for small water systems in unincorporated communities, referred to as colonias, which are not served by water systems, sewer treatment facilities, or electricity. In fact, many colonias lack potable well water. In 1994, the EFC received a grant to analyze and identify the best regionalization and organizational plan for the unincorporated communities of Dona Ana and

Otero counties to join together and work for the good of the whole. Once organized into a legal entity or entities, the colonias will be eligible for more sources of funds. The EFC will assist the colonias in applying for water, wastewater, housing, and utility grant and loan programs. The EFC will also assist in analyzing user fees to pay for the operation, maintenance and debt service for the systems. The EFC intends to use this current work to help establish a model for addressing environmental problems in other border areas.

### [EFC at the University of Maryland \(Region 3\)](#)

The Maryland EFC has been an innovator in designing methods for communicating information to a wide-ranging audience. The EFC has used the following training and communicating techniques in the area of environmental finance:

#### **Accomplishments**

- **Charrettes:** These intense roundtable discussions bring local government officials together with experts to address a specific problem that has been identified in advance. Charrettes have key individuals seated at the table with a moderator, who keeps the focus on the issue at hand, and presses those in attendance to explore solutions together. Charrettes have proven very successful in building new or renewed connections among state, local and federal government, and the private sector, including experts (EFAB) in rate setting, bonds, and other relevant areas of finance. There have been fourteen (14) charrettes throughout the Region to date.
- **Case Studies:** Many of the charrettes provided information ripe for the development of expanded case studies. These cases supply raw material for classes or other groups interested in exploring the current state of environmental finance, using specific communities as examples.
- **Educational Courses:** One way of reaching local officials and others is through direct course work. The University of Maryland School of Public Affairs has already used the case studies resulting from EFC charrettes as the basis for masters-level classes in public finance. A special course for officials and others which can be broadcast throughout the region and beyond is now under development (long-distance learning).
- **Conferences:** The EFC sponsored the first annual region-wide conference in September 1994, on financing techniques for environmental programs. The conference experimented with several methods of information delivery, including talk-show style panels, a demonstration charrette, a series of breakout groups, and a "teach-in" on the second day by experts in the area of community bonds, securitization and other innovative tools.
- **Governor's Blue Ribbon Panel:** The EFC was chosen by the Governor of Maryland to staff the Blue Ribbon Panel for Financing Alternatives for Maryland's Tributary Strategies. The panel was asked to identify a menu of innovative and equitable financing ideas that would help fill the gap between current spending on the Chesapeake Bay restoration activities and full realization of the goal.
- **Innovative Finance Course:** The EFC has received a grant, jointly funded from EPA's Office of Regional Operations and State/Local Relations and the Environmental Finance Program, to develop a short course on innovative finance. The content of the two-day course focuses on creative financing techniques complete with a binder of supporting materials, such as case studies and discussion topics. The goal of the course is to strengthen the capacity of all levels of government to analyze environmental problems in a financially sound manner.

### [EFC at Syracuse University \(Region 2\)](#)

The Syracuse EFC began with a study of financing environmental improvements based on environmental risk assessments. The EFC is currently focusing on the capital budgeting and water and wastewater training needs of local government managers in EPA Region 2. They are also specializing in the concerns of small and rural communities..

## Accomplishments

- **Risk Assessment:** The EFC explored with nine New York cities how risk assessment was used in basic financing decisions for environmental systems. The use of multi-media compliance plans to direct environmental investments was debated as an option for providing greater flexibility to local governments.
- **Risk and Finance:** The EFC has preformed an analysis (Risk and Finance Study), which concentrated on how seven NYS communities might prioritize and finance the many environmental mandates facing them. The EFC is in the process of developing curriculum and training materials based on the seven Risk and Finance case studies. In addition, the EFC is working on training materials in the area of capital budgeting.
- **Local Government Focus Group:** The EFC held a focus group in June 1994 with 15 local government managers and led a discussion concerning the environmental finance and administrative problems faced by small communities. There were several representatives present from state environmental organizations, as well as the small community representative from EPA Region II. These state officials were able to hear the concerns of government managers and suggest methods that the EPA and NYS DEC may better serve the needs of small communities.
- **Rural Resource Roundtable:** The EFC held a Rural Resource Roundtable in September 1994 with 30 representatives from small and rural community technical assistance providers in New York State. We have made contact with these organizations to better assess the environmental finance training needs of small town government managers. These relationships have allowed the Center to make direct contact with local managers who are facing difficult environmental problems.
- **Training Seminar:** EFC sponsored a training seminar in October 1994 on "Water and Wastewater Rate Setting," which was attended by 75 local government managers. All issues pertaining to the development of equitable and efficient rate systems were covered.
- **Fee Study:** The EFC is currently engaged in the first phase of research on fee systems to fund water-related infrastructure, sponsored by the EPA's Office of Water. The study will result in five to six options for generating new capital linked to possible federal/state delivery mechanisms, such as the state revolving funds. The Center is also chiefly responsible for the on-going public consultative process, including an April 25, 1995 public hearing in Washington, D.C.
- **Rate Model:** The Syracuse EFC recently conducted field tests of the water and wastewater rate model developed by EPA's Environmental Finance Program for communities under 25,000 population. This model will be a valuable tool to develop fully priced rate systems and to test existing systems.
- **Onondaga Lake:** In January 1995, the Syracuse EFC was awarded a \$250,000 research contract to examine the fiscal impact of the restoration and clean-up of Onondaga Lake upon communities surrounding the Lake Basin.
- **Environmental Meetings:** Another service that the EFC provides is the co-sponsorship of meetings with other environmental service groups. For example, the Center co-sponsored meetings with the New York Roundtable on the Future of BioSolids in November 1994 and the NYS Department of

Environmental Conservation-Pollution Prevention Unit in March 1995. The EFC is also co-sponsoring the First Annual Conference of the New York State Wetlands Forum in April 1995.

- **Advisory Services:** The EFC was contacted by the Small Communities Coordinator in Region 2 for assistance in obtaining comments from local small communities on the Initial Recommendations of the Small Town Task Force Advisory Committee, dated August 30, 1994.

### [EFC at University of California at Hayward \(Region 9\)](#)

The focus of this EFC, established in late 1994, is on developing public-private partnership models for financing environmental activities, emphasizing the participation of small and medium sized businesses. The Center's mission is to educate and assist business and financial managers, owners, and advisors, both public and private, in the application and use of innovative financing techniques that can further the implementation of environmental programs and projects. The EFC also supports the establishment of new environmental technology development enterprises.

The EFC has a decidedly urban and private sector focus and is particularly interested in:

- fostering the use of public-private partnerships,
- supporting minority and small business owners in capitalizing on environmental business opportunities and achieving regulatory compliance,
- promoting the adoption of pollution prevention technology by existing business,
- encouraging and facilitating the funding of environmental innovation

### **Accomplishments**

- **Conferences:** The EFC hosted the first in a series of Environmental Business Opportunities Conferences on March 4, 1995 in Hayward, California. The conference examined the characteristics and trends of the environmental industry and focused on opportunities within the industry for the participation of small, minority-owned, women-owned, and economically disadvantaged businesses. Although the conference was open to all interested individuals, the audience consisted mainly of owners and advisors to these types of enterprises. Speakers at the first conference include experts from environmental businesses in the technology and retail sectors, venture capital and commercial banking communities, defense industry base conversion contracting specialists, and representatives from appropriate EPA programs.
- **Military Base Conversion:** The EFC has become a major partner in the Alameda Center for Environmental Technology (ACET). The project is the master plan for converting the Alameda Naval Air Station (ANAS), Alameda, California from military to civilian use. In two personal visits to the base, President Clinton has declared Alameda Naval Air Station/ACET a "model" for the nation in its base conversion efforts.
- **MOU with U.S. National Park Service:** A memorandum of understanding was signed with the U.S. National Park Service to obtain office space for the EFC at the Presidio in San Francisco. The Park Service felt the EFC fit perfectly into its tenant profile for post-military occupancy.

### [EFC at Cleveland State University \(Region 5\)](#)

The Cleveland State EFC is a recent addition to the network, coming on line officially in 1995. In April 1994,

Cleveland State held a highly successful conference on the issue of brownfields redevelopment, attracting a large group of conferees as well as Congressional interest and participation. Working closely with Region 5, Cleveland State became the fifth EFC in the network, focusing on the brownfields issue, especially factors affecting the availability of financing as well as tools and incentives to spur investment in these abandoned industrial and commercial areas. The EFC joined with EPA's Environmental Financial Advisory Board (EFAB) in a unprecedented collaborative effort aimed at improving the prospects for financing the productive use of brownfields.

### Accomplishments

- **Brownfields:** The EFC participated in an open meeting of EFAB's Brownfields Redevelopment Workgroup on March 27-28, 1995, in Indianapolis, Indiana. The purpose of the workgroup meeting was to gather information and facilitate discussion on barriers and incentives to the redevelopment of abandoned industrial or commercial sites ("brownfields") in Indianapolis and other cities. The meeting was held in cooperation with the City of Indianapolis at the request of Mayor Stephen Goldsmith, who is an EFAB member.
- **Case study for EFAB:** The EFC prepared a case study of Indianapolis's brownfields experience and lessons learned with privatization. As a member of EFAB, Mayor Goldsmith submitted this case study to the Board as a resource in their deliberations.

### [EFC at Idaho Universities Policy Group at Boise State University \(Region 10\)](#)

The Idaho EFC began operations in FY 1995 and has as its major focus the financial and institutional capacity of small water and wastewater systems. The EFC is an alliance of three universities that are pooling their efforts to examine ways to improve the financial capability of small water systems.

### Accomplishments

- The EFC organized a team of rural community specialists, headed by the Idaho Division of Environmental Quality. The team is conducting the Idaho Cumulative Mandates Pilot Project as a way to examine the effect of environmental regulations on local communities. The goal is to help communities meet environmental requirements by establishing priorities. The process of bringing together communities and Federal and state governments is leading to more flexible solutions of some environmental compliance problems without the use of more formal agreements.

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