

Environmental Finance Center Network

1998 Annual Report

1998 ANNUAL REPORT

Compiled by

*Environmental Finance Program
Office of the Comptroller
Office of the Chief Financial Officer*

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FOREWORD

It is our great pleasure to present the 1998 Annual Report of EPA's Environmental Finance Center Network, including the introduction of a new EFC in Region 4 for 1999. This report updates all principal activities of the University-based Environmental Finance Centers (EFCs) through 1998 and is a continuation of the information contained in the 1997, 1996 and 1995 Annual Reports. Copies of these earlier reports are available on EPA's Environmental Finance website at <http://www.epa.gov/ocfo/> or <http://www.epa.gov/efinpage/>.

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 Syracuse University. A fourth Center was added in 1994 at California State University at Hayward. Two more EFCs were added in 1995; one at Cleveland State University early in the year, and the other established later in the year at Boise State University in an alliance with the University of Idaho and Idaho State University. Finally, a new Center was established for 1999 in Region 4 at the University of North Carolina at Chapel Hill. With seven EFCs strategically located at major universities throughout the country, the Network has become a significant force to assist local governments and small businesses in meeting environmental standards. Indeed, the EFC Network was a semifinalist in the 1999 Innovations in American Government Awards Program sponsored by the Ford Foundation and Harvard University. 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 environmental

requirements and in conformance with generally accepted environmental practices. Creating and maintaining sustainable systems is a formidable challenge facing smaller local governments and businesses. Costs of needed public and private purpose systems and improvements often outstrip available resources. Yet paying for environmental protection has been and will continue to be primarily a responsibility of local governments and the private sector.

For their part, the financial outreach services of the EFCs seek to help meet environmental needs by focusing on identifying ways of increasing efficiencies by 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 an ongoing process, and the sum total of its benefits will make an important contribution to environmental progress in this country. Information on the Environmental Finance Center Network can also be found on our website on EPA's Environmental Finance Program homepage at <http://www.epa.gov/ocfo/> or <http://www.epa.gov/efinpage/>.

We welcome your comments and suggestions. Thank you

Michael W. S. Ryan, Comptroller, U. S. Environmental Protection Agency

ACKNOWLEDGMENTS

A great many dedicated people have helped the EFCs along the way. We particularly want to acknowledge the EPA Regional management and staff noted below who have generously provided their skills and time in managing the cooperative agreements with each of the centers. The EFC network would simply not exist without the Regions' superb cooperation and support. Additionally, we appreciate very much the key assistance and support of Headquarters management and staff in the Program Offices.

This year the Network, with the Syracuse EFC in the lead, began an international environmental finance initiative in conjunction with EPA's Office of International Activities. We are very grateful for this opportunity and wish to thank William Nitze, Assistant Administrator for International Activities; Patricia Koshel, Director of the Office of Western Hemisphere and Bilateral Affairs and William Freeman, International Activities Specialist for their contributions to this distinctive effort.

In addition, we would like to recognize and thank Linda Rimer, Deputy Associate Administrator for State and Local Relations, for her support and help in extending the EFC Network's outreach, especially into Region 4.

Likewise, we would like to welcome Region 4 to the Network. Especially John Hankinson, Regional Administrator; Stanley Meiburg, Deputy Regional Administrator; Cory Berish, Chief of the Planning and Analysis Branch and Bob Cooper, Program Analyst in the Planning and Analysis Branch. Their efforts in 1998 contributed to adding the University of North Carolina to the EFC Network for 1999.

Finally, we are deeply indebted to Sallyanne Harper, Chief Financial Officer; Michael Ryan, Comptroller; Joseph Dillon, Deputy Comptroller and John Wise, Director of the Office of Strategic Planning and Emerging Issues in Region 9 and Executive Director of the Environmental Financial Advisory Board, for their outstanding support of the Centers. There is no model or template for the Centers and they have benefitted greatly from the valuable guidance and suggestions of these individuals.

Vera Hannigan

EFC Network Coordinator

ENVIRONMENTAL FINANCE CENTERS

ACKNOWLEDGMENTS

The EFC Network would like to acknowledge the support and working relationships between the EFCs and the state and local governmental entities they serve. Also, the EFC Network is greatly indebted to EPA, both Headquarters and the Regional offices, for providing ongoing expertise and participation.

Region 2 - Syracuse University EFC

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- William Muszynski, Deputy Regional Administrator, EPA Region 2
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Region 3 - University of Maryland EFC

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EPA Region 3

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EPA/HQ

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State - Maryland Sea Grant College

Region 5 - Cleveland State University, Great Lakes EFC

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- Dr. Ziona Austrian, EFC Associate Director
 - Dr. Robert A. Simons, EFC Real Estate Expert
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- Michael Siegel, RateMod Associates, Washington, DC
- Richard Cutberth, Chairman, Finance Committee, Pacific Northwest Section, American Water Works Association

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 - Vera Hannigan
 - Timothy McProuty
 - Alecia Crichlow
 - Joanne Lynch
 - Sandi Keys
-

Highlights of 1998 Collaborative Activities **of the** **Environmental Finance Center Network**

1998 saw a continuation of the collaborative efforts between the EFCs. One of the strengths of the Network is the ability of the EFCs to work as a unified group to accomplish national objectives. In addition to their effective work in promoting and sharing creative environmental financing techniques and building partnerships between the public and private sectors, including their respective Regional Offices, the EFC Network collaborated on several innovative accomplishments:

Financial Tools of the Network:

The EFCs and the Agency's Environmental Finance Program have produced an array of finance training and educational publications and courses available through the EFC Network. These tools are designed to provide useful hands-on assistance to the regulated community.

An outstanding example is the Guidebook of Financial Tools. The Guidebook is the product of a collaborative effort among members of the Environmental Protection Agency's Environmental Financial Advisory Board, the Directors and staff of the Environmental Finance Centers, and the staff of EPA's Environmental Finance Program. The Guidebook, which is routinely distributed by the EFCs as part of their ongoing outreach activities, was recently updated and expanded. The new version was released April 1999. The Guidebook is available on diskette and can be accessed through the Internet on the Environmental Finance website under Environmental Financial Tools at <http://www.epa.gov/ocfo/> or <http://www.epa.gov/efinpage/>. It will also be available the summer of 1999 in CD ROM.

EFC Network Forum:

EPA sponsored an EFC Network Forum on June 25-26, 1998. The purpose of the Forum was outreach to public and private sector environmental service providers and to demonstrate the transferability of EFC-developed environmental finance tools from region to region. All EFCs collaborated in the planning and execution of the Forum, which was organized and hosted by the Syracuse EFC in Region 2. Representatives of government, non-profit, and private sector entities, who also participated in the Forum, were asked to provide insight into what would best serve the environmental finance needs and interests of the communities they assist. The Forum enjoyed great success because the other EFCs actively participated in planning the content and format of all components.

The EFCs typically collaborate with one another as well as other entities to assist communities with environment-related finance problems. The EFC Network Forum was an opportunity to share the collaborative strength of the Network with environmental service providers. The success of the Forum indicated that the Forum could be replicated in other EFC service regions (and beyond), which would enable EPA to provide an outreach service to communities that may not otherwise know of the assistance available.

Drinking Water System Capacity Development:

The success of the Safe Drinking Water Act (SDWA) depends on the effective operation of individual public water systems. A comprehensive understanding of rate design concepts for water systems is an essential element in operating and managing sustainable utilities. The network of Environmental Finance Center's training and education programs are designed to meet the need of utility managers to design equitable utility rates and to match financing mechanisms to capital projects.

- The Centers at the University of New Mexico and Boise State University are working with states in Regions 6 and 10 in

developing capacity development strategies required by the SDWA.

- The University of New Mexico is the lead EFC working with NADBank on a plan for financial capacity assistance along the US-Mexico Border region.
- The EFCs at University of New Mexico in Region 6 and Boise State University in Region 10 are collaborating the Syracuse EFC in Region 2 to assist the New York State Department of Health to develop a capacity development strategic plan.
- The Syracuse EFC is leading a collaborative effort with University of New Mexico to develop an Environmental Financial Technical Assistance program proposal to promote capacity development as well as the use of water meters and rate setting in the Newly Independent States of Russia.
- Environmental Community Assistance Consortium - The EFC at Syracuse University in Region 2 provided communities assistance in proposal development and capacity building.

Financial Capacity Development:

Financial Capacity Development -- the ability to both obtain the resources necessary for sustainable infrastructure systems and to manage those resources well -- is one of the three capacity components required under the 1996 Amendments to the Safe Drinking Water Act (SDWA). A water and wastewater rate model was developed under a cooperative agreement with EPA's Environmental Finance Program and the Government Finance Officers Association. The purpose was to design a useful financial tool for small to moderately sized communities as an affordable way to evaluate their existing rate structures and evaluate the fees charged for water and wastewater systems. This is to encourage the adoption of rate structures and strategies that promote full cost pricing, using the EFC Network as the primary means of delivering to public officials the requisite training and technical support for its proper use.

- Using the rate model for water and wastewater, the Environmental Finance Center at Boise State University provided ongoing support and direct expertise in rate setting to clients served by EFCs at Syracuse University in Region 2, the University of Maryland in Region 3, and the EFC at the University of New Mexico in Region 6. This activity occurred in the form of demonstration workshops for rate setting technical assistance and training, and post-demonstration workshops, as well as collaborating with the other EFCs to provide training in the use of the rate model.
- New York State Rural Water Association - the EFC at Syracuse University in Region 2 provided training and workshops in rate setting, public finance, and capital budgeting to water system operators and public managers.

Tribal Assistance:

The Great Lakes Environmental Finance Center (GLEFC) at Cleveland State University in Region 5 is working on an initiative to assist Native Americans in their efforts to create sustainable environmental communities. The GLEFC collaborated with the EFC Network, especially the Boise State University EFC in Region 10 and the University of New Mexico EFC in Region 6, in successfully obtaining a grant to establish the Native American Communities Project. The proposal is for assistance to the 34 Federally recognized tribes in the Great Lakes states. The project will utilize three centers in the EFC Network and a ecological design institute to introduce the use of comprehensive community planning and ecological design techniques to help Native American Communities restore ecological balance.

Pollution Prevention:

The Great Lakes EFC located at Cleveland State University in Region 5 is working with the EFC at California State, Hayward in Region 9 in advancing strategies for industrial pollution prevention using two demonstration projects to integrate pollution prevention activities with local and economic development organizations, small business development, and industrial technology extension activities to increase pollution prevention deals. Financial strategies were considered to be an important component in the demonstration projects. The GLEFC provided funding to the California center to plan and undertake a pollution prevention demonstration project in 1997 and 1998. During 1998, two industry-specific demonstration projects were held in the Cleveland and San Francisco areas. The Cleveland demonstration project, conducted by GLEFC, focused on the metal finishing industry in northeast Ohio. The San Francisco project, conducted by the California EFC in Region 9, concentrated on the dry cleaning industry in the San Francisco Bay area.

- Working with the metal finishing industry in northeast Ohio industry revealed that the main barrier to more pollution prevention (P2) activities is uncertainty regarding P2 technologies. As a result, GLEFC has focused its work with the industry on developing a technology verification project.
- The San Francisco Pollution Prevention Demonstration Project focused on the dry cleaning industry in the Bay Area. The California EFC conducted numerous informal interviews with regional, county and local government agencies including economic development agencies, small business organizations and representatives, community organizations, dry cleaners, environmental non-profit organizations, and industry insiders concerning the dry cleaning industry. In addition, the EFC

organized and held two Charrettes to identify future pollution prevention approaches and strategies to use with East Bay dry cleaners.

- The Metal Finishing Strategic Goals Program is a continuation of project that began with the Great Lakes EFC (GLEFC) and EFC at the University of Maryland in Region 3. The GLEFC participated on a panel of experts in a Metal Finishing Charrette on "Access to Capital" held in Washington DC in January 1997. The Charrette was organized by the EPA and the Maryland EFC. One discovery of that Charrette was the lack of finance available for Metal Finishers interested in implementing pollution prevention measures. As a result, a pilot loan program with the Small Business Administration (SBA) was established. Because the pilot program was launched in Los Angeles in 1998, EPA invited the California EFC in Region 9 to participate in and help guide the Access To Capital Program.

Charrettes:

Part of the EFC's goal is to provide assistance and to act in an advisory capacity to state and local governments on issues related to environmental finance. One way to achieve that goal is to advise local officials in a "charrette" format. The charrette process, pioneered by the University of Maryland EFC, employs an advisory panel of federal and state officials and financial experts who provide local officials with solutions to their problems with financing environmental services and facilities. The charrettes provide a forum for frank discussions between local officials and financial experts about financing difficulties experienced by communities in meeting the demands of environmental mandates.

- **Pocatello Brownfields Conference and Charrette.** The Great Lakes EFC joined the Boise State EFC in conducting two Brownfields mini-conferences and a charrette in Region 10.
- **Charrette for the Hamlet of Long Eddy, NY.** The EFC Network participated in a charrette addressing the financing challenges of the Hamlet of Long Eddy, New York during the first annual EFC Forum organized by the EFC at Syracuse University.

Smart Growth Initiatives:

The Maryland EFC's proposal to the USEPA on urban environmental quality has been accepted. Submitted on behalf of the Environmental Finance Center Network, the collaborative project will address the issue of sustainable urban growth and regional vitality. All too often, regional development occurs in a piecemeal fashion, with little coordination between levels of government, or between the public and private sectors, or between different disciplines, including economics, landscape ecology and natural resource management. The national network of Environmental Finance Centers knows from experience that these issues are connected; that land use, brownfields redevelopment, transportation and economic vitality are interrelated with habitat restoration, water and air quality, and natural resource protection.

The Environmental Finance Center Network will conduct a series of charrettes during 1999. These charrettes will explore the long-term sustainability of urban areas through a process of interconnectedness of issues, and between levels of government and the private sector. The charrettes will begin by recognizing the traditional ways policymakers approach local challenges, often from a single dimension. Each charrette will focus on an issue of local concern, such as transportation and urban sprawl, or retention of jobs and economic vitality and its effects on sprawl. But during the course of the charrette, we will demonstrate how a single issue is, in fact, connected not only to broader issues, but to a broader geographic place--the region (both the geographical region but also the bioregion).

EFC/EFAB Network Coordination:

The Executive Directors of the EFCs that make up the Network serve as expert witnesses to EPA's Environmental Advisory Board (EFAB). In that capacity they participate in discussions during EFAB full board meetings. It is this type of coordination and positive interaction that leverages the expertise of both organizations toward a common goal, that of achieving sustainable environmental compliance. This collaborative effort is involved in several projects such as financial capacity assistance (through the New Mexico EFC) along U.S. Mexico Border; Brownfields cleanup and redevelopment initiatives; capacity development tools and training to help strengthen the viability of the nation's public drinking water systems; a collaborative effort to develop an Environmental Financial Technical Assistance program proposal to promote capacity development in the Newly Independent States of Russia; and helping to develop a watershed management approach to explore regional funding mechanisms that would tap into the buying power of an entire watershed to empower local communities with the greatest need to implement environmental projects.

Environmental Financial Information Network:

The Environmental Finance Center Network updates its website continuously on the Environmental Finance Program homepage at <http://www.epa.gov/efinpage/>. The homepage, located on EPA's main website (www.epa.gov), provides information about the [Environmental Finance Program](#) (EFP), its components, and its services and publications. Included at the website is information about the [Environmental Finance Center Network](#) (EFC), the [Environmental Financial Advisory Board](#) (EFAB), and the [Environmental](#)

Financing Information Network (EFIN). There are also available numerous advisories and reports, which can be found under Environmental Publications, as well as the guidebook on financial tools, which is located under Environmental Financial Tools. We are continuously expanding the website. A major source of information are the ongoing updates on the EFC Network's activities, as the Centers use the world-wide-web to improve the effectiveness and efficiency of sharing information among the Network.

Prospective Activities of the EFC Network:

Urban Environmental Quality and Public Health: An EFC Network Collaboration:

The Maryland EFC proposal to the U.S. EPA on urban environmental quality has been accepted. Submitted on behalf of the Environmental Finance Center Network, the collaborative project will address the issue of sustainable urban growth and regional vitality.

Urban sprawl comprises one aspect of a larger issue: regional patterns of development. Regional development frequently occurs in fragmented patterns, with little coordination between levels of government, between public and private sectors, or between different disciplines including economics, landscape ecology, and natural resource management. However, in reality, these issues are all interconnected: land use, brownfields redevelopment, transportation, and economic vitality are all interrelated with habitat restoration, water and air quality, and natural resource protection.

Feasible, more cost-effective solutions to ensure sustainable urban areas lie in a multi-governmental, multi-issue problem solving process. The challenge is how to integrate this process into local decision making. To address this challenge, the EFC Network proposes to conduct a series of charrettes, which would explore the long-term sustainability of urban areas through a process of "interconnectedness of issues" and between levels of government and the private sector.

Metal Finishing Strategic Goals Program:

EPA's Common Sense Initiative (CSI) Metal Finishing Subcommittee has recently launched a nation-wide voluntary program for metal finishers called the "National Strategic Goals Program". Metal Finishers who sign up for this program are pledging to make a good-faith effort to achieve some very lofty "better than compliance" environmental goals including better metals utilization, reduction in energy/water use, and reduced emissions of metals and organic TRI chemicals to the environment.

The CSI Metal Finishing Subcommittee identified this industry's inability to access capital for environmental improvements/investments as one of its biggest obstacles in meeting and/or exceeding current environmental requirements. A few years ago, with the assistance of the University of Maryland EFC in Region 3, a charrette was held with multi-stakeholder representatives and members of the Environmental Finance Advisory Board. As a direct result of this charrette, the EFAB, the CSI Metal Finishing Subcommittee, and the CSI Council made a recommendation to Administrator Browner that EPA should work with the Small Business Administration to develop an Environmental Loan Program for small metal finishers.

The ultimate goal of this project is two-fold:

- 1) to develop and test a local pilot environmental loan program for small metal finishers which can be expanded nation-wide; and
- 2) to explore the potential for expanding this project nationally, and eventually, to other appropriate industrial sectors.

The Small Business Administration (SBA) has set aside 3 Million Dollars for its Los Angeles Regional Office to use to guarantee loans for a pilot program in Southern California. However, the SBA needs technical assistance in developing this program in such a way that it meets the needs of the metal finishing industry while adhering to the structure recommended by the EFAB and the CSI principles of "cleaner, cheaper, smarter" and multi-stakeholder involvement. To that end, serving as a liaison between SBA, EPA, and the EFAB, The California EFC will provide the following technical assistance to the SBA.

Working with existing stakeholders such as Barrio Planners (environmental justice and loan application preparation), Metal Finishing Association of Southern California (technical industry information), REBRAC (metal finishing technology and process experts), and others the California EFC will:

- Identify SBA's technical requirements and options for achieving them;
- Identify the appropriate financial, industrial, and environmental participants;
- Conduct one or more Charrettes and smaller multi-stakeholder workshops as needed;
- Identify and solicit lending institutions to handle loan disbursements;
- Identify individuals and/or organizations that can help to service loan applications;
- Secure the services of additional experts/consultants if deemed necessary/appropriate; and,
- Issue a report on a methodology for rolling out this pilot loan program with potential roles and responsibilities.

International Environmental Finance Program

EPA's Office of International Activities (OIA) and the EFC at Syracuse University's Maxwell School in Region 2 are currently planning the introduction of EFC Network-developed finance tools to government officials and public administrators in the

international community. Staff from EPA's Office of International Activities, EPA's Environmental Finance Program and the Syracuse EFC recently visited Russia to establish partnerships with government and academic institutions in order to begin planning the development and delivery of environmental finance training programs. Over the next six months, the EFC will organize two Russian delegation visits to the United States; the development of a "model project" with which a current Russian environmental project will be used to illustrate the use of specific EFC Network tools; and the launching of the Environmental Finance Institute, an annual program that will provide finance training to Russian government officials and administrators. The delegation visits will incorporate hands-on learning opportunities in the area of environmental finance and will also include working sessions with professionals who work with municipal bond markets and revolving loan funds. The Environmental Finance Program of the US Environmental Protection Agency will also host a session dedicated to environmental finance policy. The EFC considers this endeavor an exciting opportunity to widely share the good work of the Environmental Finance Centers that collectively comprise the EFC Network.

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