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June 18, 2015

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Director

U.S. Environmental Protection Agency Office of Wastewater Management

William Jefferson Clinton Building

1200 Pennsylvania Ave. NW

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Washington, DC 20460

Re: Water Infrastructure and Resiliency Finance Center

NACWA applauds the U.S. Environmental Protection Agency's (EPA) decision to create a Water Infrastructure and Resiliency Finance Center (the Center). Given the Center's stated mission of serving "as a resource to communities to improve their wastewater, drinking water and stormwater systems, particularly through innovative financing and increased resiliency to climate change," NACWA believes that EPA and the Administration have taken an important step toward addressing two of the major challenges facing the clean water community – the lack of adequate funding for infrastructure improvements and the uncertain conditions expected as a result of climate change. NACWA appreciates the opportunity to provide input on the initiatives that the Center will support and some potential areas where additional leadership from EPA is encouraged.

The Build America Investment Initiative

The Center was formed as a component of the Administration's government-wide Build America Investment Initiative and NACWA believes that the Initiative — aimed at getting some of the several trillion dollars of private capital that is 'sitting on the shelf' invested in public infrastructure projects – is both an appropriate and valuable investment of federal time and resources. NACWA has always maintained that private sector involvement, including public-private partnerships (P3s), should be considered and employed at the public utility's discretion based on site-specific or utility-specific circumstances.

Maintain the Tax Exemption on Municipal Bonds

Acknowledging the importance of the private sector, history has shown that private funding of public clean water infrastructure has, to date, been marginal. The Association strongly urges EPA to ensure that private finance not be viewed or portrayed as a panacea that can replace a true and lasting federal-state-local

investment partnership. In line with this, NACWA urges EPA and the Administration to not suggest or endorse rollbacks to the tax exempt status of municipal bonds – we should be seeking to add new tools to the mix not take successful ones off the table.

Define P3s Carefully, but Focus on Utility of the Future Projects

The Center should seek to define P3s carefully, accounting for both the private and public perspectives. Public water and sewer systems engage private entities already to carry out specific projects and even to manage significant portions of their facilities' operations. P3s in this sense are alive and well currently in the public water sector. Indeed, much of the pioneering work on the Water Resources Utility of the Future (UOTF) initiative – a joint effort by NACWA, the Water Environment Federation (WEF) and the Water Environment Research Foundation (WERF) – seeks to employ innovative technologies at the nation's clean water agencies that can raise revenue, recover resources and stretch ratepayer investment. These types of “bolt on” projects – whether in the area of energy production, fertilizer/biosolids recycling, water reuse/recycling, or green infrastructure, to name a few – are well suited to private investment where they create new revenue streams and could benefit from private operation and management for various reasons. In their comments submitted to the Agency, the WateReuse Association also notes how the P3 approach has been successful when applied to water recycling projects across the country.

Incorporate Public-Public Partnerships into the EFC's Mission

While P3s are a key focus for the industry currently – and for good reason, with trillions of domestic and foreign dollars seeking sound investment opportunities – larger and more sophisticated public clean water agencies can also partner with smaller agencies as well. To the extent the smaller agency needs financial or technical expertise or would benefit from some of the actual material (extra pipe, replacement technologies, etc.) that larger utilities may no longer need – these P to Ps (**Public-Public Partnerships!**) should be as high a priority as partnerships with the private sector.

NACWA has heard from larger utilities that are interested in helping guarantee bonds for smaller utilities if it will help them get lower interest rates, which would in turn allow them to do more work that benefits water quality for the entire watershed. There are already programs underway to share engineers between larger and smaller utilities to help them prioritize projects. The Water/Wastewater Agency Response Network (WARN) allows utilities to share expertise and resources with utilities who have been impacted by a natural disaster or other devastating event – but why does this only exist for a disaster scenario rather than for those utilities who simply need some additional guidance and assistance with normal operations?

There is arguably greater trust among public sector utilities, which heightens the likelihood of successful partnership opportunities in the public-public partnership context. Ultimately, the idea is similar to a big brother or big sister program for the water sector. NACWA has only skimmed the surface of this but hopes to explore it further with EPA through the work of the Center.

NACWA is working to bring these issues to light through its Summer Conference in July in Providence, focusing on “Financing, Funding, and Rates for the Future” as well as through a new collaboration with Global Water Intelligence on its 2015 American Water Summit in October where private and public interests will be joining forces to start a meaningful dialogue on P3s. EPA has been asked to participate in both of these key meetings and to discuss the EFC's mission and objectives with our members.

NACWA Comments on the Environmental Finance Center

June 18, 2015

Page 3 of 3

We would be happy to also meet in person to discuss the EFC in greater detail.

Sincerely,

A handwritten signature in black ink that reads "Adam Krantz". The signature is fluid and cursive, with a long horizontal stroke at the end.

Adam Krantz

Managing Director, Government & Public Affairs