



**Metro**

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**EXECUTIVE MANAGEMENT COMMITTEE  
SEPTEMBER 18, 2014**

**SUBJECT: FUNDING AND OPERATING SUSTAINABILITY-RELATED  
INFRASTRUCTURE**

**ACTION: ADOPT METRO SUSTAINABILITY INFRASTRUCTURE  
IMPLEMENTATION AND OPERATIONAL PLAN**

**RECOMMENDATION**

Authorize the Chief Executive Officer (CEO) to:

1. adopt and implement a long-term financial and operational plan for sustainability-related projects to maintain their optimum performance and maximize environmental benefits; and
2. use proceeds from Low Carbon Fuel Standard (LCFS) credits sales along with any cost-savings, utility allowances and incentives, and any interest earned from the investment of these funds that are generated from sustainability-related infrastructure to specifically continue the implementation, operations, and maintenance of Metro's sustainability-related infrastructure.

**ISSUE**

Metro's ongoing investment in its sustainability-related infrastructure continues an almost decade-long commitment to dedicating resources to further advance resource-saving assets. Since 2005, Metro has completed 37 projects, realizing nearly \$2 million in yearly cost savings from the operation of these assets.

On February 27, 2014, the Metro Board of Directors approved a motion by Director Ridley-Thomas on Sustainability-Related Infrastructure, Operations and Maintenance. This Board Report is a response to Section 2 of the Motion to: a) assess how the current sustainability-related infrastructure (including renewable energy projects, green buildings and related assets) are operated and maintained; and b) develop a long-term financial and operational plan to maintain the optimum performance of sustainability related-infrastructure which includes a plan to use the Low Carbon Fuel Standard (LCFS) credits, along with any cost-savings generated from current and future

sustainability-related infrastructure to specifically continue the implementation, operations, and maintenance of Metro's sustainability-related infrastructure; and a comprehensive implementation plan to ensure that financial, infrastructural, and operational elements of sustainability-related infrastructure are incorporated in all of Metro's activities.

The Board's continued support of our on-going sustainability-related infrastructure demonstrates its confidence in the value that these projects bring to our agency. In addition, these projects reflect Metro's continued commitment to continually reduce the agency's environmental impacts while simultaneously creating cost-effective and resource conserving value to the projects that we are building to expand our current rail and bus system.

All of our best practices are concurrently being documented through the Federal Transit Administration (FTA) initiated Environmental Management System (EMS) under a process of continual improvement. As evidenced by numerous and varied recognitions and financial support from Federal, state and local funding organizations, *Metro has evolved as a world class sustainability and environmental leader in the transit industry.*

Large-scale investments in solar photovoltaic systems dominate our current sustainability-related infrastructure. These are valuable assets that are devoid of any electricity costs and contribute toward meeting Metro's Renewable Energy Policy goals of 33% renewable energy use by 2020. A more recent focus on implementing energy efficiency, energy cost management, and implementation of other utility cost-saving protocols and processes in new and existing buildings has resulted in a more balanced and diversified portfolio of sustainability-related assets. Such a shift allows Metro to implement future cost-savings projects while meeting concurrent Environmental, Energy, Sustainability, and Renewable Energy Policy goals. In addition, staff has also recognized other opportunities in the areas of water conservation, storm water re-use, energy recovery processes, and reduction in waste generation that are being developed (and in many cases already being implemented) as future sustainability assets.

Annual Board authorized funding to implement cost-saving ideas has been the cornerstone of these innovations; and serve to continually feed new feasible construction and operationally cost-effective projects, such as those being built as part of Measure R-funded infrastructure. More importantly, as their implementation are managed through the plan-do-check-act protocol of the EMS, agency-wide barriers are broken down and projects ideally should be conceptualized and planned, constructed or installed, and operated and maintained seamlessly.

The assessment of the existing sustainability-related infrastructure at Metro (Attachment A) identified gaps in the current approach; specifically for maintaining the current asset base to ensure the realization of projected cost-savings. This therefore requires action to address different aspects of current and future sustainability investments and maintain them in a state of good repair. These gaps provide a very clear signal that continued maintenance deferment of sustainability-related infrastructure will reduce and

eventually eliminate the unique benefits that arise from investments made by our agency in these assets.

A sustainability infrastructure implementation and operational plan that details a transparent process to evaluate, implement, and maintain the portfolio of potential future sustainability project investments; and a financial plan for identifying and securing funding for these investments that mitigates the financial impact on our agency are necessary to ensure ongoing implementation and proper operation and maintenance of sustainability-related projects under a comprehensive continual improvement process in an EMS framework.

## **DISCUSSION**

As a public transportation agency, Metro is, at its core, a sustainability asset. Specifically throughout the last ten years, Metro's longstanding commitment to improving operational efficiency and reducing the financial and environmental impact of its operations has also yielded an extensive inventory of assets that must be both maintained and kept in a state of good repair. However, along with other public transportation agencies throughout the country, Metro also faces the challenge of simultaneously addressing:

- Aging infrastructure and deferred maintenance;
- Decreasing operational budgets;
- Expanding system resource demands; and
- Increasing regulations.

Metro's environmental program and organizational sustainability initiatives have operated under an ISO 14001-certified EMS framework and benefited from a comprehensive process of evaluating and implementing value-creating and cost-saving projects. Within this framework, staff at all levels of the organization in any Metro business unit are able to collaboratively provide input for the implementation of innovative ideas that reduce overall Metro environmental impacts from its operations while simultaneously enhancing the safety of our existing and future system. In the past six years since the FTA's technical assistance to establish EMS here at Metro, staff was able to identify and address many of the long-term operational environmental and safety issues through sustainability-related capital improvements and projects. If not for these efforts, many repeatedly identified issues would not have been solved due primarily to the lack of available funding that can be programmed for the forthcoming fiscal year.

Metro's structural deficit is real and implementing cost-saving measures to create greater operational and infrastructural value will further reduce costs to operate the current and future expansion of our system. Identification of a number of resource efficiency and cost saving measures in the past few years through studies, pilots, and audits has enhanced the robustness of our sustainability efforts. We are now able to implement many of these projects initially as pilots, and once proven to be of significant benefit and feasible for agency-wide implementation are rolled out agency-wide into

existing facilities and into new major construction or part of capital improvement projects.

Metro sustainability-related infrastructure includes investments that are made in Metro's facilities, technologies, fleet, people, and processes that:

- directly contribute to the reduction in resource usage beyond an established baseline for electricity, natural gas, other non-renewable fuels, water, hazardous substances, or
- directly reduce greenhouse gas emissions (GHGs), other air emissions, wastewater, solid waste, other environmental impacts, or
- directly increase operational efficiency, staff productivity and well-being, and customer satisfaction beyond standard operations, while maintaining safety and system reliability.

Given the breadth of Metro's sustainability activities in all facets of the organization, we establish boundaries of this definition (for the purposes of the use of available future self-funding mechanisms) to include direct impacts from a capital program, like reduced energy and water usage in operations, and leave out the numerous indirect benefits associated with operating a public transit system.

Metro's list of sustainability-related assets includes, for example, the construction of energy efficient buildings, generation of approximately two megawatts of renewable energy through solar photovoltaic systems, energy recovery and materials recycling projects, water and water-reuse conservation projects (including those that recycle carwash water and store or re-use storm water), and recycling of construction and demolition debris (such as the use of recycled concrete from the I-405 demolition for use as sub-base in the Metro Orange Line Extension). These efforts have reduced energy and resource use, generated operational cost savings, created productive work spaces, and reduced the environmental impacts of Metro's construction and operations. Utility partners have also paid Metro cash incentives to buy down the cost and enhance the region's resource efficiency. Staff continues to explore new and innovative technologies to improve the agency's environmental performance and reduce costs.

Metro contributes to the sustainability of the Los Angeles region by improving air quality, reducing congestion, and providing mobility. In the past few years, the agency has fully developed existing sustainability-related infrastructure that has and continues to generate significant value and cost-savings to our overall operations. Investment in projects that actually reduce operational costs is critical and very important as Metro phases in the forthcoming operation of Measure R projects. Funding for any planned sustainability and sustainability-related projects is approved on an annual basis.

Reporting of our progress in these projects is provided through the annual Sustainability/Energy and Resource Report as well as through the Annual Energy Management Program update. Metro measures itself against metrics that have been developed through the American Public Transportation Association (APTA)

Recommended Practice process. Metro is the first and currently only Platinum Level APTA Sustainability Commitment Recognition awardee in the whole nation. This serves as testament to our excellence in environmental stewardship.

All capital projects are now also required to develop and implement a Sustainability Plan with required reporting to advise Metro of the project's adherence to Metro adopted policies. Such reporting encourages the development and implementation of innovative ideas and tasks within any size construction project; and ensures the steady progression towards the completion of these projects in the most cost-effective way.

The Office of Management and Budget manages Metro's annual capital program to successfully meet the needs of Metro's operations. Staff has conformed to these guidelines in the implementation of sustainability capital projects. Metro's EMS framework provides for a mechanism to regularly monitor and report sustainability infrastructure performance in addition to the identification and implementation of future opportunities. The recently concluded sustainability-related infrastructure assessment identified lower than expected performance from several key sustainability assets such as Metro's solar photovoltaic (PV) systems.

Sustainability-related infrastructure can and will increasingly directly affect operations in ways that may be outside standard operating procedures. New sustainability assets are likely to involve greater technology sophistication and alternative systems and processes. To maximize their benefits, there is a need to ensure that proper maintenance requirements of these assets are also instituted. Metro's solar PV systems represent a primary example of this challenge.

Solar PV systems require a specific set of maintenance procedures to operate properly. Until recently, Metro made limited provisions to provide staff with the appropriate training in this area because the cost and responsibility to do so has not been properly planned and assigned. Metro currently has installed solar PV systems at five locations, with a sixth location at Division 13. Historically, the project costs of all new solar PV systems, with the exception of the Central Maintenance Facility (CMF), only accounted for the upfront cost of construction. The project costs did not allocate funds for future operations and maintenance that falls outside of the standard operations for this new technology.

By way of comparison, the solar PV project at CMF included a Full-Time Equivalent to maintain the system. This system has never underperformed its projected electric generation targets; and is a successful model for Metro's ability to properly maintain this valuable asset.

As sustainability-related investments often bring new technologies and innovative process improvements into the Metro system, staff is proactively addressing the challenges associated with the current maintenance of solar PV systems so future sustainability infrastructure does not suffer similar challenges.

Based on the recently concluded assessment, we observed that more collaborative and detailed upfront project development can allow for proper troubleshooting of issues and execution of preventative maintenance practices. Requiring the incorporation of anticipated future costs and development of skill sets into the project life-cycle is an important first step in mitigating these challenges. Evaluation of these future costs and requirements must occur in close coordination with the division and system-level managers and staff responsible for the future asset maintenance. Metro's EMS framework provides a clear foundation from which to further improve the ongoing maintenance of these valuable assets.

The plan to fulfill this goal is provided as Attachment B. This plan further provides for the opportunity to reinvest resource cost savings in the expanding sustainability-related infrastructure across Metro's system. The plan identifies the combination of cost-savings, utility allowances and incentives, and any interest earned from the investment of these funds with the proceeds of Metro's Low Carbon Fuel Standard credit sales into the Green Fund to support both the implementation of sustainability assets and ongoing activities related to these assets. In other words, the combined funds will be restricted for use in the funding of the implementation and operations and maintenance of sustainability-related capital construction/installation projects deployed on any Metro-controlled sites.

These projects would include, but are not limited to:

- energy conservation and energy efficiency projects,
- renewable energy installation/construction and their operation and maintenance,
- resource management initiatives (e.g., water, air, storm water, industrial wastewater impact and cost-reduction; including waste to energy projects such as those derived for example from non-hazardous/non-human biowaste), and
- any other related cost-saving and process efficiency generating activities that result in carbon footprint reductions and are operated and maintained within a Metro facility.

These assets include those that can be implemented and maintained agency-wide and have already been proven through related pilot projects. These are new, innovative, cost-saving, and environmentally friendly and financially sustainable technologies that are pre-determined to be applicable to Metro's operations; but have not been fully integrated agency-wide.

Cost savings reinvestment is a new approach for Metro. This approach will establish an internal accounting process for identifying and re-allocating savings resulting from sustainability-related infrastructure projects. This accounting model for reinvesting resource savings has many different structures. However, staff proposes to implement a Return on Investment (ROI) model wherein the Green Fund accrues the cost-savings on an annual basis up until the project has reached its simple payback.

## **DETERMINATION OF SAFETY IMPACT**

This Board action will not have an impact on safety standards for Metro. The execution of the proposed action will assist in increased safety as new and existing sustainability-related infrastructure will require an integrated operations and maintenance element to maximize use and benefit throughout the life cycle of the asset.

## **FINANCIAL IMPACT**

The initial funding for this project are included in the FY15 budget under Project Number 450004 – Carbon Emissions and Greenhouse, Cost Center 8420 Environmental Compliance and Services, Account 50316 Professional And Technical Services. The initial funding provided under Project Number 450004 will be reimbursed once program funds, as described below, are generated and available. Since this is a multi-year project, the cost center manager and Executive Director, Engineering & Construction will be responsible for budgeting in future fiscal years.

### **Impact to Budget**

There will be no net impact to Bus and Rail Operating Budgets. The initial source of funds for this project is the General Fund which can be used to fund Bus and Rail Operations. The quantification of the amount of savings to be allocated on an annual basis will be predetermined and approved prior to installation or construction of the sustainability-related infrastructure. The verification of the magnitude of an asset's projected savings will be monitored throughout the life-cycle of the project until such time that the asset's full value is achieved by the cost-savings.

Thereafter, the program funds can be designated as self-funded utilizing the combination of other project cost-savings in an amount up to the pre-determined and approved costs associated with implementing sustainability-related infrastructure projects, ongoing operations and maintenance cost for the life of the asset, and cost for periodic measurement and verification of the asset; utility allowances and incentives; any interest earned from the investment of these funds; and combined with the proceeds of Metro's LCFS credits sales to support both the implementation of sustainability assets and ongoing activities related to these assets.

As sustainability-related infrastructure projects are identified, criteria identified under the Sustainability Infrastructure Financial and Operations Implementation and Management Plan (Attachment B) will be used to initially identify classification of the project as a potential sustainability-related infrastructure. Thereafter, Metro's capital selection processes will be used to initiate and request utilization of the modified Green Fund for this purpose. A portion of operations and maintenance costs for existing sustainability related infrastructure installations such as green buildings, renewable energy, and energy efficiency projects can also be drawn from these funds to maintain the infrastructures in a state of good repair.

For example, the cost savings realized from the implementation of the sustainability-related infrastructure assets will be allocated to the Green Fund up to the dollar amount needed for project implementation, ongoing operation and maintenance (O&M), and other related costs. In the example below, the Funding Requirements - Sample Project section identifies the project costs, estimated ongoing O&M and measurement and verification (M&V) costs while the Funding Source section identifies potential funding sources, which adds up to the cost of the project. The total cost of the project (installation, O&M, and M&V) will equal the amount to be recovered from the cost savings. All of the cost estimates in the example below account for the time value of money in the calculation.

<b>Funding Requirements - Sample Project</b>	<b>Lighting Retrofit at Division X</b>	
Project First Costs	\$225,000	one-time
Ongoing O&M Costs	\$500	annual
M&V Costs	\$1,000	every 4 years
Expected Useful Life	20	Years
<b>Total Life Project Cost (nominal)</b>	<b>\$240,000</b>	
<b>Funding Sources</b>		
OMB FY16 Capital Program	\$175,000	one-time
Green Fund	\$50,000	one-time
Green Fund	\$10,000	\$500/yr x 20 yrs
Alternative Financing Mechanism	\$500	utility incentive
<b>Total Funding Identified</b>	<b>\$240,000</b>	

### **ALTERNATIVES CONSIDERED**

If the Board chooses not to approve the sustainability infrastructure financial and operations plan and the re-investment of related cost-savings to the implementation and operations and maintenance of the sustainability-related infrastructure project, the agency will effectively continue with the status quo. That is, sustainability-related infrastructure will continually be completed to fulfill the requirements and objectives of Metro Board policies on environment and sustainability. However, full benefits of these investments will be limited given the lack of integrated and consistent process and funding to maintain and operate the infrastructure throughout its life-cycle.

Not combining cost-savings, utility allowances and incentives, and any interest earned from the investment of these funds with the proceeds of Metro's LCFS credits sales will introduce a pronounced vulnerability of a self-funding mechanism to operate and maintain sustainability-related infrastructure over asset life-cycle.

### **NEXT STEPS**



After Board approval of this action, staff will implement the sustainability infrastructure financial and operations plan using identified current and potential resources.

**ATTACHMENTS**

- A. 2014 Metro Sustainability-Related Infrastructure Assessment
- B. Metro Sustainability Infrastructure Implementation and Operational Plan

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**ATTACHMENT A**  
**2014 Metro Sustainability-Related Infrastructure Assessment**

# 2014 Metro Sustainability-Related Infrastructure Assessment

## Executive Summary

The February 27, 2014 Los Angeles County Metropolitan Transportation Authority's (Metro) Board motion on Metro's "Sustainability-Related Infrastructure, Operations and Maintenance" directed staff to perform an assessment of the operation and maintenance of Metro's current sustainability-related infrastructure, and requested the development of long-term financial and operational and comprehensive implementation plans for sustainability-related infrastructure.

The comprehensive sustainability-related infrastructure at Metro consists of individual sustainability assets that Metro has installed and implemented to meet environmental, energy, and sustainability goals and objectives. For the purpose of this assessment report, and for future Metro planning, implementation, and ongoing operations and maintenance procedures, the term **sustainability-related assets** are defined as follows:

Investments made in facilities, technologies, fleet, people, and processes that:

- 1) *directly contribute to the reduction in resource usage beyond an established baseline for: electricity, natural gas, other non-renewable fuels, water, hazardous substances, or*
- 2) *directly reduce greenhouse gas emissions (GHGs), other air emissions, wastewater, solid waste, other environmental impacts, or*
- 3) *directly increase operational efficiency, staff productivity and well-being, and customer satisfaction beyond standard operations, while maintaining safety and system reliability.*

The term **sustainability-related assets** is intended to include only those investments made or actions taken by Metro to meet internal operational and policy objectives and goals and where Metro operates and oversees the maintenance of the asset over its useful life.

Assessment of sustainability-related assets, as defined above, will occur within the context of Metro's agency-wide mission, vision, and Environmental Policy to operate an efficient transit system by reducing, re-using and recycling all internal resources while reducing greenhouse gas emissions.<sup>1</sup>

This sustainability-related infrastructure assessment of existing and under-construction projects intends to support future activities and decision-making related to internal investments in sustainability-related assets. Metro recognizes that external

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<sup>1</sup> <http://www.metro.net/about/agency/mission/>

sustainability objectives and projects, such as those addressed under the Countywide Sustainability Planning Policy, are vitally important in the development of a strategic sustainability program. Ongoing coordination between the Environmental Compliances and Services Department (ECSD) and Countywide Planning will continue to take place in support of those goals.

The foundation of Metro's sustainability commitment began with the Board's adoption of the 2007 Energy and Sustainability Policy. In 2008, the Board adopted the Metro Sustainability Implementation Plan to further prioritize project planning and funding. In the years since, Metro has adopted several more policies, plans, and initiatives that support investments in new sustainability infrastructure. These guiding documents lay the framework for strategic sustainability planning and investment across Metro. The management framework for the implementation of Metro's Environmental Policies is structured according to ISO 14001 Environmental Management System (EMS) standards. This assessment has incorporated the resulting projects from each guiding document wherever feasible. Key sustainability guiding documents for Metro include:

- Construction and Demolition Debris Recycling and Reuse Policy
- Energy and Sustainability Policy
- Renewable Energy Policy
- Environmental Policy
- Environmental Liabilities Assessment and Reporting
- Green Construction Policy
- Water Use and Conservation Policy
- Countywide Sustainability Planning Policy.

This report builds upon the foundation laid through the adoption of these policies and plans. In response to the requirements of the February 27, 2014 Board motion, this report includes the following components:

- Inventory of Metro's current sustainability assets
- Assessment of current asset operations and maintenance
- Calculated project level cost benefit analysis from current sustainability assets
- List of potential future sustainability-related projects.

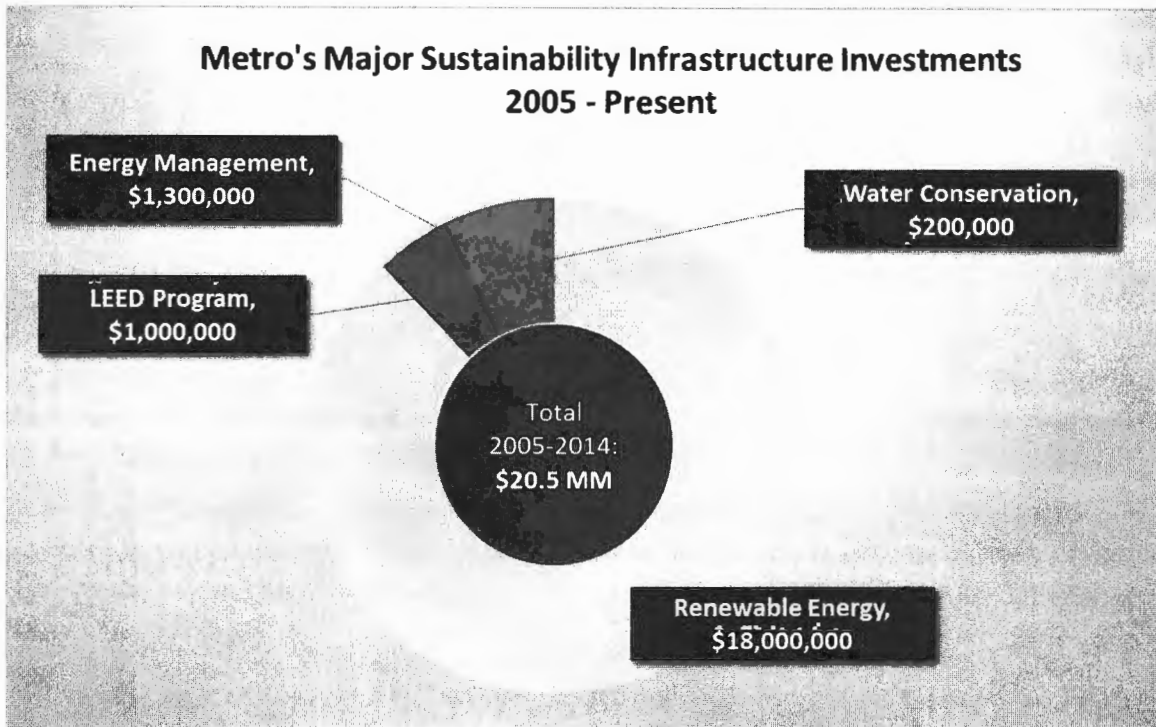
Attachment B: Sustainability Infrastructure Implementation and Operational Plan, describes the structure and process for future planning, development, implementation, and maintenance of sustainability assets, and details a long-term financial management approach for current and future sustainability-related assets.

## **Summary of Findings**

This 2014 assessment report on Metro's sustainability-related infrastructure examined four major program areas managed through the ECSD and in conjunction Metro's agency-wide EMS. These include:

- **Renewable Energy Program** – Includes projects that contribute to meeting Metro’s Renewable Energy Policy Goals and includes the planning, deployment and management of renewable energy technologies. Renewable energy technologies reduce Metro’s electricity purchasing costs.
- **Energy Management Program** – Includes projects that contribute toward meeting Metro’s Energy and Sustainability Policy goals. This program area targets projects that reduce the cost and consumption of fuel and power required to carry out core Metro operations.
- **Leadership in Energy and Environmental Design (LEED™) Program** – Includes projects that contribute to meeting the Energy and Sustainability Policy requirement to achieve U.S. Green Building Council’s LEED Silver Certification or better for Metro facilities. Projects implemented in this program area are designed to achieve LEED Certification for existing and new facilities. LEED Certified Green Buildings operate efficiently and can result in both energy and water usage reduction with resultant cost savings.
- **Water Conservation Program** – Includes projects that contribute toward meeting Metro’s Water Use and Conservation Policy. These projects support the implementation of the Water Action Plan and other projects intended to reduce water use resulting in lower water costs.

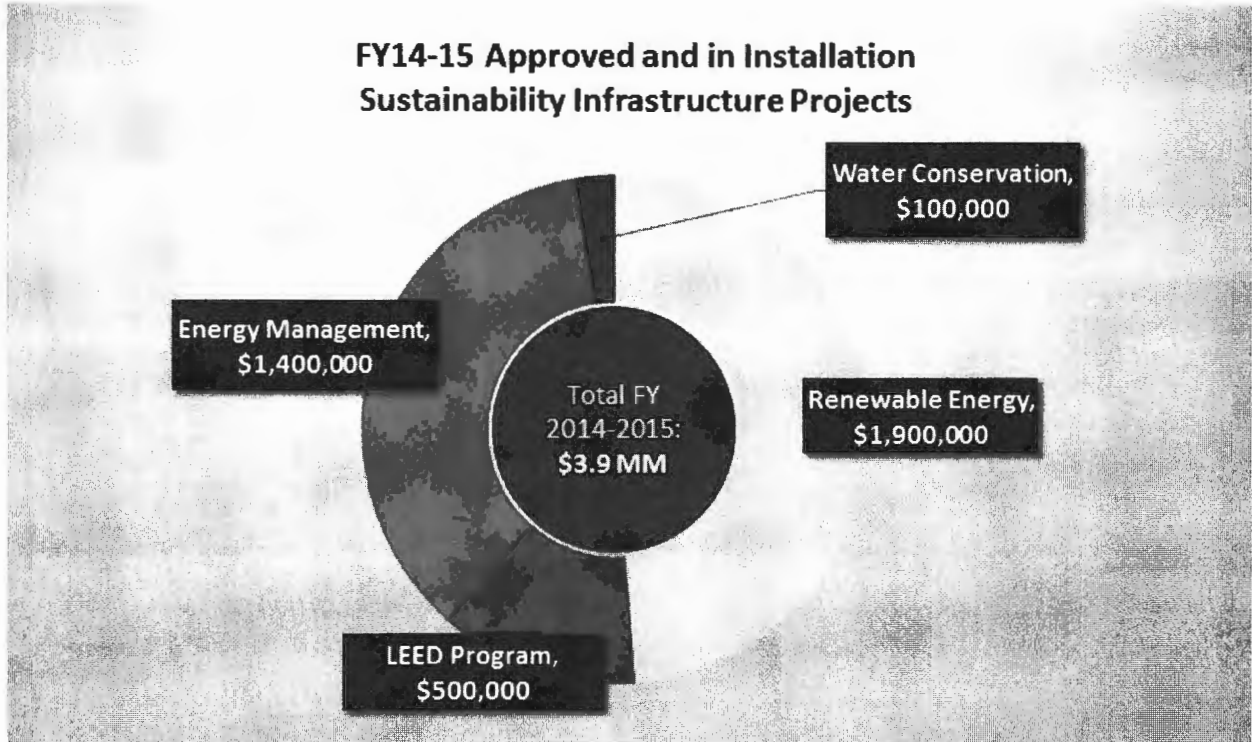
Within each of these programs, Metro has made targeted and strategic investments in sustainability-related assets (projects) that collectively represent the current sustainability-related infrastructure. Metro’s investments in sustainability-related assets predates formal adoption of Environmental Policies and shows the long term interest and commitment of executive leadership and staff to develop a sustainable transit system. Since the first solar PV system installation in 2005, investments in these four program areas have increased to meet Metro’s sustainability policy objectives, while at the same time providing long-term financial returns. ES Figure 1 shows the over \$20 million in major sustainability investments Metro has made since 2005 by program area. Metro’s utility partners have supported the adoption of renewable energy and energy efficiency by offering incentives to buy down the cost of the projects. The projects below received a total of \$6.5 million (about 33% of original capital costs) in utility incentive funding lowering the net costs to \$13.5 million.



*ES Figure 1: Metro's Major Sustainability Infrastructure Investments Since 2005*

Historically, the costs of the Renewable Energy Program's solar PV systems far exceeded the expenditures in other program areas. In the current fiscal year, the planned expenditures by program area are more diversified across program areas indicating a shift toward cost saving projects such as energy efficiency.

As of August 2014, an additional \$3.9 million of sustainability-related projects are under construction or approved as shown by program area in ES Figure 2. The largest investments within the approved and under construction portfolio are in energy efficiency projects which yield immediate resource cost savings and the installation of a solar PV system at Division 13 which yields avoided electricity purchases. Metro has reserved over \$450,000 of utility incentives for the in-progress projects in ES Figure 2. These incentives decrease the total project implementation costs by nearly 12% to just under \$3.5 million.



*ES Figure 2: FY14 - 15 Approved and in Installation Sustainability Infrastructure Projects*

Metro has a robust pipeline of potential future sustainability projects with over \$18 million of proposed projects. The projects are awaiting evaluation, approval and funding and are shown by program area in ES Figure 3. Metro has identified external grants and utility incentives to directly reduce the implementation costs of these resource-saving projects and minimize budget impacts across Metro operations. Metro’s utility service providers have already authorized nearly \$7 million of incentives to support the installation of all proposed projects. In addition, ECSD staff is actively pursuing alternative financing mechanisms to avoid capital expenditures by Metro and take advantage of public-private partnerships.

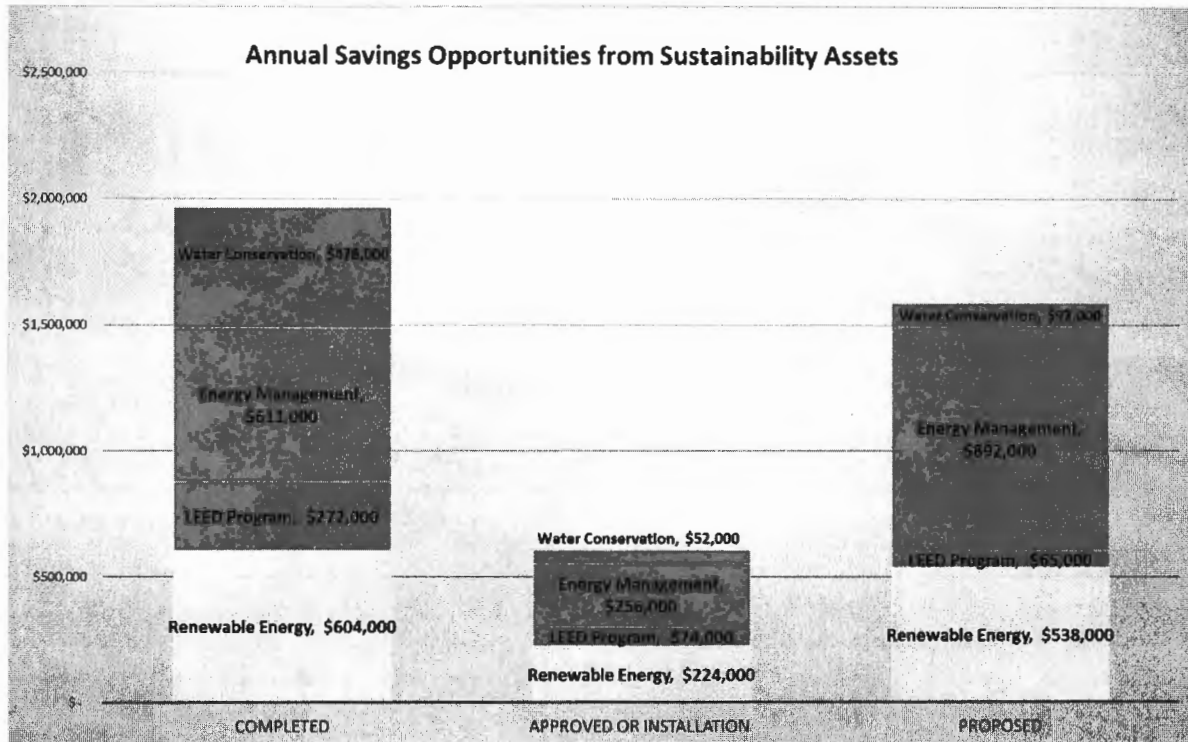




ES Figure 3: FY15 Proposed Sustainability Infrastructure Projects by Program Area

Many of the investments in sustainability assets provide direct costs savings to Metro through the reduced use of energy and water resources, which Metro would otherwise pay for in utility bills. Additionally, once installed, some assets can directly reduce air pollution and greenhouse gas emissions that may fall under tighter State and Regional regulation compliance requirements in the future. LEED Certification of Metro facilities contributes to cost savings through automation of data collection, reducing administrative burdens and enhancing the operability of HVAC systems through Retro-Commissioning processes. Many other benefits such as increased recycling, increasing supply of fresh outdoor air and natural daylighting all produce healthy and more productive work environments.

Metro realizes approximately \$2 million in current annual cost savings from existing sustainability-related assets. ES Figure 4 shows these savings by program area. The savings estimates from approved and current installation projects bring the annual savings estimates to \$2.6 million. Metro has identified an additional annual resource cost savings opportunity of \$1.6 million from the currently proposed projects.



ES Figure 4: Metro's Annual Cost Savings from Sustainability Assets

With a growing and well-maintained sustainability-related infrastructure, the annual aggregate cost savings directly reduces the impact of the upfront investments in future sustainability-related assets. Consideration of green attributes and progress towards meeting sustainability policy objectives further augments the value of these real and measureable cost efficiencies. As the sustainability-related infrastructure is not static, the savings estimates can vary with the varied expected useful life of assets within the portfolio. Maintaining and managing these resources is critical to capturing the long-term savings opportunities from these investments.

By their very nature, sustainability-related assets tend to include technology-based and innovative approaches, which can differ from standard operating procedures. As part of this comprehensive assessment of Metro's sustainability-related infrastructure, staff evaluated the current process of funding, management, and training required to maintain sustainability assets in a state of good repair. The analysis identified key opportunities to update the current processes, such as staff training and a preventative maintenance program that will result in the appropriate resources and skills development for the successful management of current and new sustainability assets. The recent rollout of Metro's EMS with a defined process of continual improvement will provide the foundation on which to build a successful management and oversight approach to ongoing operation and maintenance of these assets. The EMS framework brings together relevant stakeholders to execute the new process and provide oversight into the future.

Attachment B: Metro Sustainability Infrastructure Implementation and Operational Plan, includes a transparent sustainability infrastructure investment plan and an operations

process to effectively manage these unique resources in order to allow Metro to realize their long-term cost and resource savings benefits.

**Table of Contents**

Executive Summary ..... 12

    SUMMARY OF FINDINGS ..... 13

Introduction ..... 21

    BUILDING A SUSTAINABLE INFRASTRUCTURE AT METRO ..... 21

Metro’s Road to Sustainability ..... 22

    THE SUSTAINABILITY ASSET ..... 24

Current Sustainability-Related Infrastructure ..... 27

    CURRENT SUSTAINABILITY ASSET INVENTORY ..... 28

Current Approach to Managing Sustainability Assets ..... 33

Sustainability Asset Cost Savings Estimates ..... 35

Potential Future Sustainability Assets ..... 37

Conclusions ..... 42

## Introduction

In response to Sections 2a and 2b of Metro Board Motion 57, carried by the Board on February 27, 2014, this report provides an assessment of the sustainability-related infrastructure currently installed and under-construction at Metro. The Board approved Item 48 in May 2014 and represents the formal response to Sections 1a and 1b of Board Motion 57. This document (as well as that of Attachment B) provides the requested additional insight into the maintenance and operations of the existing sustainability-related assets at Metro and to establish implementation and operational plans for investing and managing future sustainability assets.

This document outlines the results of an evaluation that complements the annual agency-wide review of sustainability metrics “Moving Towards Sustainability”. It is intended to evaluate the specific infrastructure investment in projects that result in the creation of “sustainability-related assets” rather than the system aggregate sustainability performance.<sup>2</sup>

Given the inherent inclusiveness of the term sustainability, it is important to identify what infrastructure at Metro would qualify as a sustainability-related asset versus a non-sustainability-related asset (e.g., code compliance vs high efficiency). In order to make this determination, and to distinguish scope of this assessment, the term **sustainability-related asset** is defined as follows:

*Investments made in facilities, technologies, fleet, people, and processes that:*

- 1) directly contribute to the reduction in resource usage beyond an established baseline for: electricity, natural gas, other non-renewable fuels, water, hazardous substances, or*
- 2) directly reduce greenhouse gas emissions (GHGs), other air emissions, wastewater, solid waste, other environmental impacts, or*
- 3) directly increase operational efficiency, staff productivity and well-being, and customer satisfaction beyond standard operations, while maintaining safety and system reliability.*

With this definition, the individual sustainability-related asset investments that have been approved and implemented within existing Metro operations to meet Metro’s environmental, energy and sustainability goals and objectives, collectively comprise Metro’s comprehensive sustainability-related infrastructure.

## Building a Sustainable Infrastructure at Metro

As a public transportation agency, Metro, is, at its core, a sustainability asset. However, Metro’s longstanding commitment to improving operational efficiency and reducing the

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<sup>2</sup> [http://media.metro.net/projects\\_studies/sustainability/images/Sustainability\\_Report\\_2013.pdf](http://media.metro.net/projects_studies/sustainability/images/Sustainability_Report_2013.pdf)

impact of its operations on the environment has already yielded an extensive infrastructure of assets that reduce costs and increase environmental performance.

Along with public transportation agencies throughout the country, Metro faces the challenge of simultaneously addressing:

- Aging infrastructure and deferred maintenance;
- Decreasing operational budgets;
- Expanding system resource demands; and
- Increasing regulations.

In 2010, U.S. transit agencies spent \$16.6 billion on capital investments, of which Federal funding represented only 26.6 percent, with a one-time Federal American Recovery and Reinvestment Act making up another 14.5 percent of the total.<sup>3</sup> As a result, passenger fares and other State and local sources must cover nearly 60 percent of the funding for system preservation and expansion capital projects.<sup>4</sup> Investment in sustainability-related assets offers one potential avenue to achieve both improved performance and significant cost savings over the life of the asset. *However, this only occurs when these assets receive proper maintenance and operate in a state of good repair, ensuring that the investment will reap the full lifecycle benefits.*

This report provides a comprehensive inventory and assessment of Metro's sustainability-related infrastructure. The results will serve as a baseline from which to enhance existing processes, or establish new processes to maintain and effectively manage these valuable resources going forward. To this end, Attachment B: Sustainability Infrastructure Implementation and Operational Plan contains a process and funding mechanism to support the ongoing development and management of Metro's Sustainability Program assets.

This assessment is limited to an internal examination of those investments made under the direct influence or management of Metro's resources. These assets largely resulted from investment decisions aimed at achieving internal sustainability, energy, and environmental policy objectives. At this time, this assessment does not extend to the large scale expansion of the Metro system, Metro Countywide Planning Policy Implementation activities, or wider collaborative efforts that Metro has made with community and partner stakeholders; nor to projects funded by Metro but have not been operated by the agency.

## **Metro's Road to Sustainability**

The current sustainability initiatives at Metro are a result of years of efforts, which primarily stem from two parts of the agency: the Environmental Compliance and Services Department (ECSD) and the Countywide Sustainability Planning (CSP). With

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<sup>3</sup> <http://www.fhwa.dot.gov/policy/2013cpr/es.htm>

<sup>4</sup> <http://www.fhwa.dot.gov/policy/2013cpr/es.htm>

complementary approaches, both ECSD and CSP are working to achieve Metro's Vision and Mission for Sustainability, adopted in 2008<sup>5</sup>:

**Vision:** *We will be the leader in maximizing sustainability efforts and its benefits to Los Angeles County's people, finances, and environment.*

**Mission:** *We will provide leadership in sustainability within the Los Angeles region without compromising our core mission of moving people efficiency and effectively.*

As Figure 1 illustrates, CSP focuses on the long-range sustainability planning and the necessary external community engagement to achieve large scale and longer term goals. ECSD focuses on the development of sustainability opportunities within Metro's day-to-day operations. ECSD's efforts in evaluating and either directly implementing, or facilitating the implementation of sustainability investments, occur in accordance with multiple core department responsibilities, which include:

- Resource management (air quality, water, energy and waste)
- Climate response (mitigation, adaptation, and resiliency)
- Environmental management (Environmental Management System (EMS), green building, training, storm water and industrial wastewater, and site remediation)



Figure 1: Metro's Sustainability Program Components

Metro's existing sustainability infrastructure was constructed through the work and management of the Engineering & Construction Division. The development of future assets and their ongoing management are now being fully integrated into the EMS framework and includes input and feedback from across the organization.

<sup>5</sup> Metro Sustainability Implementation Plan, June 17, 2008  
[http://media.metro.net/about\\_us/sustainability/images/Sustainability.pdf](http://media.metro.net/about_us/sustainability/images/Sustainability.pdf)

Since 2010, Metro has been comprehensively assessing its overall path to sustainability in the annual *Moving Towards Sustainability* and *Energy and Resource Report*, and uses APTA recommended metrics to monitor performance year-over-year.

This 2014 sustainability asset assessment report builds on this effort by providing a targeted analysis into the specific investments made toward meeting Metro's sustainability objectives for those projects that qualify as sustainability assets. The goals of this assessment are to:

- 1) Compile a comprehensive inventory of existing sustainability assets,
- 2) Evaluate the current approach to managing the operation and maintenance of current assets, and
- 3) Present opportunities for expanding Metro's existing sustainability infrastructure.

The result of this assessment informed the development of Attachment B: Sustainability Infrastructure Implementation and Operational Plan, which aims to improve visibility, funding management, and ongoing management of future implementation efforts.

### **The Sustainability-Related Asset**

This assessment is a detailed review of the operating status and the existing processes for maintaining sustainability related infrastructure. Going forward, ECSD is recommending an annual review of sustainability-related assets, as detailed in Attachment B: Metro Sustainability Infrastructure Implementation and Operational Plan.

A Metro sustainability-related asset is defined for this assessment to allow for a clear determination of which investments qualify for inclusion in this assessment, and which investments are part of standard Metro operations. Given the breadth of potential sustainability activities, it is useful to establish boundaries that only include "direct" impacts, such as reduced energy and water usage in operations, and leave out the numerous indirect benefits associated with operating a public transit system.

There are several different types of assets that can fall under the above definition.



Table 1 provides the definitions for the three asset types in this assessment that categorize Metro's investments. Distinguishing between these definitions recognizes that there is considerable variety in sustainability-related asset types. No single solution or approach will, on its own, work for implementing and maintaining future assets. Categorizing asset types in this way affords a better understanding of how sustainability-related investments are improving the existing Metro facility infrastructure and processes.

Table 1: Asset Type Definition

Asset Type	Definition	Example
<i>New Asset</i>	Equipment added to a Metro facility or a new process that was not there previously	Solar PV system, reclaimed water system connection, wayside energy storage system
<i>Process Improvement</i>	Project that improves efficiency/sustainability of an existing process. Can be asset-based or administrative. May change the O&M requirements for existing process.	Air dryer redesign, Domestic Hot Water energy recovery, Heating Ventilation and Air Conditioning (HVAC) redesign, water reclamation
<i>Existing Asset Replacement</i>	Project that replaces existing equipment with a more sustainable option	Boiler replacement, HVAC replacement, lighting retrofit

Historically, investments in the Renewable Energy Program area have resulted in new assets for Metro, whereas the Water Conservation and Energy Management Programs have typically led to process improvements resulting resource cost savings. Replacement projects, while not considered new assets for Metro, upgrade the current infrastructure with an asset that operates more efficiently to reduce resource usage.

**Current Sustainability-Related Infrastructure**

This section provides results for the assessment of current sustainability infrastructure including assets installed or under construction, and follows this order:

- Overview of Metro’s major sustainability assets that make up the current infrastructure
- Description of the current asset management approach
- Estimation of the cost and resource savings attributable to these assets .

Figure 2 shows the four major program areas that ECSD is managing to support the development of Metro’s sustainability infrastructure.

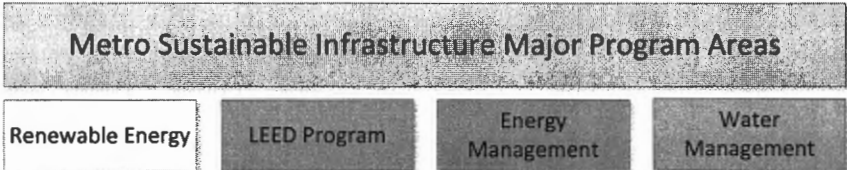


Figure 2: Sustainable Infrastructure Program Areas

Metro’s investments in each of these program areas support existing policy goals and objectives as follows:

Table 2: Metro Sustainability Program Areas

<b>Renewable Energy</b>	Currently consists of only solar photovoltaic systems, but would include any future wind or other renewable energy investments. This program area supports Metro’s Renewable Energy Policy goals.
<b>LEED Program</b>	Includes all investments made to achieve certification of Metro facilities under the U.S. Green Building Council’s LEED green building program. This program area supports Metro’s Energy and Sustainability Policy goals.
<b>Energy Management</b>	Includes energy efficiency and conservation measures and process improvement projects to reduce energy use at Metro facilities. This program area represents Metro’s implementation of the Energy Conservation and Management Plan and supports the Energy and Sustainability Policy goals.
<b>Water Conservation</b>	Includes all investments made to reduce and recycle water used in operations. This program area supports Metro’s Water Use and Conservation Board policy goals.

Since the first solar PV system installation in 2005, Metro has invested over \$20 million in additional sustainability-related projects. The investments in solar panels, facilities upgrades, green building certifications, and water conservation collectively make up the existing sustainability infrastructure at Metro. Figure 3 shows the breakdown of major

investments in sustainability assets since 2005 by program area. With an early focus on solar PV, the large solar investments dwarfed the other program area investments, representing nearly 90 percent of expenditures to date. Metro expects that future expenditures and associated resource cost savings for the sustainability-related infrastructure will achieve more balance across the program areas.

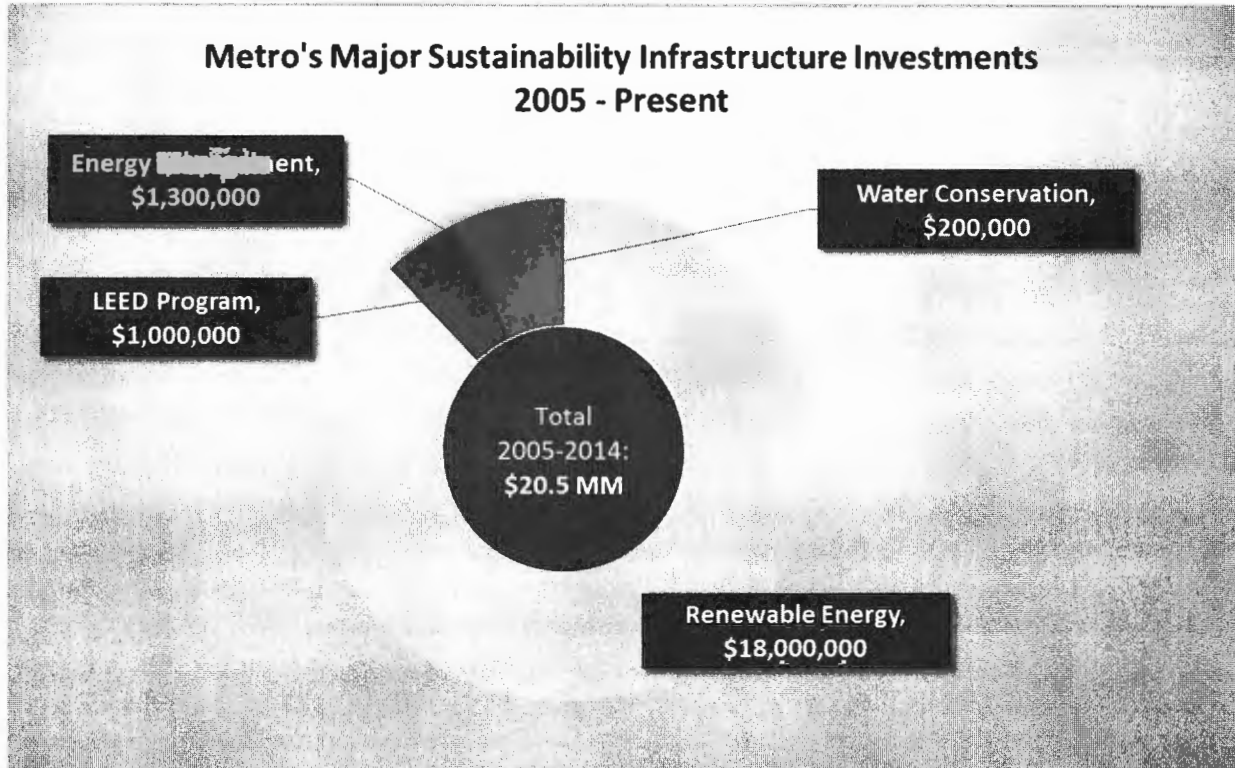


Figure 3: Metro's Major Sustainability Infrastructure Investments Since 2005

### Current Sustainability-Related Asset Inventory

Table 3 through Table 6 list Metro's current sustainability-related infrastructure assets by program area. Current sustainability-related assets are those investment projects that are either in the installation phase or completed and operational. Projects listed as "approved" have been funded and approved but have not begun installation. Any projects still in the proposed or design phase are listed as potential future sustainability-related assets.

Table 3: Renewable Energy Assets Completed, Under Construction and Planned

Renewable Energy Assets		
Project Name	Location	Status
Solar PV Project	Division 08	Completed
Solar PV Project	Division 15	Completed
Solar PV Project	Division 18	Completed
Solar PV Project	Location 30	Completed

<b>Renewable Energy Assets (continued)</b>		
<b>Project Name</b>	<b>Location</b>	<b>Status</b>
Solar PV Project	Terminal 19	Completed
Solar PV Project	Division 13	Installation
Wayside Energy Storage	Gold Line	Installation
Wayside Energy Storage	Red Line	Installation

Investments in solar photovoltaics (PV) come at a high price, but provide directly attributable and measureable avoided costs and provide long-term value to Metro. As energy prices increase the yearly benefits increase and provide a strategy for hedging price volatility. Additionally, solar PV is a major infrastructure asset that can receive support from a variety of finance mechanisms, including direct ownership and power-purchase agreements, which have the potential to result in resource cost saving benefits while minimizing the impact Metro's capital budgets. The systems currently in place or under construction represent an important and highly visible opportunity for Metro to meet its sustainability objectives. Collectively, the installed systems are contributing \$604,000 in yearly cost savings. The ECSD team is actively evaluating future opportunities to incorporate more advanced systems to expand solar PV as a mechanism for achieving the Renewable Energy Policy goals within Metro's operations.

*Table 4: LEED Program Assets Completed, Under Construction and Planned*

<b>LEED Program Assets</b>		
<b>Project Name</b>	<b>Location</b>	<b>Status</b>
LEED-New Construction (NC) Certification – Maintenance Annex	Division 03	Completed
LEED-NC Certification – Maintenance Building Renovation	Division 03	Completed
Sub-metering system	Division 07	Completed
Sub-metering system	Division 08	Completed
Sub-metering system	Division 09	Completed
LEED-NC Certification – Transportation Building	Division 09	Completed
LEED-Existing Building Operation & Maintenance (EBOM) Certification – Division-wide	Division 10	Completed
Sub-metering system	Division 10	Completed
Sub-metering system	Division 15	Completed
Sub-metering system	Division 20	Completed
LEED-NC Certification – Bauchet St. Warehouse	Division 30	Completed
Sub-metering system	Division 30	Completed
Sub-metering system	Location 61	Completed
Sub-metering system	Location 99	Completed
LEED-EBOM Certification – Gateway Building	Location 99	Completed

<b>LEED Program Assets (continued)</b>		
<b>Project Name</b>	<b>Location</b>	<b>Status</b>
LEED-NC Certification – El Monte Terminal	Terminal 19	Completed
LEED-EBOM Certification – Division-wide	Division 07	Installation
Sub-metering system	Division 21	Installation
LEED-EBOM Certification – Division-wide	Division 30	Installation
LEED - EAc3.2 – HVAC System Retro-Commissioning	Division 30	Installation
LEED-NC – Maintenance Building	Expo Maintenance	Installation

Metro’s Energy and Sustainability Policy established the goal to pursue LEED certification in all new construction projects larger than 10,000 square feet. This commitment to green building practices is also facilitating LEED Certification at existing maintenance facilities. The assets produced from these efforts include the acquired certification of the green building or division, installed sub-metering systems, and projects carried out as required for certification such as improvements to HVAC systems through retro-commissioning and low or no-cost energy process improvements.

Typically, LEED Certified Green Buildings contribute cost savings to Metro as result of process improvement implementation. Process improvements may include improved visibility into resource usage through sub-metering system installation, low flow water fixture installations and implementing HVAC system retro-commissioning to optimize their operation and controls. To date, completed projects within the LEED Program contribute \$272,000 in total operational cost savings annually. Additionally, many of the benefits and drivers of the LEED Program are non-financial such as the testing and improvement of outdoor air delivery, increasing recycling rates, use of green cleaning chemicals and improved pest management and irrigation practices. Each contribute to certifying the building as a nationally recognized green building and providing a healthy, productive and efficiently operating working spaces for Metro’s biggest asset, its employees.

The LEED Program supports an ongoing effort to comply with Metro’s Energy and Sustainability Policies, and will remain part of an established ongoing plan to expand Metro’s green building infrastructure.

Table 5: Energy Management Program Assets Completed, Under Construction and Planned

<b>Energy Management Program Assets</b>		
<b>Project Name</b>	<b>Location</b>	<b>Status</b>
High Bay Lighting Retrofit	Division 09	Completed
Tire Shop LED Lighting Upgrades	Division 10	Completed
Bus Wash Air Dryer Process Improvement	Division 10	Completed
Maintenance Building Lighting Upgrades	Division 15	Completed
Maintenance Building T5 Retrofits	Division 18	Completed
Shop Lighting Upgrades	Division 20	Completed
Lighting Retrofits	Location 30	Completed
Compressed Air	Location 30	Completed
Package Unit	Location 30	Completed
Building Management System	Location 30	Completed
Cooling Tower Replacement	Location 99	Completed
3rd Floor LED Lighting Upgrades	Location 99	Completed
Boiler Replacement	Location 99	Completed
RCx Chilled Water Reset	Location 99	Completed
TOU 8 Tariff switch	Division 09	Completed
Interior & Exterior Lighting Upgrades	Division 02	Installation
Interior and Exterior Lighting Upgrades	Division 05	Installation
LED Fixtures & Daylight sensors	Division 07	Installation
HVAC RCx	Division 07	Installation
T8 and LED Retrofits	Division 11	Installation
High Bay Lighting Retrofit	Division 22	Installation
Wireless Lighting Control System	Division 22	Installation
Blue Line 5th Street Station Lighting Retrofit	Blue Line Stations	Installation
Blue Line 1st Street Station Lighting Retrofit	Blue Line Stations	Installation
Blue Line Downtown Long Beach Station Lighting Retrofit	Blue Line Stations	Installation
Blue Line Pacific Av Station Lighting Retrofit	Blue Line Stations	Installation
Blue Line Anaheim Station Lighting Retrofit	Blue Line Stations	Installation
Blue Line Willow Street Station Lighting Retrofit	Blue Line Stations	Installation
Phase II - Full Site Lighting Retrofit	Division 07	Approved
Domestic Hot Water Energy Recovery	Location 99	Approved

The Energy Management Program activities have significantly increased as a result of the implementation of the 2011 Energy Conservation and Management Plan. ECSD has implemented a robust facility audit effort to proactively identify sustainability projects using the EMS framework. Lighting projects represent an immediate opportunity to achieve resource savings, and will continue to do so into the future. However, comprehensive energy efficiency is needed to pull out all opportunities and maximize energy savings and overall energy performance. The volume of potential energy management projects included in this assessment is a direct result of the focused effort on one of the most cost-effective sustainability infrastructure opportunities available to Metro. Installed energy efficiency project savings are already outpacing renewable energy investments with \$611,000 in yearly energy savings, with multiple projects being completed each year.

*Table 6: Water Conservation Assets Completed, Under Construction and Planned*

<b>Water Conservation Assets</b>		
<b>Project Name</b>	<b>Location</b>	<b>Status</b>
Steam Rack - Water Recycling	Division 09	Completed
Reclaimed Water Project	Division 03	Installation
Div 13 - Water Cistern	Division 13	Installation
Reclaimed Water Project	Orange Line	Installation
Linear Kinetic Cell Project	Division 03	Approved
Linear Kinetic Cell Project	Division 05	Approved
Linear Kinetic Cell Project	Division 08	Approved
Steam Rack Water Recycling	Division 18	Approved

The current water conservation assets represent investments in projects not already included in the other Program activities. In addition to the projects listed in Table 6, Metro has installed low-flow water conservation devices, which were driven and therefore accounted for in LEED Program metrics. Metro anticipates that this program will present the largest growth in opportunities for future sustainability projects, as the agency has not yet addressed the low-hanging fruit for water conservation projects. The annual cost savings Metro currently realizes from completed projects in the four program areas is \$2 million, as Figure 4 shows.





Figure 4: Annual Cost Savings from Current Sustainability-Related Infrastructure

### Current Approach to Managing Sustainability Assets

The Office of Management and Budget manages Metro's annual capital program to successfully meet the needs of Metro's capital program and operations. Sustainability-related capital projects have been following this same process, which has led to many successful implementations. Metro's EMS framework provides for oversight to regularly monitor and report sustainability-related infrastructure performance in addition to the identification and implementation of future opportunities. Annual reporting of progress through the EMS framework identified lower than expected performance from several key sustainability assets such as Metro's solar PV systems. This section provides an assessment for how the current sustainability-related infrastructure is operated and maintained.

Metro identifies and implements capital projects to meet day-to-day operational needs. Typical projects may include division expansion, process equipment replacement, or new equipment installation or rotation (e.g., buses). In these cases, the operational state of the installed equipment directly impacts staff's ability to perform the core functions of the organization. Consequently, staff is able to quickly identify, prioritize, and address equipment and maintenance issues. Metro has a well-established process to plan and budget for maintenance support.

Sustainability assets can and will increasingly directly affects operations in ways that may be outside standard operating procedures. New sustainability assets are likely to involve greater technology sophistication and alternative systems and processes.

When this occurs, staff often does not have the budget, training, available time or necessary oversight to effectively address the maintenance requirements of assets outside of standard operations. Metro's solar PV systems represent a primary example of this challenge.

Solar PV systems require a specific set of maintenance procedures to operate properly. Until recently, Metro made limited provisions to provide staff with the appropriate training in this area because the cost and responsibility was have been properly planned and assigned. Metro currently has installed solar PV systems at five locations. Historically, the project costs of all new solar PV systems, with the exception of the Central Maintenance Facility (CMF), only accounted for the upfront cost of construction. The project costs did not allocate funds for future operations and maintenance that falls outside of the standard operations for this new technology. The facilities maintenance resources now responsible for solar PV system operations and maintenance (for most Metro systems) are already over-burdened and must prioritize those projects that support day-to-day operations rather than those that reduce energy and operational costs. In these cases, this assessment marked a decrease in the performance of these installed solar PV systems. The investment of these assets were based on realizing their full cost reducing potential, which are now in jeopardy.

By way of comparison, the solar PV project at CMF included a Full-Time Equivalent to maintain the system. This system has never underperformed its projected electric generation targets and is a successful model for Metro's ability to properly maintain this valuable asset.

As sustainability investments often bring new technologies and innovative process improvements into the Metro system, staff is proactively addressing the challenges associated with the current maintenance of solar PV systems so future sustainability infrastructure does not suffer similar shortfalls.

Based on this assessment, we observed that more collaborative and detailed upfront project development can allow for proper troubleshooting of issues and execution of preventative maintenance practices. Requiring the incorporation of anticipated future costs and development of skill sets into the project lifecycle is an important first step in mitigating these challenges. Evaluation of these future costs and requirements must occur in close coordination with the division-level managers and staff responsible for the future asset maintenance. Metro's EMS framework provides a clear foundation from which to further improve the ongoing maintenance of these valuable assets.

Standardized sustainability project development, implementation, and ongoing oversight through process changes or centralization can provide a clear path towards maintaining a state of good repair for the life of installed equipment. Attachment B: Sustainability Infrastructure Implementation and Operational Plan outlines a step by step implementation process that meets the desire for a long term operational plan for incorporating these recommendations into the current development and ongoing management of future sustainability assets.

## Sustainability-Related Asset Cost Savings Estimates

This assessment reports the resource cost savings based on measured savings whenever possible, and includes an estimated cost savings for other assets. Going forward and as described in Attachment B: Sustainability Infrastructure Implementation and Operational Plan, specific measurement and verification (M&V) protocols are recommended for different types of sustainability investments that will allow Metro to regularly track and report on performance of these assets.

Figure 5 shows the overall cost savings on an annual basis for Metro's four major program areas. Annually, the completed assets yield nearly \$2 million in resource cost savings. With the addition of the FY 14-15 approved projects and those currently in the installation phase, the aggregate annual savings resulting from these projects increases to nearly \$2.6 million.

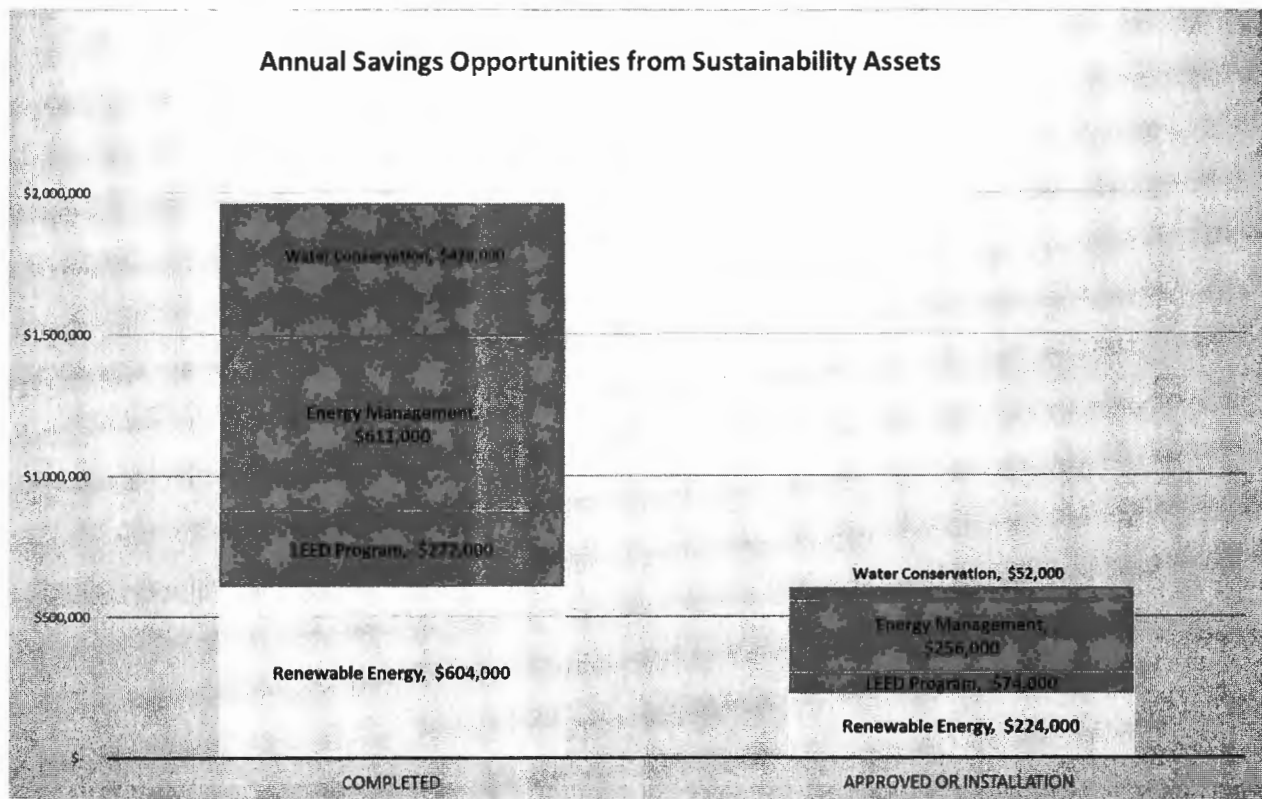


Figure 5: Annual Resource Cost Savings from Metro's Existing Sustainability-Related Infrastructure

Beyond the annual resource cost savings allocated to the various Metro sustainability-related asset investments, these projects secured \$7 million in incentives. Figure 6 and Figure 7 show the incentives secured for all projects that are designated approved, installation or completed. Incentives help reduce future infrastructure investments capital expenditures while still providing attractive annual resource cost savings. Metro will continue to receive utility incentives as revenue to the organization and incorporate these net costs into annual reporting and proposed project metrics.

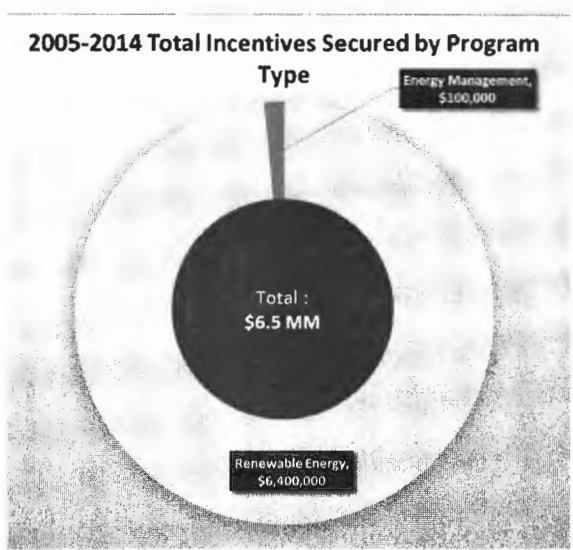


Figure 6: Incentives Received or Reserved for Projects from 2005-2014

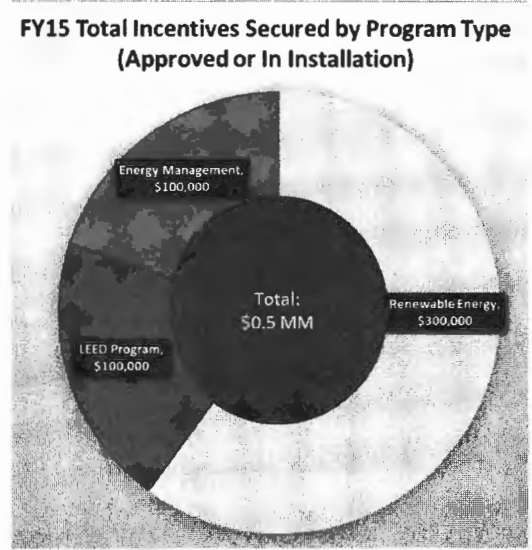


Figure 7: Reserved Incentives for Approved or in Installation Projects

Annual cost savings from the implementation of sustainability-related assets provides a significant benefit to Metro. Figure 8 quantifies the cumulative cost savings realized to date and anticipated by the end of the current fiscal year.

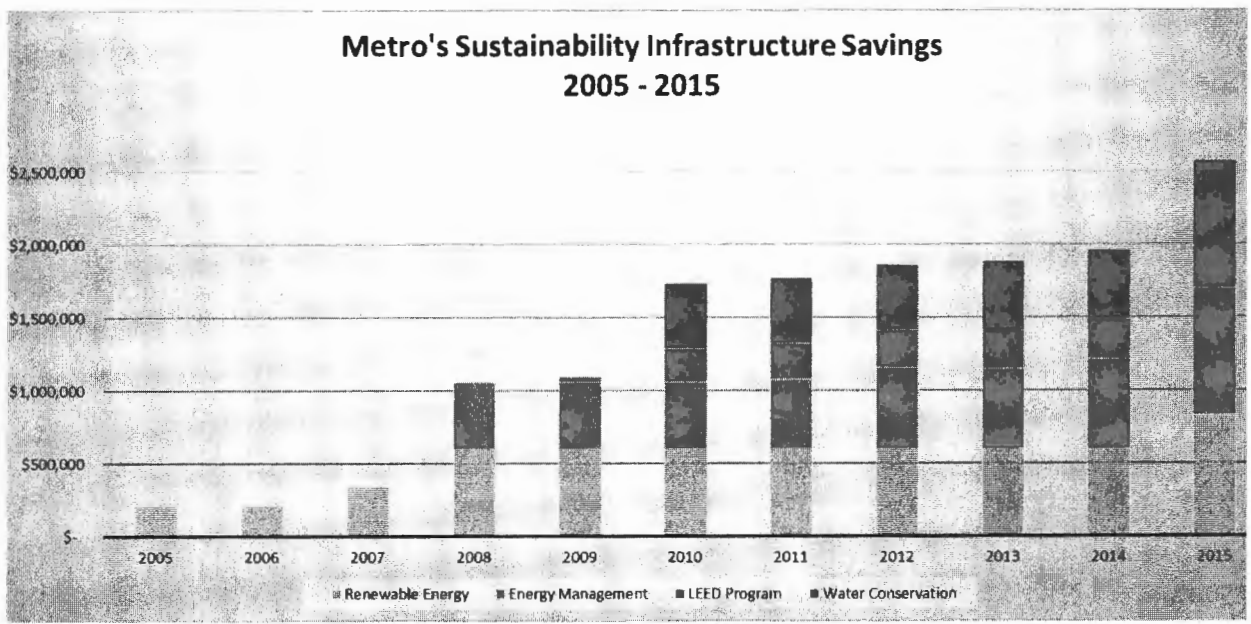


Figure 8: Resource Cost Savings to Date by Program

As a portfolio of assets with varying useful lives and resource savings values, the cumulative benefits from these investments needs to be effectively managed to maintain the cost savings over time. As with any physical asset, degradation and depreciation over time will decrease and ultimately can eliminate the cost savings resulting from that asset. Attachment B: Sustainability Infrastructure Implementation and

Operational Plan shows how the EMS process will support the planning, implementation and oversight of Metro’s existing and future sustainability infrastructure.

### Potential Future of Sustainability-Related Assets

Metro’s sustainability and environmental policies ultimately direct the identification and development of projects that comprise the listing potential future sustainability assets. Figure 9 and Figure 10 display the costs and benefits of the range of potential future projects by Program. These projects have been vetted by Metro staff and several have funding and alternative financing mechanisms identified to support their implementation but have not yet been fully approved. All identified projects fall within the definition of a Metro sustainability-related asset and represent only a subset of the potential projects Metro could implement in future years. For example, we have identified Energy Management Program projects through energy audits at only six divisions. These projects represent an average 12% cost reduction at each facility with the opportunity for greater resource cost savings across other Metro facilities.

There is variety in the size, scale and complexity of the potential future sustainability assets but all are designed to result in cost effective reductions in both Metro operating costs and Metro’s impact on the environment.

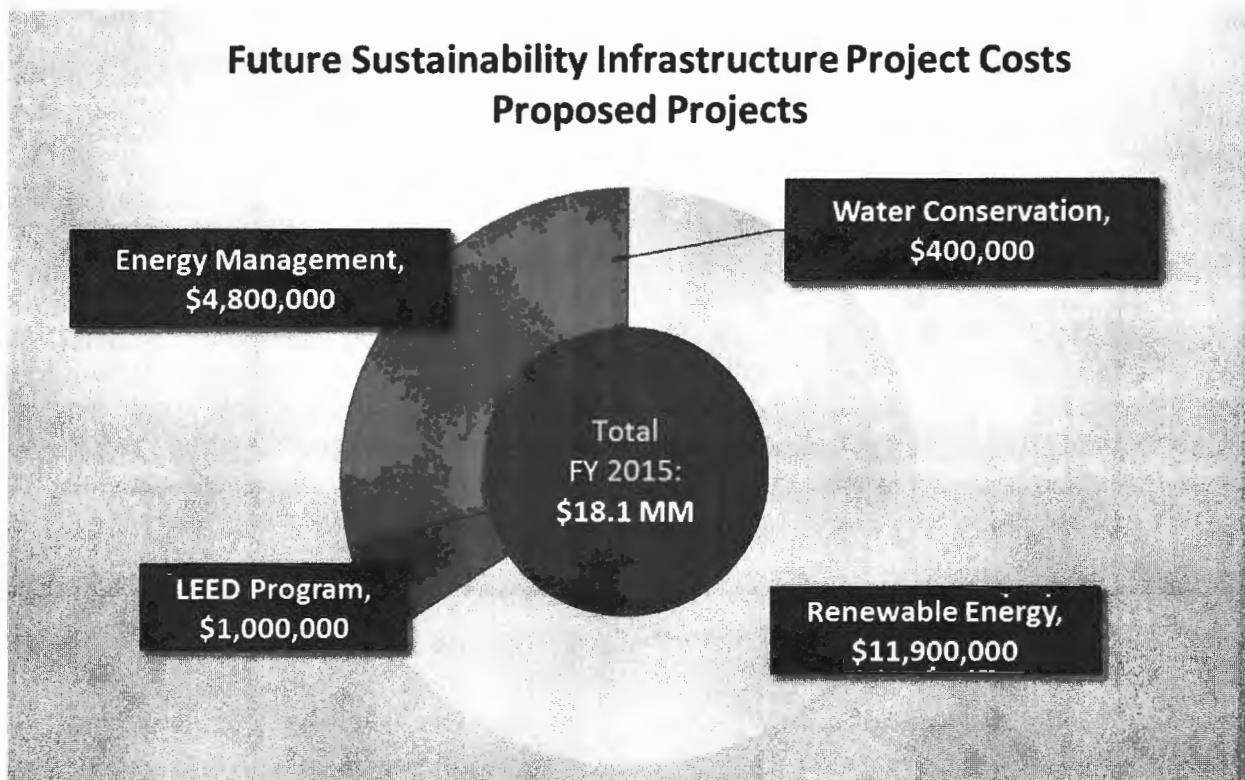


Figure 9: Proposed Sustainability Infrastructure Project Costs by Program

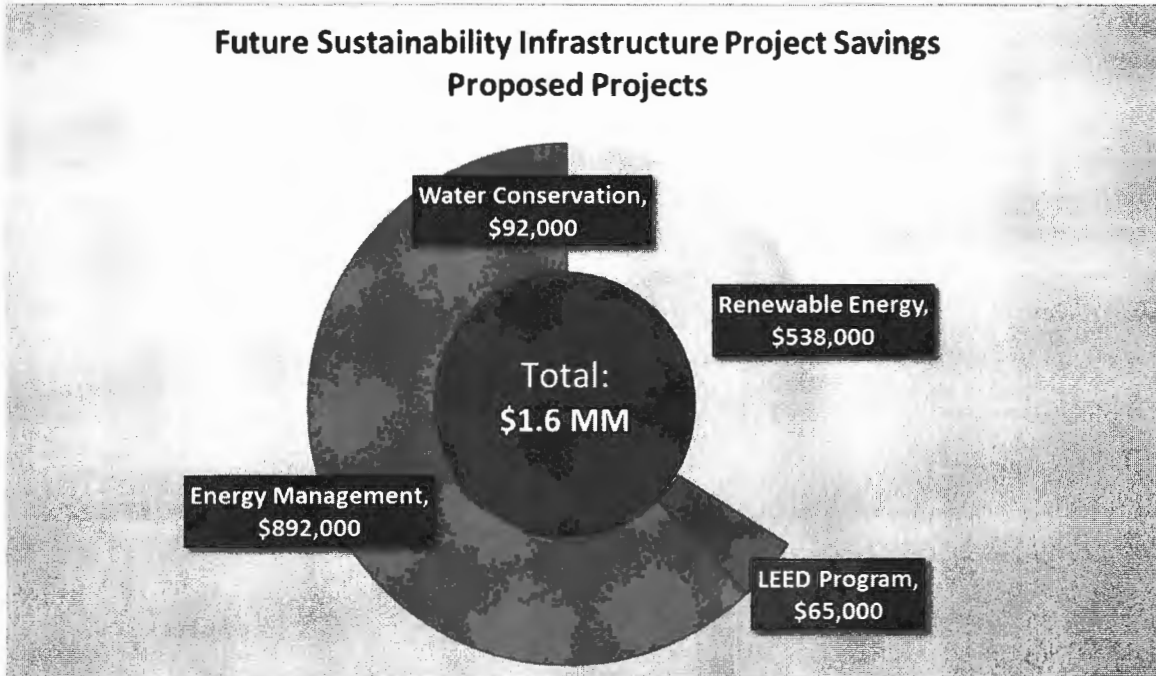


Figure 10: Proposed Sustainability-Related Infrastructure Project Savings by Program

Proposed future projects are geographically distributed and Figure 11 below shows the number of identified projects at each site. The average project cost by program differs greatly but there are performance improvement opportunities at all sites.

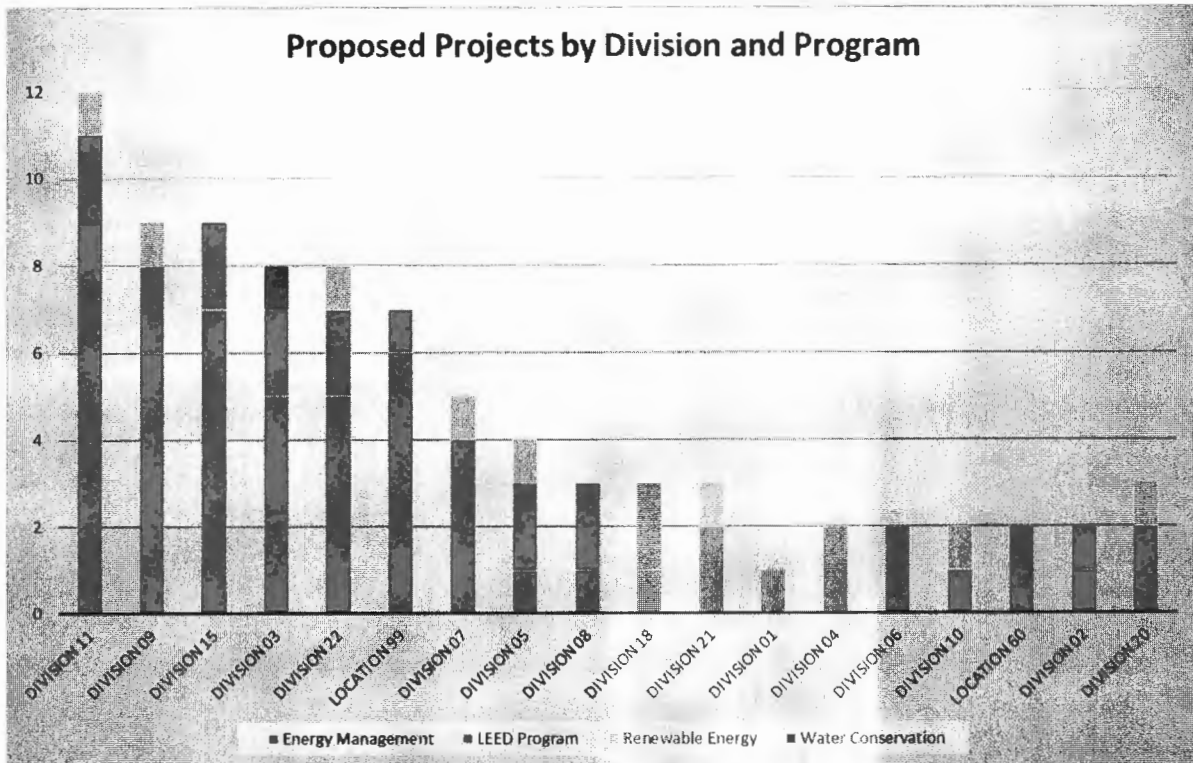


Figure 11: Proposed Project Count by Location

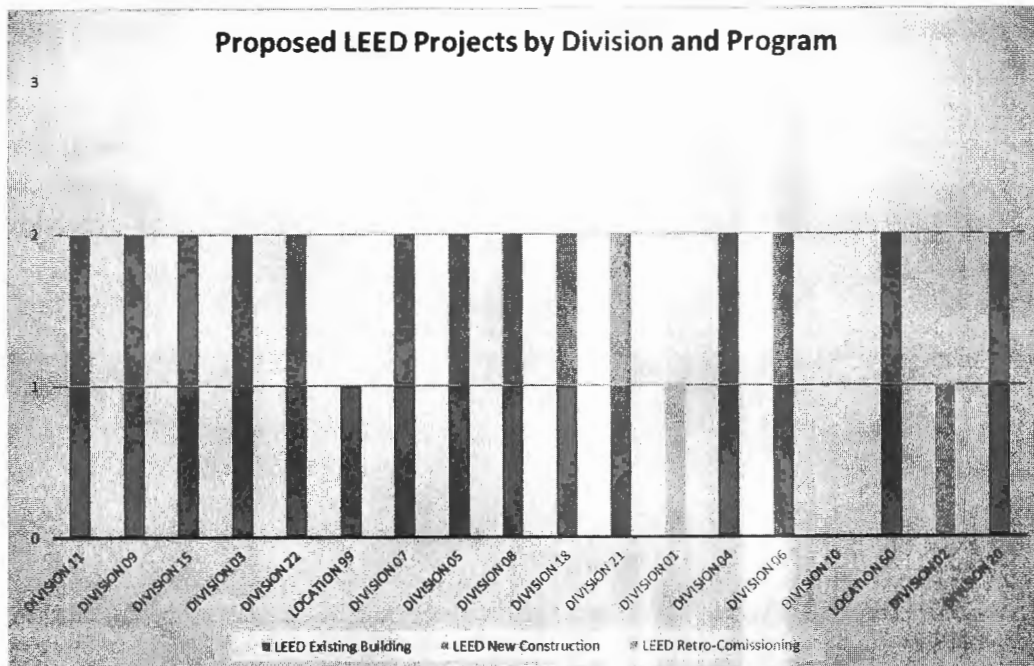
Table 7 shows an inventory of the Future Renewable Energy projects that make up the nearly \$12 million of investment opportunity. Metro has analyzed all potential PV system locations and selected these eight sites as the most cost effective candidates for large scale deployment. Implementation of all systems in Table 7 would increase the existing PV system capacity by 150%.

Table 7: Proposed Future Renewable Energy Projects

Future Renewable Energy Projects		
Project Name	Location	Status
Parking Structure PV Installation	Division 07	Proposed
Solar PV System	Division 09	Proposed
Solar PV System	Division 10	Proposed
Solar PV System	Division 11	Proposed
Solar PV System	Division 22	Proposed
Solar PV System	Division 20	Proposed
Solar PV System	Division 05	Proposed
Solar PV System	Division 21	Proposed

Over the coming years the LEED Program, through the EMS process, will continue to aggressively pursue LEED strategies to fulfill the intent of Metro’s Environmental Policy and Energy and Sustainability Policy. All existing buildings will perform retro-commissioning to optimize HVAC system operation. The collection of no- and low-cost process improvement projects implemented through the LEED strategy implementation will ultimately result in more comfortable and efficient buildings.

Table 8: Proposed Future LEED Program Projects



Metro's most cost-effective option for reducing its resource costs and GHG emissions is through the implementation of energy conservation and efficiency projects. The Energy Management Program projects can be broken down into the building systems affected by a given project. For example, in Metro facilities energy is used for the following purposes:

- Lighting
- Domestic Hot Water (DHW)
- Heating, Ventilating & Air Conditioning (HVAC)
- Compressed Natural Gas (CNG)
- Plug Loads
- Process Equipment (Tools and Machines).

Figure 12 displays the number of projects proposed to date within each of these asset types. Projects range in complexity from full air conditioning system replacement to a light bulb replacements and everything in between. We are continuing to conduct facility audits of existing facilities to identify energy savings projects and expect a three-fold increase in the number of energy efficiency projects for Metro to consider. Figure 13 shows a breakdown of the total Energy Management Program savings for proposed projects by specific project type.

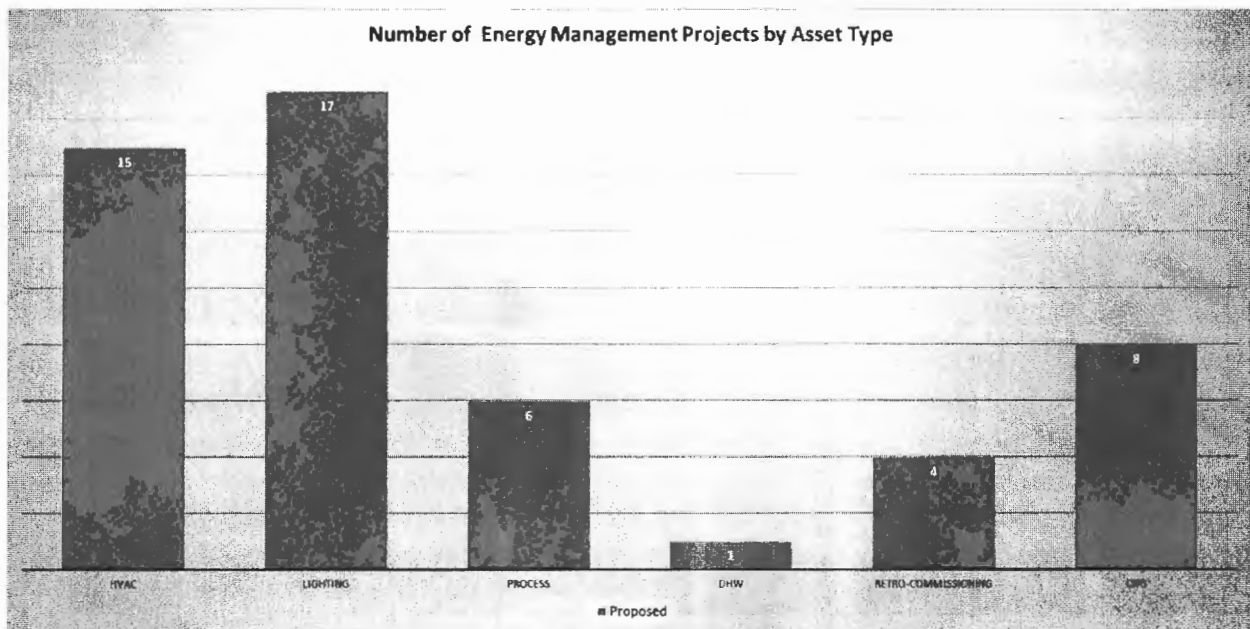


Figure 12: Proposed Energy Management Program Projects by Project Type



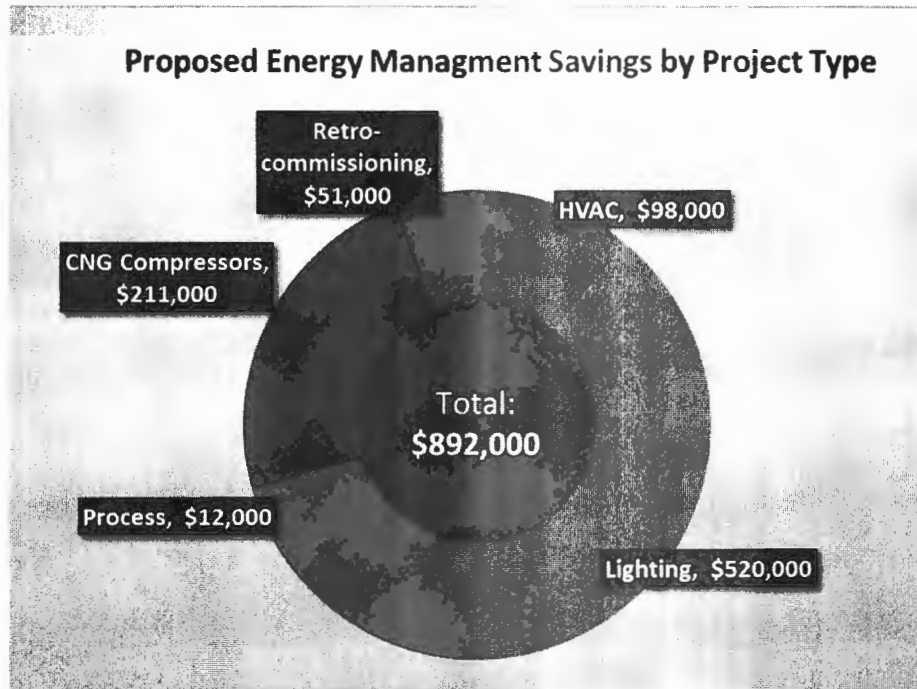


Figure 13: Proposed Energy Management Program Project Savings by Project Type

Water Conservation Program projects aim to reduce the water usage throughout Metro operations. Given the current drought conditions, the importance of these projects is increasing by the day. Metro’s EMS will be focusing intently on increasing the number of water conservation projects.

Table 9: Proposed Future Water Conservation Projects

Future Water Conservation Projects		
Project Name	Location	Status
Bus Wash Recycled Water System Project	Division 01	Proposed
Recycled Water System	Division 03	Proposed

## Conclusions

Metro's ongoing investment in its sustainability-related infrastructure continues a decade-long commitment to dedicating resources to further advance resource-saving assets. Since 2005, Metro has completed over thirty-seven projects, realizing nearly \$2 million in yearly cost savings from these assets and \$6.4M in cash rebates from utility partners. The organization is identifying additional projects for implementation through the agency-wide EMS, which is advancing sustainability goals and employee engagement across and at all levels. Continued support for the growth of Metro's Sustainability-Related Infrastructure will continue the implementation of operational cost reduction strategies as evidenced by the targeting of an additional \$1.6M in yearly cost savings.

Large-scale investments in solar PV systems dominate the current infrastructure. These are valuable assets that are devoid of any electricity costs and contribute toward meeting Metro's Renewable Energy Policy goals. A more recent focus on the Energy Management and LEED Program areas has resulted in a more balanced and diversified portfolio of sustainability-related assets, which will allow Metro to implement future cost-savings projects while meeting Energy, Sustainability, and Renewable Energy Policy goals. ECSD also recognizes an opportunity for expansion of the Water Conservation Program area to include future sustainability projects.

This assessment identified gaps in the current approach for maintaining the current asset base. If Metro does not maintain these assets appropriately, the agency will not benefit from the resource cost savings that uniquely arise from investments in sustainability-related assets. Attachment B: Metro Sustainability Infrastructure Implementation and Operational Plan provides a detailed operational plan for a transparent process to evaluate, implement, and maintain the portfolio of potential future sustainability project investments, and a financial plan for identifying and securing funding for these investments that mitigates the financial impact on the Metro organization.

**ATTACHMENT B**  
**Metro Sustainability Infrastructure Implementation and Operational Plan**

# Metro Sustainability Infrastructure Implementation and Operational Plan

## Contents

Introduction .....	45
Sustainability Infrastructure Management.....	45
ROLES AND RESPONSIBILITIES.....	46
SUSTAINABILITY INFRASTRUCTURE IMPLEMENTATION AND MANAGEMENT PLAN .....	48
Metro’s Sustainability Long-Term Financial and Operational Plan.....	49
SUSTAINABILITY INFRASTRUCTURE FUNDING SOURCES.....	49
ASSET (PROJECT) IMPLEMENTATION FUNDING .....	50
Phase 1: Project Identification and Evaluation.....	52
Phase 2: Project Planning and Approval.....	54
Phase 3: Project Development .....	61
Phase 4: Installation.....	63
Phase 5: Ongoing Activities and Continual Improvement .....	64
Metro’s Green Fund .....	66
COST SAVINGS REINVESTMENT TO GREEN FUND .....	66
M&V ASSET SAVINGS DETERMINATION .....	68
International Performance Measurement and Verification Protocol .....	68

## Introduction

Over the past decade, the Los Angeles County Metropolitan Transportation Authority (Metro) has invested in a growing number of capital and operating improvements to improve the long-term environmental sustainability of the agency. Maximizing the benefits of Metro's sustainability infrastructure requires ongoing attention to maintain a state of good repair across the agency, and careful consideration of future sustainability improvements. This plan integrates wherever possible with existing systems to provide a financial and operational process for establishing oversight and identifying financial resources to maintain existing and future sustainability asset performance, along with guidance for identifying needed investment in additional sustainability assets that will benefit Metro into the future.

In the context of this plan, Metro sustainability assets include operational *investments made in Metro facilities, technologies, fleet, people, and processes that:*

- 1) directly contribute to the reduction in resource usage beyond an established baseline for electricity, natural gas, other non-renewable fuels, water, hazardous substances, or*
- 2) directly reduce greenhouse gas emissions (GHGs), other air emissions, wastewater, solid waste, other environmental impacts, or*
- 3) directly increase operational efficiency, staff productivity and well-being, and customer satisfaction beyond standard operations, while maintaining safety and system reliability.*

This sustainability infrastructure implementation and management plan provides for the selection and implementation of sustainability-related investments and the ongoing measurement and verification of investment performance. This plan also identifies an approach for Metro to establishing the necessary funding and ongoing operations and maintenance requirements for sustainability assets prior to implementation.

## Sustainability Infrastructure Management

The Environmental Compliance and Services Department (ECSD), within the Engineering & Construction Division in working with key Metro internal stakeholders, will use established procedures and processes to facilitate:

- Sustainability project selection, development, and implementation;
- Measurement and verification of sustainability asset performance;
- Long-term planning (financial and operational);
- Sustainability project-related training;
- Sustainability reporting on infrastructure for Board, Management, and Metro Sustainability Report; and
- Necessary stakeholder engagement related to the sustainability asset management activities (internal and external coordination)

The implementation and management of sustainability-related assets will support the reduction of operational costs over time by increasing operational efficiency and will support the implementation of Metro's Environmental Policies. Metro's ISO 14001 Environmental Management System (EMS) provides the framework for coordinating and organizing the reduction of Metro's impact on the environment. EMS procedures and processes will be used to manage and document the implementation and management of Metro's sustainability infrastructure.

Figure 14 outlines the cross-functional process for the future development of new sustainability-related assets at Metro. The primary Metro groups involved in the implementation and management of sustainability infrastructure are listed in the left column and include existing ECSD staff, Metro Management, Operations (Facilities Maintenance), Office of Management and Budget (OMB), Engineering & Construction, and Procurement Departments.

### **Roles and Responsibilities**

The sustainability infrastructure implementation and management plan will be implemented and managed using existing staff, processes and management systems. This plan calls for a coordinated approach for the continual operations and maintenance of Metro's sustainability assets. The administrative and technical requirements outlined herein will be executed using existing Environmental Compliance and Services Department (ECSD) staff. Management and budget estimates for supporting the implementation of this effort will be considered as part of the ECSD annual budget projections. Such activities will be facilitated through the EMS Admin Team who will have the responsibility of aligning implementation with overall environmental and organizational goals and objectives at the frontline level. This diverse group, as well as the internal stakeholders outlined in Figure 1, will be critical to the success of this plan and long term operation and maintenance of Metro's sustainability-related infrastructure. Numerous variables, including the total number of projects, their complexity, and the rate at which they undergo implementation, will determine the level of effort required.

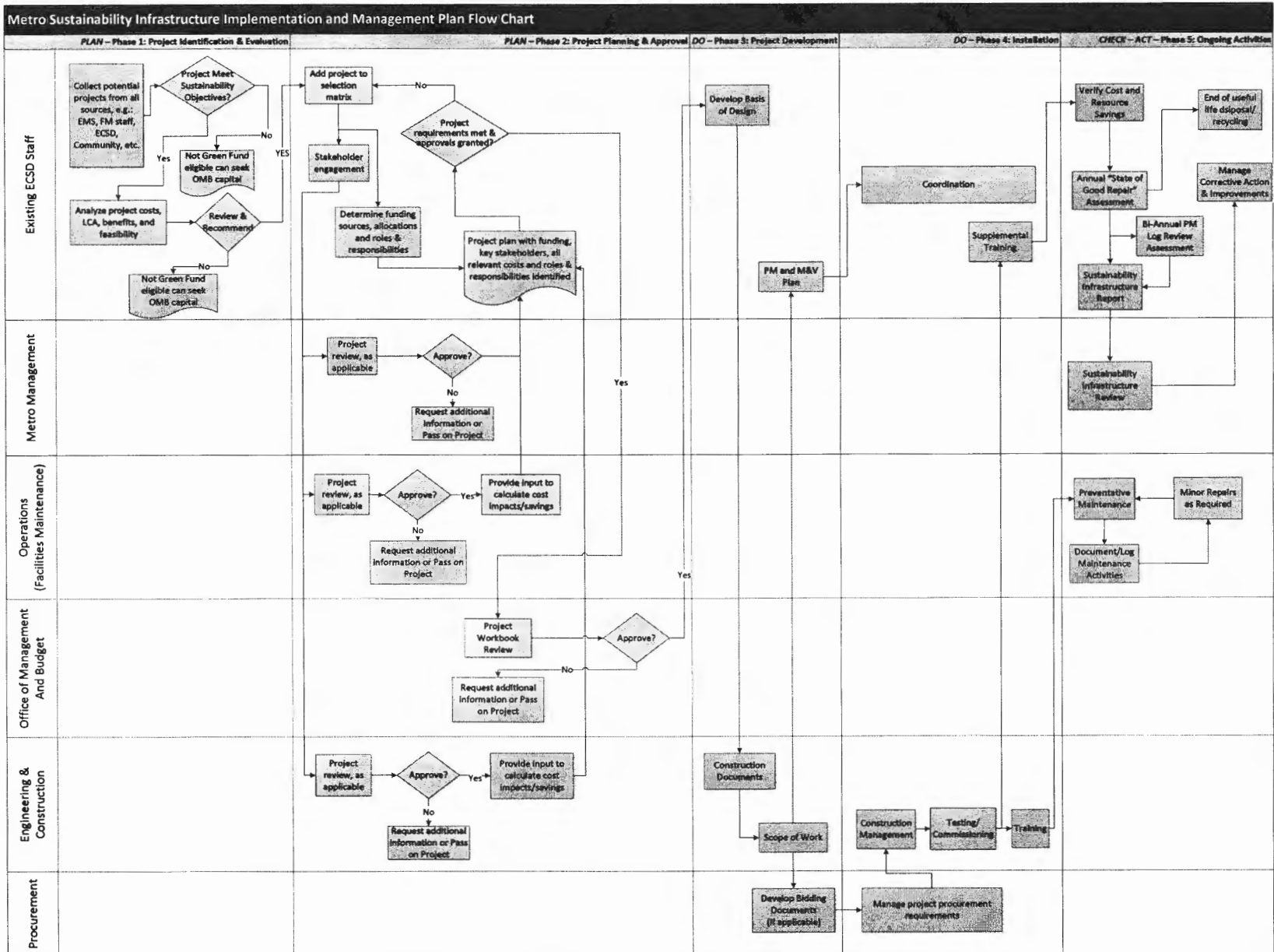


Figure 14: Sustainability Infrastructure Implementation and Management Plan Flow Chart

## Sustainability Infrastructure Implementation and Management Plan

The sustainability infrastructure implementation and management plan is designed to be a transparent and collaborative approach. Successful sustainability projects require cross-Agency coordination that begins with initial planning and carries through long-term operations and maintenance. Metro’s agency-wide EMS framework is a proven and successful process for engaging stakeholders across the organization and will be utilized in the support and ongoing management of sustainability assets. The execution of this plan will help Metro anticipate and address challenges throughout each project’s useful life.

The sustainability infrastructure development and management process follows five phases that generally align with Metro’s current capital project planning and conforms to the EMS plan-do-check-act (PDCA) model of continual improvement. Due to the nature of sustainability projects, additional considerations at each phase are highlighted in Table 10. Each phase is described in detail below.

Table 10: Sustainability Infrastructure Implementation and Management Plan Phases and Considerations

	Implementation Phases	Project Considerations
PLAN	Phase 1: Project Identification and Evaluation	<ul style="list-style-type: none"> <li>Potential projects are collected from across the agency through the EMS and not limited by facility location, bus or rail projects</li> <li>Projects undergo basic life-cycle analyses at the outset</li> </ul>
	Phase 2: Project Planning & Approval	<ul style="list-style-type: none"> <li>Agency-wide stakeholder engagement as necessary to seek support and buy-in for new projects</li> <li>Detailed costs, savings and ongoing management costs are developed and incorporated</li> <li>Funds identified and allocated through capital program approval process</li> </ul>
DO	Phase 3: Project Development	<ul style="list-style-type: none"> <li>Inclusion of preventative maintenance, operations and maintenance (O&amp;M) and measurement and verification (M&amp;V) plans</li> <li>Assignment of roles and responsibilities</li> </ul>
	Phase 4: Installation	<ul style="list-style-type: none"> <li>Additional training for assets as required</li> </ul>
CHECK – ACT	Phase 5: Ongoing Activities and Continual Improvement	<ul style="list-style-type: none"> <li>Implementing O&amp;M and M&amp;V plans according to approved project plan</li> <li>Savings reinvestment opportunity, state of good repair assessments</li> </ul>



## Metro's Sustainability Long-Term Financial and Operational Plan

### Sustainability Infrastructure Funding Sources

Metro allocates funding for the implementation of sustainability-related assets from a variety of different sources, with the primary funding coming from OMB's annual Capital Program. The existing sources of funding the implementation of sustainability-related infrastructure include:

- **Office of Management & Budget Annual Capital Program:** These allocations have funded most of Metro's existing sustainability infrastructure to date. Represents Metro's annual and off-cycle capital approval process.
- **Sustainability Implementation Program:** This is a capital program that allocates funds annually for sustainability pilot projects.
- **Alternative Financing Mechanisms:** Sustainability projects are often eligible to receive external grants or may enter into cost-sharing arrangements with entities external to Metro. This funding is project-based and can vary widely from year to year. However, it can fund large portions of individual sustainability infrastructure projects.

Metro is seeking to support sustainability project development, maintenance, and operations through the "Green Fund" established as part of the approval of Item 48 of the June 2014 Board meeting. The fund, as described in detail at the end of this document, would have three funding sources in addition to the interest generated from their investment. These include:

- **Low Carbon Fuel Standard (LCFS) Credit Proceeds:** This potential funding source comes from the sale of Metro-earned LCFS credits through a market based system. As requested by the Board during the February 2014 Item 57 Board Motion, Metro has developed a revenue optimization plan for the LCFS credit sales to maximize the potential funding opportunity to maintain sustainability investments. This is a relatively new and small market with highly variable market prices for credits and a potential sunset in year 2020; estimated proceeds range from \$300,000 to \$3M annually. Metro recognizes the inherent volatility of this funding source. This plan presumes that this new source of funding is available for budget planning and will remain so as long as Metro generates credits and the market for these credits continues to operate.
- **Sustainability-Related Infrastructure Cost Savings Reinvestment:** This potential funding source reinvests cost savings generated from the operation of sustainability assets in future projects and the ongoing operation of existing sustainability-related infrastructure. The savings contribution value of each project would be identified as part of an approved project plan explained in Phase 3 and executed in Phase 5 of this plan. Agreed upon and verified savings values would be applied through an internal budget reallocation mechanism.

- **Utility Incentive and Rebate Reinvestment:** Metro’s utility partners are incentivized by the California Public Utility Commission to buy down the cost of the equipment described herein as sustainability-related infrastructure. Nearly \$6.5M of such funding has come in the form of cash revenue to Metro since 2005. Future funding would be applied through an internal deposit or allocation mechanism upon receipt of incentive checks.

#### Asset (Project) Implementation Funding

The assets included in the 2014 Sustainability Infrastructure Assessment Report represent current assets and a list of identified and proposed future assets. Phase 5: Ongoing Activities and Continual Improvement includes discussion on financial planning for the existing assets. This section details how a potential project becomes a Metro sustainability asset. Table 2 details the three different types of assets and an example of existing Metro examples of each. Asset Types classify the operation and maintenance requirement approach required to ensure it brings desired benefits throughout its useful life.

Table 11: Asset Type Definition

Asset Type	Definition	Examples
<i>New Asset</i>	Equipment added to a Metro facility or a new process that did not previously exist.	<ul style="list-style-type: none"> <li>• Solar photovoltaic (PV) system</li> <li>• Domestic Hot Water Heat Recovery System</li> </ul>
<i>Process Improvement</i>	Project that improves efficiency/sustainability of an existing process: can be asset-based or administrative, may change the operations and maintenance (O&M) requirements for existing process.	<ul style="list-style-type: none"> <li>• Bus dryer redesign</li> <li>• Heating Ventilation and Cooling (HVAC) redesign</li> <li>• Control systems</li> <li>• Water Recycling System</li> </ul>
<i>Existing Asset Replacement</i>	Project that replaces existing equipment with a more sustainable option.	<ul style="list-style-type: none"> <li>• Boiler replacement</li> <li>• HVAC replacement</li> <li>• Lighting retrofit</li> </ul>

Metro’s sustainability project implementation process consists of five iterative phases, each with a corresponding financial decision to inform movement to the next phase. Each phase consists of project review and approval, allowing for transparency and coordination throughout the process. Figure 15 outlines each phase and the corresponding, required decision.

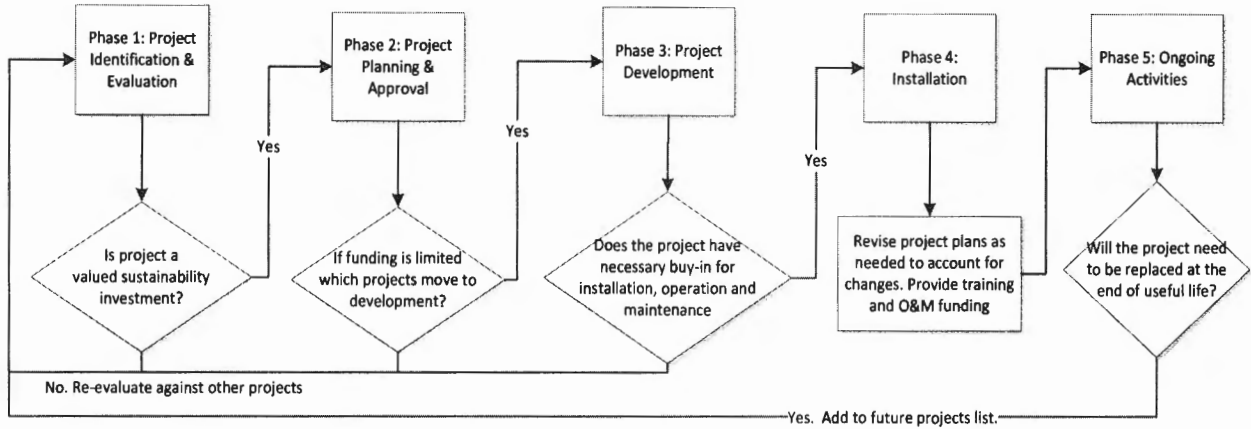
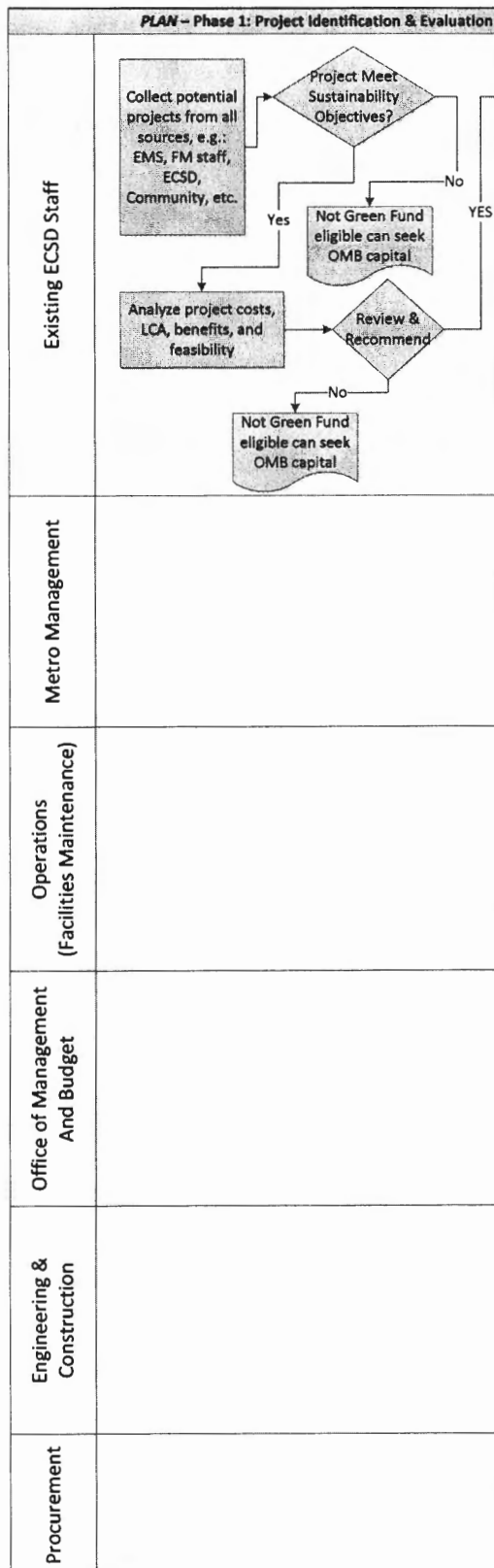


Figure 15: Funding decision flow within implementation and management plan

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**Phase 1: Project Identification and Evaluation**



In this phase, a list of potential sustainability-related infrastructure projects will be created as they are identified. To include a potential project on the list, staff will verify that the project meets, at a minimum, the definition of a Metro sustainability asset. This early evaluation of potential projects will reveal anticipated results, however a full accounting of the potential costs and benefits of the project investment is not necessary until later in the process.

Potential sustainability projects at Metro can come from several sources including but not limited to:

- initiatives from EMS Administrative Team or Facility EMS Core Teams;
- suggestions from other internal Metro departments (solicited);
- results of energy and resource audits;
- projects requiring additional funding to upgrade from standard to sustainable;
- end-of-useful-life replacement; and
- unsolicited proposals from internal stakeholders and third parties.

Projects will be collaboratively evaluated to determine whether or not the proposed projects will enhance Metro’s sustainability-related infrastructure. The initial evaluation of potential projects will consider both quantitative (e.g., resource cost savings) and qualitative (e.g., fulfillment of policy mandates). For example, will the potential project reduce an environmental impact, increase resource efficiency or generate renewable energy that contributes to meeting the Renewable Energy Policy goals?

At this phase in the process, some evaluation questions may not have sufficient answers. Staff will seek out additional information as needed to determine an expected overall (quantitative and qualitative) project value. Potential projects shall remain in the evaluation phase until enough

information exists to answer the key decision for this phase:

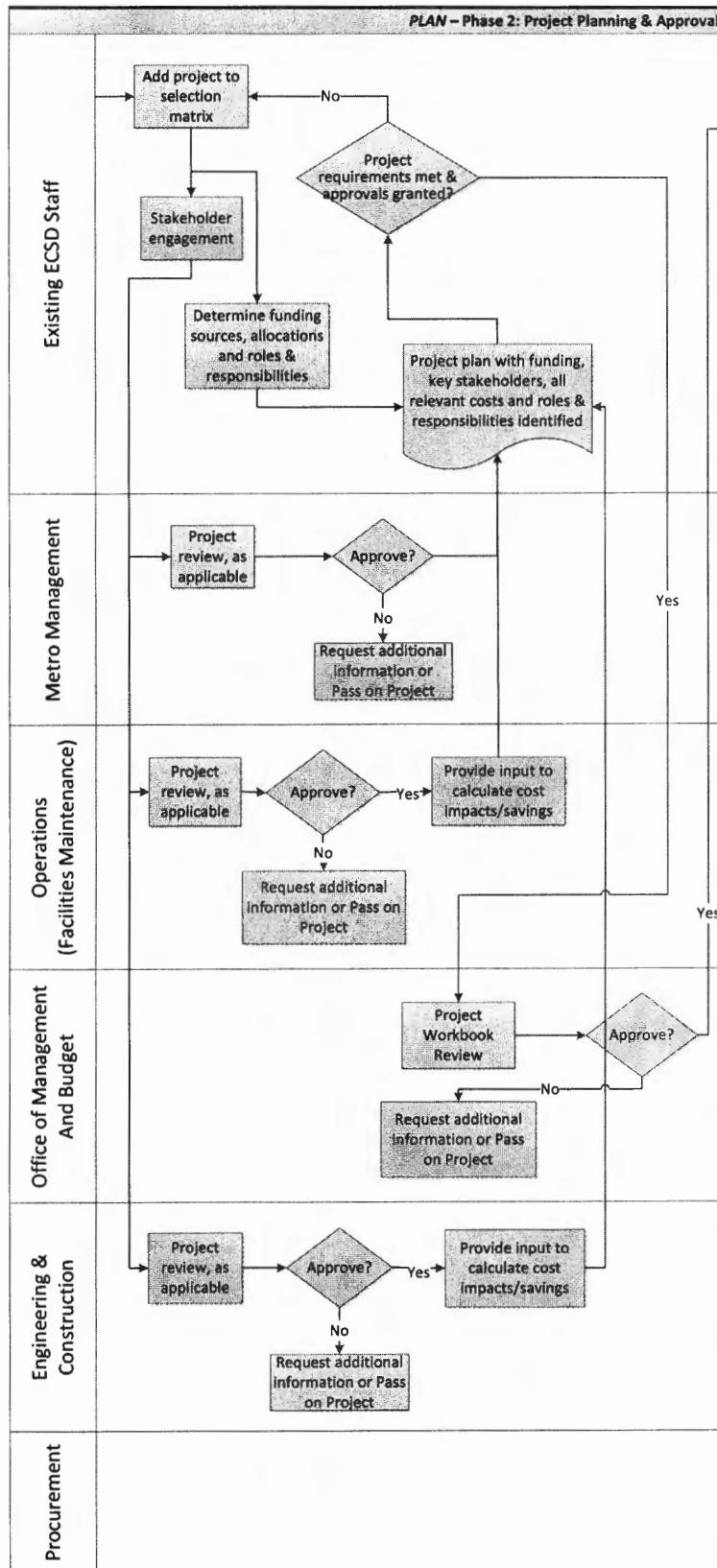
*Is this project a valued sustainability investment for Metro?*

If the answer is “yes,” then the project is eligible to be moved on to Phase 2: Project Planning and Approval. If the answer is “no”, then the project can either return to the tracking list or removed from further consideration.

ECSD staff will maintain a comprehensive list of potential projects passing through to Phase 2, and will make this list available to Metro internal stakeholders using the existing project dashboard database to allow for easy viewing and ad hoc reporting. The projects on this list are under active consideration for implementation. However, the listing does not indicate that any projects have received budgeting or approval. Phase 2, below, outlines how staff will compare the potential projects against one another for funding consideration that is available in a given fiscal year.

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## Phase 2: Project Planning and Approval



Potential projects that move into Phase 2 will begin the more rigorous planning and budgeting process, including a life-cycle cost evaluation and initial stakeholder assessment to provide a more thorough and comprehensive evaluation. A selection team will be convened to apply standardized project evaluation metrics across all potential projects to allow for accurate comparison of financial performance including cost, savings and ongoing operation. After collecting and evaluating key project information, potential assets will combine to develop a portfolio of projects that most cost-effectively meet Policy and EMS stated objectives and targets. The team will employ a Project Portfolio Management approach to determine which proposed projects move to Phase 3 (Project Development). The key financial question to move through this phase is:

*If funding is limited, which projects will move to development?*

### Project Budgeting

Each project team will develop a detailed project budget and plan, consisting of specific proposed funding sources, and expected time frames for development and installation based on standardized forms and methods. Cost analysis will

incorporate the entire useful life of the equipment. As Table 12 shows, Metro's sustainability-related infrastructure projects face several project funding scenarios that allow for project implementation within specific Metro parameters. In collaboration with other Department sponsors/Project Managers, ECSD staff will seek to identify opportunities to offset Metro's project cost requirement for sustainability-related infrastructure through rebates and other alternative financing mechanisms whenever possible, up to full cost of the proposed project.

*Table 12: Internal Metro Project Cost Responsibility Scenarios*

<b>Funding Scenarios</b>	<b>Green Fund</b>	<b>Other Funding</b>
<i>Full Cost Responsibility</i>	100% of project costs associated with development, installation and ongoing O&M	None
<i>Cost Share</i>	Partially fund project implementation. Examples could include additional design and commissioning costs, cost of purchasing more efficient equipment, or percentage splits based on budget shortfall	Partial funding for project implementation derived from the use of capital funds as allocated by OMB
<i>No Cost Responsibility</i>	Basic review to gather project information and ensure proper evaluation of O&M costs	100% of project implementation derived from the use of capital funds as allocated by OMB

Working other Department sponsors/Project Managers, ECSD staff will provide support to identify the anticipated project lifecycle cost requirements, available funding sources, and project leads for key roles as part of the overall project plan. Direct input from across the organization will be included to allow for appropriate checks and balances on both project costs and feasibility. As the section below describes, key identified metrics such as cost savings will have supporting documentation. Information will be centrally located for all stakeholders to access and review.

Table 13 presents an example of a Phase 2 level project budget with major costs, funding sources, and project leads identified. Note that project-level leads are project specific, can represent different departments, and do not necessarily assume ongoing asset management responsibilities. The time value of money has been considered in this example.



Table 13: Example Project Budget

Example Project	Lighting Retrofit at Division X	
Project First Costs	\$225,000	one-time
Ongoing O&M Costs	\$500	annual
M&V Costs	\$1,000	every 4 years
Expected Useful Life	20	Years
<b>Total Life Project Cost (nominal)</b>	<b>\$240,000</b>	
<b>Funding Sources</b>		
OMB FY16 Capital Program	\$175,000	one-time
Green Fund	\$50,000	one-time
Green Fund	\$10,000	\$500/yr x 20 yrs
Alternative Financing Mechanism	\$500	utility incentive
<b>Total Funding Identified</b>	<b>\$240,000</b>	
<b>Project Leads</b>		
Metro Project Manager	Project Staff	
Environmental Compliance and Services Lead	ECSD Staff	
Facility Maintenance Lead	FM Staff	
Operations Lead	Division Staff	
Procurement Lead	Procurement Staff	

Proposed sustainability project budgets will be approved and funded through the existing capital projects process. Not all potential projects will be sent to OMB for approval. The sustainability project portfolio selection process will prioritize projects that best meet Metro's financial and sustainability objectives. The selection process explained below is designed to provide a transparent method for determining which projects are eligible for sustainability funds and best meet Metro's overarching policy and agency-wide EMS goals.

### Sustainability Project Portfolio Selection

Relying on the principles of portfolio management, the EMS Admin Team and existing ECSD staff will employ a standardized selection approach for potential sustainability-related investments. Companies and organizations use many different models to apply similar principles to maximize benefit and minimize risk for their asset investments. The approach for Metro's future sustainability assets is designed using a pillar of portfolio management theory: Matrix Scoring. Consistent with the EMS process, matrix scoring takes the most important project attributes as determined by the desired outcomes such as cost savings and meeting sustainability goals. Those attributes are weighted to account for their relative importance. A portfolio of potential sustainability-related investment projects will be scored in each project criteria to arrive at a final score. Those scoring the best to represent those projects that minimize risk, whether financial, technology, or customer-based and maximize benefits. This approach will provide additional transparency for accountability, compliance, and other requirements Metro faces as a publicly agency.

As with Metro's Annual Capital Program, there are several key criteria to consider when making portfolio decisions. This section describes a proposed approach based on interviews and analysis. Collectively, the following criteria are intended to provide a thorough review of the expected financial and organizational costs and benefits of the sustainability investment portfolio.

- **Return on Investment (ROI):** This criterion aligns with Metro's capital budgeting process and represents the financial value to Metro. Standard Metro assumptions will be documented and used including discount rates, depreciation, tax and other rates used to calculate sustainability project ROI. Sustainability related ROI calculations will also consider the long-term O&M and M&V costs for managing the assets throughout their useful life.
- **Life-cycle Cost-Savings:** This criterion is a calculated estimate of the long-term, or useful life period, cost-savings resulting from the investment in the sustainability project. Staff will use industry-recognized standards along with other protocols for calculating project savings to determine the value for this criterion. Calculations will include all costs associated with O&M, oversight and verification of project savings.
- **Technology Viability:** This criterion is a qualitative measure of the risk of investing in a new technology, system or process. The Project Team shall consider stakeholder support or opposition and any internal and external opportunities and barriers when scoring this criterion.
- **Probability of Success:** This criterion is a qualitative measure of the probability that the project will move to installation, will be operate properly, and will receive appropriate maintenance throughout its useful life. The project team shall consider stakeholder support or opposition and any internal and external opportunities and barriers when scoring this criterion.
- **Sustainability Policy Objectives:** This criterion is a measure of the degree to which the project meets Metro's approved sustainability policy objectives. (e.g., GHG reductions, water conservation, solid waste reduction). Metro's EMS selects similar objectives and targets that will also impact the relative importance of the project in relation to others.
- **Mission Criticality:** This criterion captures Metro's need for the project to be implemented. Projects with a higher project priority value represent immediate or critical infrastructure projects needed to avoid negative operational impacts.

The selection criteria above (and proposed weighting as shown in Figure 3 below) will be used to screen and validate proposed projects' relative importance to both sustainability and overall organizational goals. A re-evaluation of these criteria will take place periodically to allow for the realignment of the project selection process to respond to any key changes in Metro's sustainability related objectives and priorities.

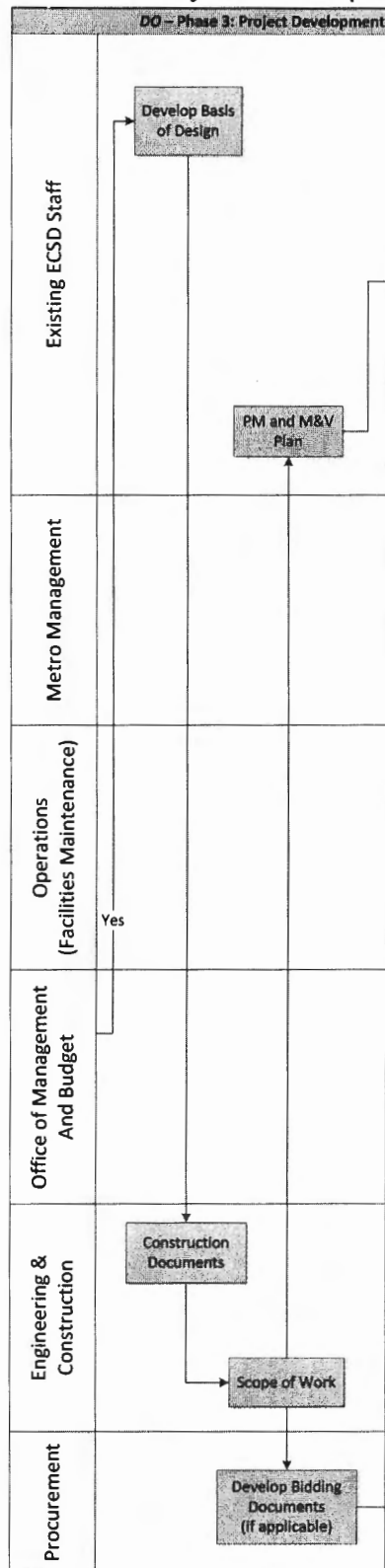
On a rolling basis throughout the year, at least quarterly, the portfolio can accept newly-identified or high-priority projects as available funds allow. An example of the proposed quantitative scoring approach is shown in Figure 3 below. This is an illustrative example of the proposed evaluation and selection matrix. The transparency will minimize confusion and maximize the use of each dollar spent to achieve desired goals. Ranking the potential projects in order of total score from high to low identifies Metro's priorities and an order in which to release funding. Using the results of this evaluation, only the highest impact projects will be submitted for OMB approval using the newly available funds. Projects receiving full implementation budgets will move to Phase 3: Project Development.

<i>Example Criteria Weighting</i>		25%	25%	15%	15%	20%			
<b>Example Project List</b>	<b>Total Budget</b>	<b>Return on Investment</b>	<b>Lifecycle Cost Savings</b>	<b>Technology Viability</b>	<b>Probability of Success</b>	<b>Mission Criticality</b>	<b>Total Score</b>	<b>Remaining Budget Total</b>	<b>Selected?</b>
Project 1	\$ 25,000	7	7	10	10	10	85	\$ 4,975,000	YES
Project 2	\$ 575,000	5	5	10	5	5	57.5	\$ 4,400,000	YES
Project 3	\$ 2,800,000	2	2	10	7	7	49.5	\$ 1,600,000	YES
Project 4	\$ 1,000,000	5	5	1	5	5	44	\$ 600,000	YES
Project 5	\$ 80,000	5	5	10	1	5	51.5	\$ 520,000	YES
Project 6	\$ 650,000	1	3	5	10	2	36.5	\$ (130,000)	NO
Project 7	\$ 165,000	5	5	5	5	1	42	\$ (295,000)	NO
<b>Total FY Funds Required</b>	<b>\$ 5,295,000</b>								
<b>FY available funds</b>	<b>\$ 5,000,000</b>	10 = \$\$\$\$	10 = \$\$\$\$	10 = Common Practice	10 = High	10 = Time of essence			
<b>Difference</b>	<b>(\$295,000)</b>	5 = \$\$	5 = \$\$	5 = Emerging but tested	5 = Medium	5 = Future critical need			
		1 = \$	1 = \$	1 = New / untested	1 = Low	1 = No material difference			

Figure 16: Example of Potential Sustainability Infrastructure Portfolio Selection Matrix

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**Phase 3: Project Development**



The project development phase will align with the existing Metro Capital Project Approval processes. At the conclusion of this phase, funding requirements will be finalized from implementation through the ongoing operations and maintenance.

The following core deliverables for this phase are common to all best practice construction projects:

- Project Basis of Design
- Construction Documents
- Scope of Work

Given the non-standard equipment necessary for some sustainability-related assets, the next set of deliverables under the project development process clearly identifies project requirements and a plan for the operation and maintenance throughout the equipment’s expected useful life:

- Preventative Maintenance Plan
- M&V Plan
- End of Useful Life Assessment.

**Preventative Maintenance Plan**

The Preventative Maintenance Plan will provide a forum to plan for the incorporation of the proposed asset into day-to-day Metro operations. The project team will use the Metro EMS program framework to identify maintenance, training, safety and other requirements that can be tracked using EMS documentation. This phase will incorporate feedback from stakeholders through existing EMS Core Teams, such as maintenance and operational staff. Different assets will require varying levels of sophistication in the development of this plan. ECSD staff will facilitate the development of technical and financial resource requirements to implement the Preventative Maintenance Plan for the life of the asset within the upfront project costs requiring approval.

Recent work between Facilities Maintenance and ECSD related to existing solar PV systems, demonstrates how

this approach can be successful. Upfront identification and assignment of responsibility provides transparency and accountability in the ongoing maintenance of Metro's existing solar systems. Each asset will have a unique Preventative Maintenance Plan with appropriate staff resources assigned. Future projects will benefit from similar projects already completed and are familiar with the process.

### **Measurement and Verification (M&V) Plan**

The M&V plan will detail the process for measuring and verifying the efficient operation and cost savings of the proposed project. The section below, titled M&V Asset Savings Determination, details the varying approaches that will vary slightly by project depending on variables such as complexity, size or repeatability.

The costs of implementing the approved M&V approach will be finalized by developing this plan as part of the project's development. At this point in the process, the proposed budget includes the estimated level of M&V anticipated. The development of the M&V Plan will finalize the approach and appropriate resource requirements for each specific project. ECSD staff will facilitate through the EMS the execution of the proposed M&V plan as written during this phase of the project's development.

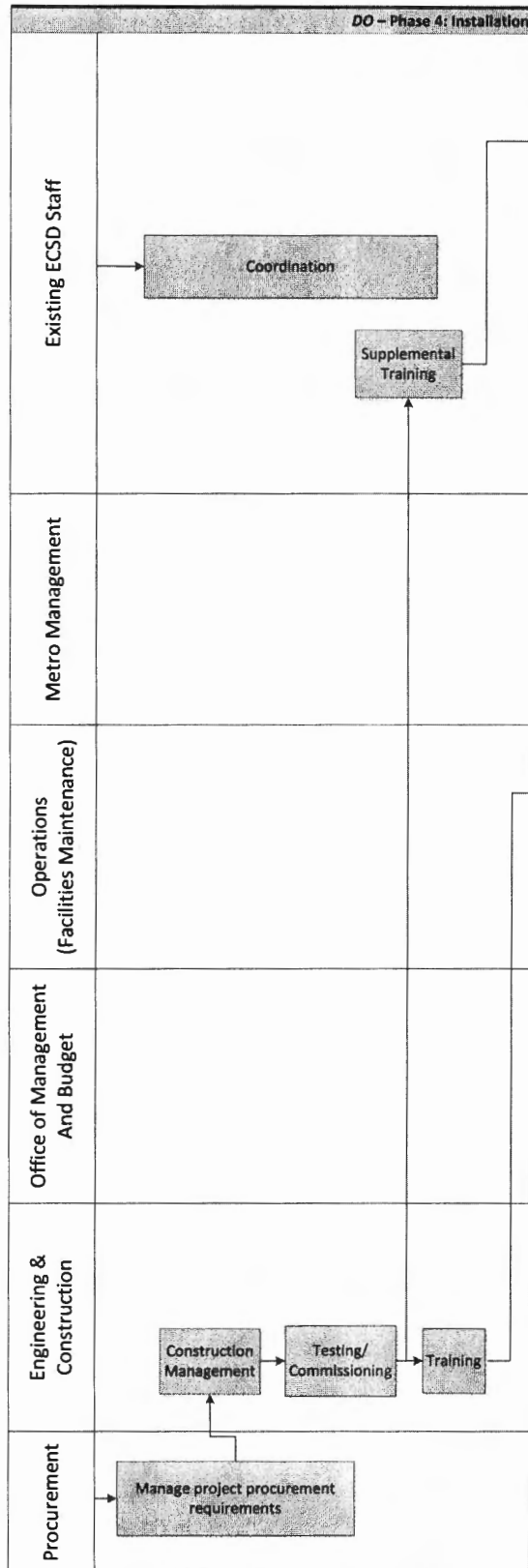
### **End of Useful Life Assessment**

To plan, budget and account for the end-of-useful-life disposal or recycling requirements, the project will follow a life-cycle assessment approach. The expected life-cycle of installed assets will provide a general time horizon for the planning for future projects. An annual state of good repair assessment and funding availability will determine the proper and opportune time to decommission an asset. Sustainability-related assets will continue through the same implementation process outlined above, but may receive priority over the implementation of new assets as project needs warrant.

Project development activities for sustainability-related projects, as well as co-funding of enhanced design or efficient equipment, will be facilitated through ECSD. OMB management's review and approval of the complete project plan documentation represents the completion of Phase 3 activities.

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Phase 4: Installation



Identified project team members will collaborate on the required level of involvement depending on the project delivery mechanism. In many cases existing project delivery approaches and departments will have primary responsibility for the procurement, construction, and commissioning activities needed to implement sustainability assets.

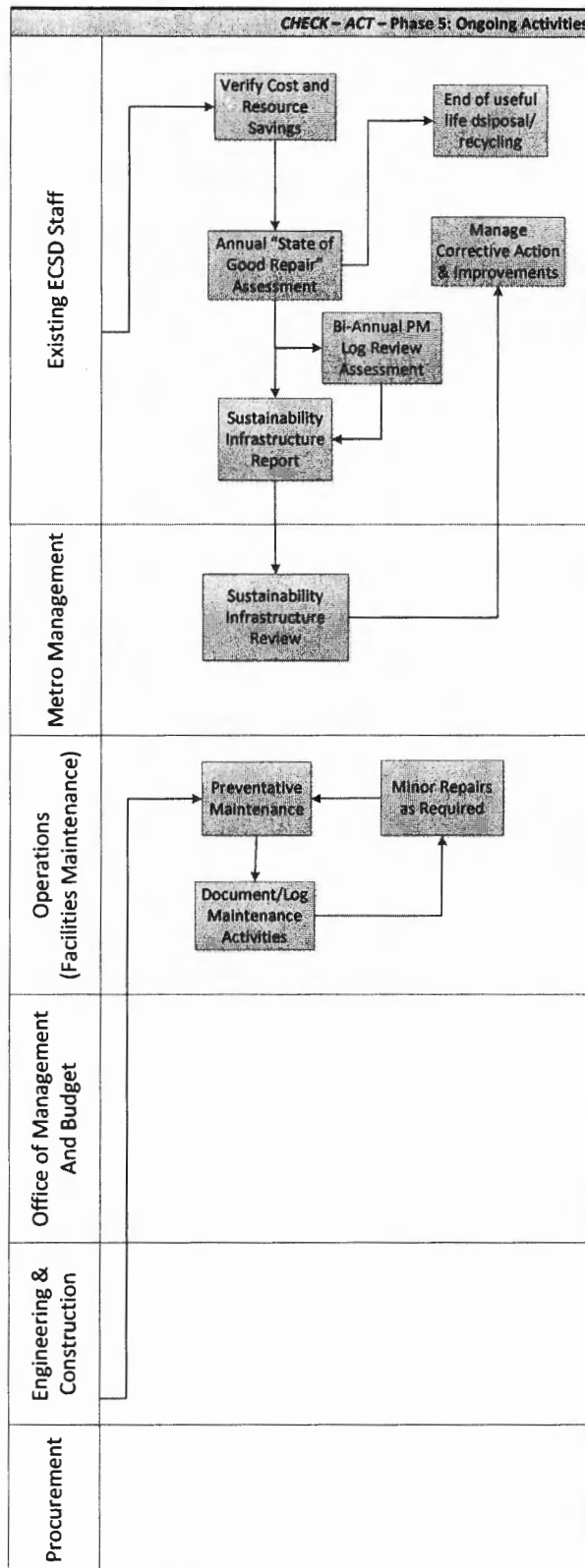
The project team will evaluate any opportunities for alternative financing and delivery mechanisms for sustainability-related projects. However, as with non-sustainability projects at Metro, the Office of Management and Budget will provide project approval and funding while Metro's Procurement department will administer the bidding and purchasing requirements for sustainability projects. This aligned structure provides continuity and affords a series of checks and balances to support transparency throughout the process.

Similar to other capital projects, the primary financial and management hurdles associated with the installation phase is the funding and management of scope changes or project overruns that may occur during the installation, construction, and commissioning of a sustainability project.

ECSD staff will coordinate closely with the implementation team to manage resource needs and changes during this phase. Finally, the EMS Document Control Procedure will guide any necessary changes to project documentation such as those previously developed as part of Phase 3: Project Development.

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**Phase 5: Ongoing Activities and Continual Improvement**



After a new sustainability-related asset goes through installation and commissioning, it becomes part of Metro’s sustainability infrastructure. An asset remains in this phase through the remainder of its useful life.

Phase 5: Ongoing Activities and Continual Improvement covers the operation of the implemented project and the execution of both the Preventative Maintenance and M&V Plan. ECSD staff will work with internal stakeholders to carry out these plans and continually evaluate their contents to improve future projects and current plans.

The EMS has a strongly documented and controlled process for Monitoring and Measuring environmental performance. This framework will be used to document the following process. Working with Metro Operations, on an annual basis, ECSD will conduct a high-level assessment of the state of good repair requirements for Metro’s existing sustainability asset base. On a two-year rolling basis, the team will review the preventative maintenance performance logs and necessary documentation for the installed portfolio. The documented results can be reviewed by the EMS Admin Team as part of the Check and Act framework. In the case that assets are not maintained in a good state of repair, as could be identified through audits, spec evaluations or corrective action requests, ECSD will conduct a more detailed review of the O&M operations in conjunction with the lead Facilities Maintenance and Operations staff. If this process identifies new projects, those will be added to the future projects list in Phase 1. Table 14 describes the proposed



assessment scale that this process will use which may involve either on-site inspections or surveys with personnel operating the assets for their intended purpose.

*Table 14: State of Good Repair Assessment Values by Sustainability Asset Type*

Asset Category	1 Poor	2 Marginal	3 Adequate	4 Good	5 Excellent	Assessment Type
Solar PV	<40%	41%-60%	61%-75%	76%-90%	> 91%	of panels + inverter + storage + monitoring equipment in good working order (visual equipment inspection)
Lighting	<40%	41%-60%	61%-75%	76%-90%	> 91%	of lamps, ballasts, controls in good working order (visual equipment inspection)
HVAC	<40%	41%-60%	61%-75%	76%-90%	> 91%	of affected personnel report "good working order" (requires survey)
LEED - Green Buildings	<40%	41%-60%	61%-75%	76%-90%	> 91%	of affected personnel report "good working order" (requires survey)
Water-conservation Devices	<40%	41%-60%	61%-75%	76%-90%	> 91%	of devices in good working order (visual equipment inspection)
Process Improvements	<40%	41%-60%	61%-75%	76%-90%	> 91%	of affected personnel report "good working order" (requires survey)

Installed assets remain in the Ongoing Activities and Continual Improvement phase throughout their useful life or until a new project related to this asset will be identified and sent back to Phase 1 of this process. This can be triggered by a failed state of good repair assessment or when one of the following occur:

- A major maintenance requirement exceeds typical O&M requirements
- A process improvement opportunity is identified
- A partial retrofit is required
- A full-asset replacement is required (due to failure, technology improvement, or other cause)
- End-of-useful life disposal/recycling required
- Other circumstances requiring a change in the status quo.

When one of these conditions are identified, appropriate staff will receive notification so that a new project can be developed and added to the list in Phase 1 of this iterative planning process.

## Metro's Green Fund

This plan provides for the opportunity to reinvest resource cost savings into the expanding sustainability infrastructure across Metro's system. The Green Fund is one of several funding sources for supporting both the implementation of sustainability assets and ongoing activities as described in Phase 5: Ongoing Activities and Continual Improvement. The establishment of the Green Fund came with the approval of Item 48 during the May 2014 Board Meeting in response to the first part of the February 2014 Item 57 Motion. The intent of this fund is to support implementation and ongoing management of sustainability assets while minimizing the financial and budgetary impacts on the rest of Metro's operations.

Metro's Green Fund will be funded from the following sources:

1. Any proceeds from the sale of LCFS credits (per the LCFS revenue optimization plan)
2. Savings reinvestment allocations from internal Metro accounting
3. Any up-front capitalized O&M or M&V funds
4. Incentives received for sustainability projects (e.g. utility incentives)
5. Interest earned on Green Fund investments.

The Green Fund will be used for funding the O&M of sustainability-related capital construction/installation projects deployed on any Metro-controlled sites. These projects would include, but are not limited to:

- (a) energy conservation and energy efficiency projects;
- (b) renewable energy installation/construction and their operation and maintenance;
- (c) resource management initiatives (e.g., water, air, stormwater, industrial wastewater impact and cost-reduction; including waste to energy projects such as those derived for example from non-hazardous/non-human biowaste); and
- (d) any other related cost-saving and process efficiency generating activities that has a positive carbon footprint reducing benefit.

## Cost Savings Reinvestment to Green Fund

The sustainability asset reinvestment is a new approach for Metro. This approach will establish an internal accounting process for identifying and re-allocating savings resulting from sustainability-related projects. While the actual implementation of the accounting and tracking practices is more complex, the figure below illustrated the basic components.



This accounting model for reinvesting resource savings has many different structures. Metro is seeking to implement a Return on Investment (ROI) model as shown in Figure 17. In the ROI model, the fund accrues savings on an annual basis up until the project has reached its simple payback. Stated another way, savings will accrue until the fund receives the net cost of the project.

The quantification of the amount of savings to be allocated on an annual basis will be pre-determined and approved prior to installation. The verification that an asset's approved savings values are being achieved throughout the approved period will be executed as described in each project's M&V Plan.

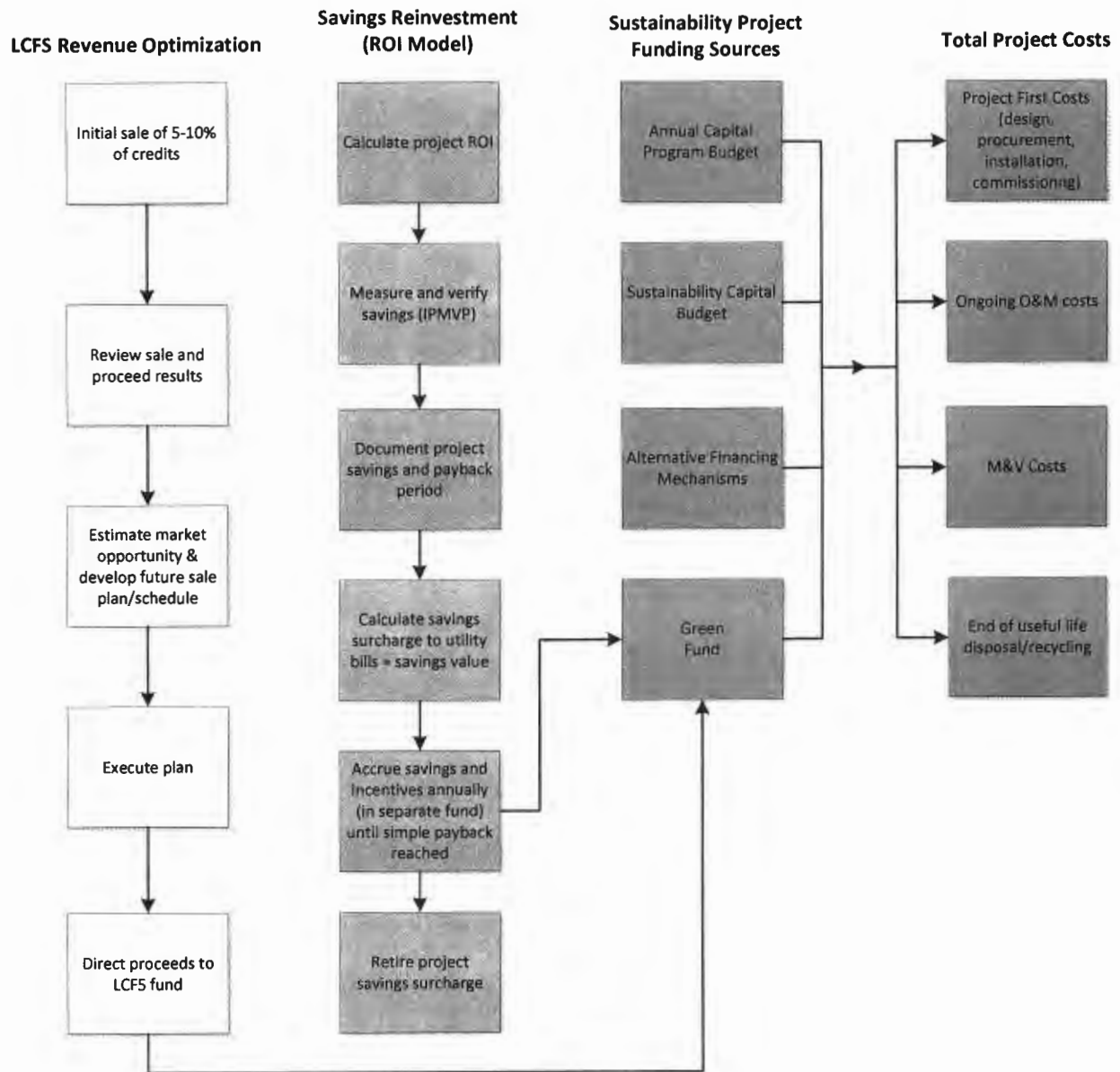


Figure 17: Sustainability Infrastructure Funding Mechanisms

## M&V Asset Savings Determination

M&V savings determinations are an important factor in the long-term success of Metro's Sustainability Infrastructure Implementation and Management Plan. Resource cost savings from projects will go through the M&V process and the results will represent the verified savings values that are eligible for reinvestment into the Green Fund. To provide accurate and supported determinations for re-allocation of savings, consistent M&V protocols and international industry established techniques will justify the proposed values.

Project costs may absorb the costs associated with the necessary M&V through the initial purchase of monitoring equipment or through a separate cost incurred throughout the life of the asset. During Phase 2, the project team will estimate these costs and further refine them as applicable in Phase 3, and will include them in the final approved M&V Plan and project budget.

### International Performance Measurement and Verification Protocol

Metro's determination of asset savings will be governed by the established International Performance Measurement and Verification Protocol (IPMVP®).<sup>6</sup> This is an established methodology for estimating and calculating savings of energy and water resources with varying levels of complexity for different types of projects. Both energy and water industries have used and refined the M&V approach to determine resource savings over the last two decades. Accurate and reliable financial accounting for measuring and reporting savings from efficiency projects is critical for continued buy-in and support for energy and water saving projects. In California, the California Public Utilities Commission, California Energy Commission and all the investor owned utilities rely upon the IPMVP as the industry standard to determine resource savings values and progress to efficiency goals. Further, California established the existence of the Database Energy Efficiency Resource (DEER), which lists average savings for thousands of efficiency improvements that are researched, tested and updated regularly. ECSD plans to use these established approaches to determine savings with the IPMVP being the preferred approach.

The IPMVP includes different M&V approaches, or Options. Option A is the simplest method for calculating savings, while Option D is the most complex. The relative level of effort required to conduct the measurement and verification of savings typically aligns with the complexity of the approach. **Error! Reference source not found.** provides an overview of the IPMVP Options A through D, along with an example of how to use each option to measure a current asset.

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<sup>6</sup>[http://www.evo-world.org/index.php?view=download&alias=641-overviewsummary-of-ipmvp-28-38&option=com\\_docman&Itemid=1585&lang=en](http://www.evo-world.org/index.php?view=download&alias=641-overviewsummary-of-ipmvp-28-38&option=com_docman&Itemid=1585&lang=en)

Table 15: IPMVP Options with Metro Asset Examples

IPMVP Options	Short Description	Savings methodology	Current Asset Example
Option A	Retrofit Isolation	Field measurement of key parameters, estimates for non-key parameters	Gateway Building Low Flow Toilet and Waterless Urinal Retrofit; Division 7 Maintenance Bay Lighting Retrofit
Option B	All parameter measurement	Field measurement of all parameters	Division 8 Solar PV
Option C	Whole Facility	Field measurement and monitoring of the entire facility	Division 10 LEED Certification/Green Building
Option D	Calibrated Simulation	Computer simulation calibrated to the specific conditions of the facility	Gold Line Wayside Energy Storage

During Phase 3 project development activities, the project lead must select an IPMVP Option, or a similarly proven alternative, for any projects seeking to reinvest cost savings during the operational phase of that asset's life. The option selected for an asset should provide a reasonable level of savings estimation assurance for accounting, while maintaining a level-of-effort in-line with the project savings value to Metro. Frequency of performance will depend on the life of the asset combined with its complexity and amount of claimed savings. At a minimum, after initial commissioning and M&V of a new asset, a review of asset conditions will occur as part of the annual state of repair assessment.