

**Board Report**

File #: 2019-0397, **File Type:** Program**Agenda Number:** 39.

**CONSTRUCTION COMMITTEE
JUNE 20, 2019****SUBJECT: METRO SUSTAINABLE ACQUISITION PROGRAM****ACTION: AUTHORIZE PROGRAM IMPLEMENTATION****RECOMMENDATION**

AUTHORIZE the implementation of an enterprise-wide Metro Sustainable Acquisition Program.

ISSUE

Sustainability is a core value at Metro and our agency is committed to ensuring that our public transportation system is planned, built, operated, and maintained in a way that encourages beneficial and restorative changes to local communities and the environment. The 2009 Board adopted Environmental Policy commits Metro to “applying sustainable principles and practices in our planning, construction, operations, and procurement to protect the environment for present and future generations.” This policy principle acknowledges the social and environmental impacts that exist within Metro’s supply chain and commits to the taking of steps to mitigate those impacts by integrating sustainability principles into the Agency’s acquisition activities as close to cost neutral as possible. Implementation of the commitments resulting from the 2016 Board Motion 57: *Environmental & Sustainability Efforts to Further Metro’s Goals to Reduce Emissions, Clean the Air & Improve Urban Areas* would be further enhanced by a sustainable acquisition program.

BACKGROUND

Metro has already implemented a robust Disadvantaged Business Enterprise and Small Business Enterprise (DBE/SBE) program that incorporates many ‘social’ considerations into Metro’s acquisition processes. Through this Board action, Metro will enhance the agency’s ‘green’ acquisition practices to ensure that environmental principles consistently inform acquisition decisions. The Sustainable Acquisition Program (Program) provides for a more structured and comprehensive approach to considering the environmental, social, and ethical impacts of the agency’s acquisition activities. The Program will operationalize commitments in Metro’s Environmental Policy, advance Metro’s sustainability initiatives, and continue Metro’s leadership on sustainability both regionally and among transit agencies nationally. This effort is consistent with current Federal and State directives to public agencies to consider the environmental impacts of products purchased, such as California’s AB 262:

Buy Clean California Act and those that are required by code such as the California Green Building Code.

The Sustainable Acquisition Program Framework discussed herein outlines the program approach, development process, and how Metro will leverage internal procedures to achieve our sustainability objectives contained within Metro Policies and commitments outlined in the staff response to the 2016 Board Motion 57.

DISCUSSION

Sustainable acquisition is a holistic strategy that adds considerations for the environmental, ethical, and social impacts of an organization's supply chain to the acquisition planning and selection criteria of price, quality, and functionality. Metro's Sustainable Acquisition Program will consider the direct social and environmental impacts of products and services, as well as the operational practices of vendors along key points in the supply chain, for Metro's three primary acquisition areas: Supply Chain, Professional Services, and Construction.

In the Fall of 2018, a baseline assessment was conducted on Metro's existing policies, specifications, processes, and programs to determine the current state of Metro's sustainable acquisition activities. Interviews were conducted with end users throughout the organization to identify existing sustainable acquisition achievements, challenges, and opportunities. This assessment concluded that there are numerous "ad-hoc" examples of successful sustainable acquisition across the Agency, such as fleet electrification, green cleaning chemicals, and the use of renewable natural gas. Metro has an opportunity to enhance its impact in these areas by creating a comprehensive Sustainable Acquisition Program that will connect existing initiatives.

Metro's Sustainable Acquisition Program will utilize a top-down, enterprise-wide approach to implement tools and processes that ensure social and environmental considerations and regularly inform the agency's acquisition decisions. A Three-Year Implementation Strategy has been developed and outlines the program goals that will guide program implementation.

Program Vision

Acquisition at Metro is a catalyst for social and environmental innovation in the transportation industry, leading to a low carbon, circular, and inclusive economy.

Three Year Program Goals

Goal 1: Metro will build a best practice Sustainable Acquisition Program that aligns with established standards and is recognized within its industry.

Goal 2: Sustainability will be regularly and meaningfully incorporated within specifications or considered as an element of acquisition decision-making criteria.

Goal 3: Metro will see improved sustainable performance and positive social impacts as a result of acquisition activities, particularly in the areas of waste reduction and recycling, GHG reductions, energy efficiency, water, and resource conservation.

This approach to acquisition will help protect the agency from potential supply chain and regulatory risks and will pave the way for eco-efficiency benefits, improved employee engagement, and supplier innovation.

DETERMINATION OF SAFETY IMPACT

Metro already has processes in place to ensure the safety of all new services and supplies acquired for use. The Sustainable Acquisition Program will align with, and in some cases enhance, the existing processes to consider safety in the acquisition decision making process. The Sustainable Acquisition Program is also expected to improve safety and security for employees and customers by reducing toxic materials, improving air quality, and supporting local economic development.

FINANCIAL IMPACT

The funding for the implementation of this program for the remainder of FY19 is included in Project 450002, 1.01, Sustainable Design Guidelines and Policy Implementation, Cost Center 8420.

Since this is a multi-year program, the cost center manager and Chief Program Management Officer will be responsible for budgeting for costs in future years.

Impact to Budget

The financial goal of Metro's Sustainable Acquisition Program is to incorporate the principles in all acquisition and procurement activities to as close to cost-neutral to the agency as possible. The specific impacts will be assessed on an acquisition by acquisition basis, as implementation is phased -in over three or more years. Metro remains committed to fiscal responsibility and can use a lifecycle assessment approach to analyze acquisition options and find the most cost-effective and cost-efficient alternatives.

The Program will also provide a proactive and structured process for considering sustainability alternatives up front and integrate them into budgeting, specification development, technical requirements, and the construction planning-design-engineering process. This strategy mitigates the potential cost increases of adding these principles later in a project or product life cycle.

IMPLEMENTATION OF STRATEGIC PLAN GOALS

The Program supports the implementation of Metro's Strategic Plan Goals, with specific alignment to:

Initiative 5.2 - Exercise good public policy judgment and sound fiscal stewardship;

Initiative 5.4 - Apply prudent commercial business practices to create a more effective agency;

Initiative 5.5 - Expand opportunities for businesses and external organizations to work for Metro.

The Sustainable Acquisition Program will support these strategic goals by:

- 1) Aligning with Federal and State sustainable procurement directives;
- 2) Generating cost-savings and reducing the prevalence and cost of change orders to retroactively incorporate sustainability considerations;
- 3) Improving organizational efficiency and safety by improving the process for integrating sustainability considerations into the acquisition process; and;
- 4) Supporting the ongoing DEOD programs to create business opportunities in the local community.

Proposed Approach (Direction & Decentralized Model): The proposed Sustainable Acquisition Program approach is based on a directional and decentralized program model, which allows each acquisition to determine program applicability and relevant considerations individually. This approach was developed through collaboration between Vendor Contract Management and the Environmental Compliance and Sustainability Departments, with substantial input from Metro departments and stakeholders. The proposed approach also incorporates industry-standard best practices and lessons -learned from other transit and public agency programs. These considerations played a key role in forming the program structure and establishing the following foundational program principles:

- The new program requirements must not increase acquisition cycle time;
- Any new procedures must be easy to follow and integrate with the existing acquisition processes and must not conflict with Acquisition Policies and Procedures;
- The program must not limit open and fair competition among the vendor community.

ALTERNATIVES CONSIDERED

The following alternative options were considered during the development of this program, but are not recommended:

Alternative 1 (Status Quo Approach): No change to current practices and sustainable acquisition efforts will continue in an ad-hoc or opportunistic manner only, which has proven to be successful in

many instances. This approach lacks a lifecycle-driven sustainable acquisition program, Metro could be paying a premium to implement sustainable measures retroactively and/or sustainable opportunities could be missed or deemed less important.

Alternative 2 (Prescriptive Approach): A “prescriptive” program is the opposite of a “directional” program. A prescription approach pre-sets the requirements for sustainability whereas a directional approach identifies the direction the organization wants to head, using goals and objectives that are set and measured on an annual basis. In practice, a prescriptive approach would rely exclusively on specific standards or specifications for targeted product/service categories, which are continually evolving and changing. A directional approach would use the ingenuity of Metro and our network of consultants, contractors, and suppliers to determine the best sustainable solution for each acquisition. A directional approach is preferred as it will drive innovation.

Alternative 3 (Centralized Approach): A centralized program approach would rely on subject matter experts within Metro to champion the Sustainable Acquisition Program for the entire organization. Conversely, the recommended decentralized approach will have employees throughout the organization championing and contemplating sustainable options for acquisitions and other activities related to operations and construction.

A direction and decentralized Sustainable Acquisition Program will allow all our stakeholders to be a part of the solution, achieve desired procurement and acquisition outcomes, while ensuring that our agency’s sustainability goals are achieved.

Staff presented the principles of the Sustainability Acquisition Program to the Metro Sustainability Council in November 2018 and January 2019; and had requested input for incorporation into the final Sustainability Acquisition Program Framework report in March and April 2019. Staff did not receive any comments.

NEXT STEPS

On Board approval, staff will proceed with the implementation of the Sustainable Acquisition Program that includes:

1. Staff resourcing;
2. Development and implementation of a Sustainable Acquisition Program Communication Plan;
3. Creation of a Metro Sustainable Acquisition Working Group;
4. Identification of opportunities to implement the sustainable acquisition principles and implement in those procurements;
5. Creation of training strategy and materials for internal and external stakeholders and vendors.

During implementation, staff will continue to build out the program tools, processes and procedures, and staff engagement/training, reporting, and monitoring. This set of implementation tactics will follow

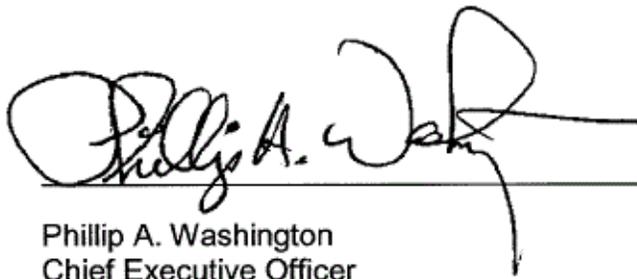
the timeline and approach outlined in the 3-Year Implementation Strategy.

ATTACHMENTS

Attachment A - Sustainable Acquisition Program Framework

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