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**FINANCE AND BUDGET COMMITTEE
MAY 20, 2009**

SUBJECT: FY10 SUSTAINABILITY PROJECTS

ACTION: APPROVE THE FY10 SUSTAINABILITY PROJECTS AND BUDGET

RECOMMENDATION

Adopt the FY10 Metro Sustainability Projects and Budget in the amount of \$1,600,000.

ISSUE

The FY10 Metro Sustainability Projects have been developed to fulfill the intent of our recently Board adopted Environmental Policy as well as that of Strategic Goal #9: *Sustain the environment with efficiency and reduce greenhouse gas emission*. These projects fall under three major sustainability categories: Energy Management Initiative, Environmental Management Systems, and Greenhouse Gas Emissions Reduction Support. The FY10 Sustainability Projects are a subset of the long-term tasks identified in the Metro Sustainability Implementation Plan (MSIP) adopted by the LACMTA Board on June 26, 2008. Funding for any planned sustainability projects is approved on an annual basis.

POLICY IMPLICATIONS

We contribute to the economic, social, and environmental sustainability of the Los Angeles region by reducing congestion, improving air quality, and providing mobility. Due to the nature of our operations we also create significant environmental impacts. Reducing these impacts is essential to meeting our core mission of *continuously improving an efficient and effective transportation system for Los Angeles County*.

Impact reduction is accomplished through the implementation of four specific elements of our overall environmental program: environmental clearance and mitigation; environmental restoration and remediation; accounting and reduction of environmental liabilities; and development, implementation, and promotion of sustainable operations. Doing so leads to our reduced financial obligations and exposure, creates a value through more efficient operations, and paves the path toward our agency and region's overall sustainability.

The FY10 Sustainability Projects demonstrate our continued commitment to reducing our environmental impacts through the implementation of energy audits, exploration of renewable energy alternatives, implementation of energy efficiency and conservation measures agency-wide, capture of our best practices through the expansion of a Federal

Transit Administration (FTA) supported Environmental Management System (EMS), development of a Climate Action Plan and Sustainability Targets and Indicators to measure our sustainability performance, and technical support of evolving climate change legislation.

These activities are consistent with the intent of our recently Board adopted Environmental Policy as well as the formal adoption of Strategic Goal #9: *Sustain the environment with efficiency and reduce greenhouse gas emissions.*

Reporting of our progress in these projects is required by our Ad Hoc Sustainability and Climate Change Committee. Such reporting encourages the development of innovative ideas and tasks within each project; and ensures the steady progression towards the completion of these projects in the most cost-effective way.

OPTIONS

The Board could decide not to approve the FY10 Sustainability Projects and Budget. This option is not recommended. Absent a formalized sustainability program is in conflict with the intent of the Environmental Policy and Strategic Goal #9. Without a program and budget, we will not be able to sustain our current initiatives; nor develop new short-term but necessary efforts or fulfill the programmed long-term sustainability plan for our agency to comply with evolving climate change legislation.

FINANCIAL IMPACT

The funding of \$1.6 million will be included in the FY10 budget in Cost Center #8510 as follows:

- Project #450001 Energy Management Initiative - \$500,000
- Project #450003 Environmental Management Systems - \$650,000
- Project #450004 Greenhouse Gas Emissions Reduction Support - \$450,000

The source of funds for these projects is bus and rail operating and capital funds such as Proposition A 40% from Metro's FY10 FAP share and Proposition A 35% rail funds (Attachment A).

These are multi-year projects and will continue to impact the Enterprise Fund structural deficit on an annual basis. However, operational cost savings derived from these types of projects have already been proven agency-wide for those projects that have been completed, for example at our new Division 9 Transportation Building and the solar panel installations at four of our Bus Divisions.

Since these are multi-year projects, the Deputy Chief Capital Management Officer will be responsible for budgeting these costs in future years.

DISCUSSION

Staff had completed or initiated various efforts in FY09 and several of these need to be completed in FY10 to ensure the realization of projected cost benefits. Specifically, we need to complete the development of the FTA supported EMS. This FTA program aims to assist transit properties such as Metro in capturing our environmental best practices to reduce operational risks thus enhancing benefits. We have begun a pilot at the Red Line Yard as part of this program. Transit properties who have previously participated realized operational cost savings of as much as \$1M. While not guaranteed, this fact serves as a very compelling reason for our continued participation.

In general, the EMS serves as a tool to ensure that environmental impacts within our facility are immediately identified, risks assessed, solutions determined, and [with executive management support] implemented. Our participation in this program will be halfway through at the commencement of FY10. Staff intends to expand the EMS effort agency-wide in future years.

In FY09, staff had also finalized our baseline carbon emissions inventory. We had determined the following in the process of completing the inventory:

- Metro emitted about the same level of greenhouse gases in 2008 as we did in 2007. Ninety per cent of our emissions are from the transit system that moves our passengers. Our operations contribute to regional greenhouse gas emissions, while our transit service helps to reduce regional emissions by reducing congestion and regional VMT.
- Electricity used to power our facilities is steadily increasing, as is the cost of that electricity. In 2008, our facilities used 13% more electricity than 2005, but spent 21% more than in 2005 (adjusted for inflation). We spent \$6.8M on facility electricity in 2008.

These facts illustrate the need to look more closely into our operations and develop strategies to reducing our carbon footprint and costs. In FY10, staff will develop specific Sustainability Targets and Indicators. A Climate Action Plan will also be developed to formalize the steps in reducing our carbon footprint.

As energy use is closely tied to our greenhouse gas emissions, it is evident that decreasing electricity use will save us money; but more fundamentally, is an essential step in further reducing our operational greenhouse gas emissions. This can be accomplished through stepped up efforts for conducting efficiency and conservation audits as well as conduct of enhanced renewable energy feasibility studies.

Finally, we have recently committed to incorporating sustainability principles in the design and implementation of upcoming projects under new funding mechanisms such as Measure R and the American Recovery and Reinvestment Act. The Transportation Sustainability Energy Manager will coordinate and oversee the inclusion of the agency commitment in projects.

The success of Metro's sustainability projects requires continued funding to ensure that efforts leading to operational cost savings are realized. Attachment A provides specific details on needed FY10 funding for each of the identified projects.

Our compliance with climate change statutes and regulations and our ability to 1) reduce operations cost, 2) protect the environment and 3) provide a safe and healthy workplace depends on our ability to maintain the current and develop new sustainable projects. We would not be able to achieve the intent of our Environmental Policy, fulfill Goal #9, and continue our progress towards sustainability without a formalized project and budget.

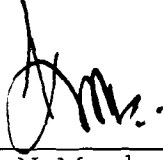
NEXT STEPS

Upon Board approval, staff will immediately deploy internal and consultant resources to commence the various projects. A formal supplement to the Metro Sustainability Implementation Plan outlining subtasks, cost and schedule of the specific FY10 Projects will be developed to ensure systematic implementation.

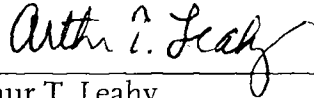
ATTACHMENT

A. FY10 Sustainability Projects Budget Forecast

Prepared by: Cris B. Liban, Environmental Compliance and Services Department Manager



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Deputy Chief Capital Project Management Officer



Arthur T. Leahy
Chief Executive Officer

Attachment A: FY10 Sustainability Projects Budget Forecast

Item #	Project Number	Project Name	Description	Forecast Amount	Fund Source
1	450001	Energy Management Initiative	<i>Energy Conservation Initiative.</i> Continue Energy Efficiency and Conservation audits to be conducted at all divisions. <i>Solar Panel Feasibility Studies.</i> Expand solar panel installation feasibility study at other Metro Divisions, including bus and rail facilities. <i>Wayside Energy Storage System.</i> Develop WESS project. Results of this study will be used to understand feasibility of using technology at a pilot site, specifically at the Gold Line.	\$500,000	Proposed funding source: 62% bus and regional funded with Metro FY10 PA40% FAP 38% funded with with Prop A 35% rail funds
2	450003	Environmental Management Systems	Sustainability and Environmental Management Systems (EMS). Continue Red Line Yard [as per agreement with FTA] and Division 10 EMS Pilot Programs. Expand Environmental Information Management System Development. Develop a plan and implement the agency-wide roll-out of Environmental Management Systems at other Divisions beginning at two bus divisions.	\$650,000	Proposed funding source: 50% bus and regional funded with Metro FY10 PA40% FAP 50% funded with with Prop A 35% rail funds
3	450004	Greenhouse Gas Emissions Reduction Support	Greenhouse Gas Emissions Inventory. Formulate Climate Action Plan and Sustainability Targets and Indicators. Develop the annual Greenhouse Gas Inventory Report. Provide technical support for climate change statute and regulation implementation.	\$450,000	Proposed funding source: 50% bus and rail funded with Metro FY10 PA40% FAP 50% funded with Prop A 35% rail funds

TOTAL Requested Budget for FY10 \$1,600,000

Total Metro FAP Proposition A 40%	\$860,000
Total Proposition A 35% Discretionary for Rail expenditures	\$740,000
	\$1,600,000