

DATE ISSUED: February 24, 2005 REPORT NO. 05-052

ATTENTION: The Committee on Natural Resources and Culture
Agenda of March 2, 2005

SUBJECT: Environmentally Preferable Purchasing Policy (EP³)

REFERENCE: Recycled Products Procurement (Council Policy 100-14)
Energy Star (Council Policy 900-18)
Sustainable Building (Council Policy 900-14)
Manager's Report No. 02-233, dated October 9, 2002

SUMMARY

Issue – Should the City Council authorize the implementation of an Environmentally Preferable Purchasing Policy?

Manager's Recommendation –

1. Direct the Environmental Services Department and Financial Management Department's Purchasing Division to implement the first phase of the Environmentally Preferable Purchasing Policy on a pilot basis in the Environmental Services Department effective July 1, 2005, for one year.
2. Direct the Environmental Services Department to report back to the City Council at the end of the year with the results of the first phase and recommendations regarding City-wide implementation.

Fiscal Impact – None at this time. Future fiscal impact will depend upon items purchased.

BACKGROUND

The City has initiated many efforts to purchase items which are less wasteful, have a high percentage of recycled content, and save energy. The purpose of the Environmentally Preferable Purchasing Policy (EP³) One-Year Pilot (Attachment 1) is to institutionalize these efforts

and to provide a framework for expanding, tracking and reporting such purchases. There are existing financial, legislative and practical reasons to support the EP³. First, the City of San Diego has tremendous purchasing power and can use this to elicit a formidable change in the marketplace. The non-personnel expenditures estimate for Fiscal Year 2005 is \$414 million, of which \$140 million is comprised of commodities and nonprofessional services. It is prudent that, to the extent feasible, these selections consider the environmental and human health impacts as well as cost. Serious application of the selection criteria will encourage vendors to adapt to and offer more environmentally preferable products and services.

The U.S. Federal Environmental Protection Agency defines the term “environmentally preferable” to mean products and services that provide a needed function, but do so in a way that reduces the impact on human health and the environment.

Policies already adopted by the City Council and actions taken by City departments support the adoption of EP³. (See Attachment 2.) The policies include: Council Policy 100-14: *Recycled Products Procurement*; Council Policy 900-14: *Sustainable Building Policy*; *U.S. Green Building Council Leadership in Energy and Environmental Design (LEED) Silver Level Standard*; and Council Policy 900-18: *Purchase of Energy Efficient Products*. Included in the January 2004 Manager’s Report (No. 04-003) was a Summary of Recommendations from the Climate Protection *Ad Hoc* Advisory Committee, which consisted of six categories: Transportation and Fuel Efficiency; Energy Efficiency and Renewable Energy; Solid Waste Management; Urban Heat Island Mitigation; and Environmentally Preferable Purchasing. More specifically, the City Council indicated the need to develop and adopt an Environmentally Preferable Purchasing Policy to ensure that the City is making the best choices possible, balancing financial, environmental and public health concerns.

Finally, the implementation of EP³ will help preserve landfill capacity and assist in demonstrating to the State of California Integrated Waste Management Board the City’s good faith efforts to meet the 50% waste diversion mandate. Currently, the City has been granted an extension by the State until December 31, 2005, to meet the requirements of the California Integrated Waste Management Act of 1989 (AB 939) which required municipalities to increase the waste diverted from landfill disposal to 50% by 2000. In 2000, the City’s diversion rate was 48% and decreased to 44% in 2002. The State will judge the City’s success in attaining the goal by the diversion achieved, and, in cases where 50% diversion is not reached, by the City’s good faith efforts in attempting to reach the goal. The implementation of this policy on a pilot basis demonstrates a continued good faith effort by the City to increase the use of recycled products, thereby potentially lowering prices for recycled products and expanding the market for recyclables.

DISCUSSION

The development of the EP³ was a collaborative effort by the Environmental Services Department (ESD) and the Financial Management Department’s Purchasing Division (Purchasing). The draft policy was sent to all impacted departments for review. Based on the input received, it is recommended that ESD and Purchasing implement a pilot

program to formally integrate EP³ decision-making into ESD operations. Depending on the outcome, the program will be gradually expanded to additional departments. City staff will be provided a general overview of how EP³ applies to their most common products and services and an associated Administrative Regulation will be developed to provide specific guidance.

Possible financial outcomes associated with the purchase of environmentally preferable goods and services include:

1. Lower costs than virgin products, such as recycled toner cartridges and integrated pest management;
2. Lower life cycle costs but higher initial costs such as energy efficient fixtures, asphalt containing recycled tires, and drought-tolerant landscaping;
3. Significant decrease in environmental impacts but higher overall costs, such as biodiesel, compost and organic fertilizer, and photovoltaic panels.

Decisions regarding any specific purchase are to be based on these outcomes as they deem appropriate.

One of the goals of implementing the policy on a pilot basis will be to establish a framework for life cycle cost analysis which can be used throughout the City. Twelve basic categories will be considered to provide guidance as to what constitutes an environmentally preferable product. It is understood that one product may fall under more than one of these categories, and, when that is the case, it is recommended that the most significant impact of the product is considered. The twelve categories are as follows:

1. Bio-based
2. Biodegradable
3. Compostable
4. Resource (water and energy) Efficient
5. Low Toxicity
6. Low Volatile Organic Compound (VOC)
7. Pollution Reduction (air, water, solid waste)
8. Alternative Energy Source
9. Recyclable
10. High Recycled Content
11. Repairable
12. Reusable

One measure that might be used to evaluate products based on their cost as well as their environmental and social impacts is an accounting practice known as “triple bottom line” (TBL). Understanding that TBL is a new concept within the City, the initial use of TBL will be limited until the applicability of the concept is determined.

While ESD and Purchasing will coordinate the implementation of EP³ by providing guidelines, staff training, and product research, all City departments will eventually share several responsibilities should the policy be adopted once the pilot is completed. At that

time, City departments will be expected to provide a list of the most frequently used commodities and services so that ESD and Purchasing staff can assist with research on EP³ alternatives. This alternative list will be developed in collaboration with key staff members from each department. In addition, the departments will be required to collect and summarize data regarding products and services meeting EP³ criteria, and then transmit the data to Purchasing for inclusion in an annual report to the City Council on the status of policy implementation.

CONCLUSION

The implementation of an Environmentally Preferable Purchasing Policy on a pilot basis for one year would be an opportunity for the City to implement more sustainable practices and determine the feasibility of implementing the policy City-wide. Ultimately, should the City Council adopt this policy for City-wide implementation next year, it would provide a model that other municipalities and organizations in the region could follow, as it addresses existing legislative mandates and offers a framework for practical considerations about the health and environmental quality of our community.

Respectfully submitted,

Elmer L. Heap, Jr.
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Approved: Richard Mendes
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HEAP/JS

Attachments: [1. Environmentally Preferable Purchasing Policy \(EP³\) One-Year Pilot](#)
[2. Actions Already Taken by City Departments and Existing Council Policies that Support EP³](#)