

Experimenting and Refining: Finance, Procurement, and Metrics

The CNCA and USDN Innovation Funds experiment with providing cities with tools for embedding environmental, economic, and equity best practice into local governments – from developing common sustainability reporting metrics to sustainable finance and procurement mechanisms.

Exploring and Establishing Metrics

Cities know that operationalizing sustainability depends in large part on being able to measure, monitor, and report on their performance. They have collaborated with each other, nonprofits, funders, and other levels of government to create performance measurement systems. In 2014, the USDN Innovation Fund awarded two grants to support the development of performance metrics for urban sustainability to meet two needs identified by cities: (1) accelerate widespread adoption of performance indicators and (2) broaden existing indicators to include climate adaptation by cities.

First released in 2014, the STAR Community Rating System is a North American framework and certification program for local sustainability, which was created from strong input from local government sustainability leaders ([read more](#)). It was the first significant step in embedding a measure-and-manage approach to sustainability in city operations. In addition to the STAR release, there were a lot of climate adaptation indicator sets entering the market.

Twenty-two USDN cities identified two high-priority “next steps” for advancing and clarifying the metrics work:

1. Design and test an initial point of entry for cities to use the STAR Community Rating System (led by Tucson AZ)
2. Assess the current development of indicators cities use to measure, monitor, and manage efforts to adapt to climate change and identify opportunities for further development (led by Washington DC)

Through the **STAR Metrics Subset** project (products [here](#)), a working group of cities that successfully coordinated with STAR Communities over the past year and a half to establish the Leading STAR Community Indicators project and release a [dashboard](#). Cities like Cary NC expressed that the Leading Indicators pilot has enabled them to start small without the commitment of full certification. The project provides their sustainability director the opportunity to introduce the concept of measuring sustainability without requesting staff capacity, funding, or other resources. Additionally, several organizations have expressed interest in the project, including the U.S. Green Building Council (USGBC) and World Wildlife Fund (WWF). USGBC has provided STAR Communities with a proposal to integrate STAR with the LEED Online platform. WWF has expressed interest in building out a set of sustainability metrics that could be used on a global stage.

Experimenting and Refining: Finance, Procurement, and Metrics

page 2

Several outcomes emerged from the **Climate Adaptation Metrics** project (products [here](#)):

- Washington DC is currently working on its own climate adaptation plan and intends to apply the principles developed throughout this project to develop their own plan metrics.
- Several cities expressed their intent to use the guide to develop indicators as they finalize their adaptation plans. Aspen is currently finalizing a local adaptation plan and anticipates that setting indicators will be the next step.
- The organizations that were interviewed for the project gained helpful insight into what cities are thinking about in terms of measuring climate adaptation and what is — and what is not — useful to them.
- Many other grant participants are engaged in the development of the frameworks assessed for the project and are working to incorporate the principles for effective indicators into those projects.



Exploring Tools, Policies, and Programs for Sustainability Financing and Green Procurement

The USDN Innovation Fund and the CNCA Innovation Fund have recently received completed project deliverables relating to sustainable finance and procurement. Creating effective financial policies and partnerships are very important to the long-term success of city level sustainability projects, but the path to developing these is not always clear. Cross-departmental coordination is often necessary to achieve sustainable funding and procurement goals. The following grant projects produced toolkits and scans for cities to reference when assessing their sustainable finance and procurement plans.

The City of Palo Alto just completed the “**Financing Sustainable Cities Scan and Toolkit**” with support from the USDN Innovation Fund (products [here](#)). The project provides:

- A comprehensive catalogue of financial mechanisms that cities can use to finance climate action. Cities have already used this catalogue with one city described in the case example.
- A summary of 50 mechanisms and partnerships implemented in cities nationwide to finance climate action to reduce GHGs, and some to provide a positive Return on Investment (ROI) for investors as well. Mechanisms are classified in five categories: Taxes, User Fees, Investments, Grants, and Multi-Stakeholder Partnerships.
- An overview of potential funders (investors, donors, partnerships) and key metrics that are useful in financings.
- A one-pager branch and tree diagram to provide a brief overview of the mechanism type and category, and the city example where implemented.

Project participants learned that it is essential for sustainability staff to engage the Chief Finance Officer (CFO) and finance staff as early and intensively as possible and that investors want to see positive ROI deals in a state where they can also shop to co-investors as well as invest themselves. Additionally, the project identified that city sustainability teams need more education on finance, capital markets, financing vocabulary, investment ratios (NPV, IRR, payback), and accounting knowledge to advance the possibilities for funding climate action.

At the same time, the “**Sustainable Purchasing Playbook for Cities**,” led by the City of Chicago and funded by the USDN Innovation Fund released their final resources (product [here](#)). The Playbook includes:

- Analytical tools such as total cost of ownership (TCO) and environmental benefit calculators for several common product categories.
- Best practices such as cooperative purchasing and creating a sustainable procurement website.
- Implementation tips, such as creating product-specific sustainable procurement teams to address specific contracts.
- Recommendations to help cities prioritize sustainable purchasing opportunities that maximize environmental, health, and economic benefits, such as conducting a sustainable spend analysis.
- Recommendations to help cities pursue high-impact sustainable procurement opportunities, such as utilizing existing green contracts developed by other local governments.

Project participants learned that sustainable purchasing can yield significant and measurable sustainability benefits. Sustainable procurement as a strategy can accelerate in a networked environment and is best approached as a team sport.

Along this same vein of learning, the CNCA Innovation Fund has supported the development of the **Green Public Procurement Alliance** (led by Copenhagen, Denmark). This project examines procurement for Non-Road Mobile Machinery¹ (NRMM) fleet, as well as direct tendering of transport services, within the cities of Copenhagen, Stockholm, and Oslo. The goal of this work, which is scheduled to complete in the first quarter of 2018, is to:

- Contribute to a reduction of carbon dioxide (CO₂) toxic air pollutants (NO_x, HC, PM, CO) with a view to the objectives of the EU’s air quality policy.
- Provide cities with insight and knowledge sharing in the NRMM sector so that cities can use their purchasing power to choose environmentally friendly goods, services, and works. Today the cities mostly have experience with procuring light passenger vehicles and heavy trucks so focusing on NRMM sector will build capacity in a yet unexplored field.
- Add value in a sustainable manner (and hopefully savings) that benefit both buyer and supplier.
- Potentially boost market mechanisms for GPP actions and help stimulate a critical mass of demand and eco-innovation for a more sustainable NRMM sector.

Moving Forward

There is great potential for the USDN family of funds to help institutionalize best practices in local government operations. Already, the work detailed above is spurring follow up work and investment. For example, both the projects on financing and procurement have inspired even more cities to rally around the topics and determine ways to advance the work together. USDN’s family of funds welcome phased innovations, to move from innovation concept development to scaling of good practices between cities.