University Sustainability Practices

Institutional Boundaries for Sustainability Reporting Task Force Report

September 14, 2016 revised November 17, 2016

INTRODUCTION

ASU reports sustainability metrics to a variety of entities including a Greenhouse Gas Inventory to Second Nature's Climate Commitment and to AASHE STARS. The Greenhouse Gas Inventory is considered the foundation of ASU's sustainability metrics – meaning that other reporting metrics in STARS are built upon the inventory and other rating entities (such as Cool Schools and Princeton Review) use the inventory as major component of their process. The Institutional Boundaries Task Force was formed to review ASU's boundaries and determine a consistent and effective method for determining ASU's boundaries for these purposes. The Task Force created a working group to review the third-party guidelines referenced by reporting entities and develop recommendations for the Task Force. This document outlines the findings and recommendations of the Task Force, which have been accepted by Dr. Morgan Olsen, EVP, Treasurer and CFO.

ASU will use the Operational Control methodology. Due to inconsistencies in the past and growth of ASU this will result in a 4-12% increase in emissions and an increase in gross square feet reported. This methodology will be the most accurate and flexible and will lay a strong foundation for future growth and progress.

GUIDING PRINCIPLES

- ASU sought guidelines that can be applied
  - consistently across building types
  - consistently going forward should buildings change classification/use
  - consistently according to ownership/control category
  - with exceptions documented (e.g., where data is not available or challenging to extract)
- ASU sought to avoid cumbersome administrative reporting processes. For example, ASU will minimize partial reporting where data is unavailable or would need to be calculated using complicated formulas.
- Definition of Operational Control:
  - Per page 13 of The Climate Registry (TCR) Protocol: "An entity has operational control over an operation (e.g., a business unit or facility) if the entity or one of its subsidiaries has the full authority to introduce and implement its operating policies. The entity that holds the operating license for an operation typically has operational control."
  - For ASU's boundary purposes, operational control will be defined as ASU's substantial authority to make improvements to the sustainability impacts of the facility. That is, the energy and water efficiency, the waste generation and disposition, and the use of chemical pesticides and fertilizers on the landscaping (ASU must have authority over at least 2 of the 3).

SUMMARY OF FINDINGS

- **FY15 GHG Inventory**
  - 18,613,980 GSF reported (73.4% of total GSF; -4,823,562 GSF less than recommendation)
  - Didn't report in the past but should report moving forward (5,785,094 GSF)
    - Lake Havasu (63,428 GSF)
    - Parking Structures (3,673,787 GSF)

    - Poly Campus Houses (844,316 GSF)
    - Camp Tontozona (28,495 GSF)
    - Karsten (Grounds would be excluded based on STARS guidelines) (13,584 GSF)
    - New buildings (according to these recommendations): Centerpoint, Phoenix Muni, University Center
    - Macrotechnology Works
  - Reported GSF but not Utilities (101,935 GSF)
    - Centerpoint
    - Storage for Poly Campus Houses
    - Etc., (other similar facilities)
  - Reported Utilities but not GSF (3,388,920 GSF)
    - Parking structures (some)
    - Rock Art
    - Etc., (a few other facilities)
  - **The changes to reporting will have the following ramifications moving forward (FY16):**
    - ~23,479,621 GSF should be reported (92.5% of ASU's total GSF per All Things Maroon and Gold)
      - Includes 3,955,219 GSF parking structures previously not included (utilities were included) (16.8%)
      - Includes 844,316 GSF Poly Campus Houses (neither utilities nor GSF previously reported) (3.5%)
      - Includes facilities status and reporting changes (e.g., buildings online/offline)
      - This ultimately comes down to an increase of 2,294,239 GSF (9.7%) and associated utilities reported.
      - As a result, we predict: at best 4.4% increase / at worst 12.8% increase / best guess 6.9% increase in emissions (~$20,000 in RECs OR as high as $40,000)
- **Facilities Situations Identified** (these are the main arrangements that the Task Force identified that ASU has with its facilities):
  1. ASU is master tenant and ASU subleases to others
      - Report as long as ASU has operational control – can exclude subleases to non-ASU entities (Brickyard)
  2. ASU is tenant
      - ASU has OPS Control
        - Report (Talon Residence Hall, Phoenix Muni)
      - ASU does not have OPS Control
        - Do not report (The McCain Institute)
  3. ASU owned
      - Report (ISTB)
  4. ASU owned – with agreement with external partner to manage and provide routine maintenance
      - Report (Tontozona/Karsten)
  5. ASU owned land – ground lease to developer
      - Will depend on operational control (Fulton, CHP, Research Park)
  6. Third-party residence hall scenario – ASU owns land/controls leasing authority
      - Report – Although ASU may not have direct operational control – it still has ownership and responsibility to require certain operations
  7. ASU owned – with leased space to non-ASU

- Report but can exclude non-ASU space (space that is not for the purpose of ASU) (Memorial Union)

8. Capital Lease
    - Report (Havasu, Mercado)
9. NA (facilities with no GSF, terminated leases, ASU is researching whether to lease it)
    - Do not report (Flagpole, Tennis Court)
10. ASU Thunderbird: Due to ASU planning decisions, Thunderbird will be excluded for now and reevaluated in FY17.
    - Do not report – will be reevaluated in FY17
11. Not ASU
    - Do not report (ASU Prep Academy Downtown)
12. Not Built Yet
    - Do not report (Student Pavilion)

FINDINGS

1. **Methodology:** ASU will use the Operational Control methodology because it provides flexibility and appears to capture the true nature of ASU's sustainability goals.
    a. Operational control feels accurate from a "gut check" perspective
    b. Operational control is the best fit, based on the guidelines from The Climate Registry
    c. Operationalizing: It is complicated but less complicated than financial control and other methodologies (e.g., would not require two reports, would not require applying a percent of control)
2. **No one set of rules will fit every situation exactly:** The Climate Registry guidelines have been developed with the corporate world in mind. However, there are plenty of parallels for the guidelines to apply to higher education and are used by most institutions. The Task Force has found:
    a. Because no one set of rules will fit every situation exactly it's important to recognize that there may be outliers. ASU will need to:
        i. Apply the guidelines as consistently as possible
        ii. Document clearly any outliers or alternative approaches with justification
3. **Financial/Capital lease agreements:** Regardless of methodology, facilities with these agreements MUST be included if ASU is the lessee. ASU MAY OPT to include them if ASU is the lessor and if so the emissions would be Scope 3.
4. **ASU can separate out space leased to others:** ASU could use an equity approach to separate out spaces that ASU leases out to third parties. However, the guidelines require a consistent application of the methodology. Based on these recommendations ASU will report facilities like the Brickyard, it may exclude spaces it leases out. ASU would have to apply that approach to similar situations. This poses questions for facilities like the Memorial Union. It also raises questions about the resources ASU has to separate utility data and GSF information – it would take considerable staff resources to do that annually. The Task Force finds:
    a. ASU will include facilities it leases or leases out and has operational control over. However, if a facility is metered to allow for data segregation ASU will exclude the GSF and utility data associated with entities that are BOTH not ASU affiliated AND not in the space for the advancement of ASU's mission. (e.g., include Subway in the Memorial Union / exclude Steak N Shake in Brickyard)
    b. Facilities that are not metered to accommodate proper data separation will default to being included in ASU's reports (GSF and utility/emissions).
    c. Utility data will be easier to separate than waste data. Because of this and due to relative proportion of emissions associated with waste – waste should default to be included.
    d. Application:
        i. If there is unmetered subleased space – Should ASU use average per GSF or other method?
            1. If the bills are separate – report ASU's and exclude Non-ASU
            2. If ASU would need to do a formula – include entire space and utilities

    ii. To address the current situation where a sub-metered multi-tenant facility has GSF reported and no utilities reported or vice versa - someone will need to adjust the GSF and/or utilities for reporting purposes (e.g., Mercado, Brickyard, Cronkite)
        1. It is recommended that at the very least a student assistant should support this process.

5. **Specific Facilities**
    a. **Thunderbird:** Due to ASU planning purposes, Thunderbird will not be included at this time.
        i. Note: Thunderbird will be considered again for the FY17 reporting cycle.
    b. **Tontozona:** ASU owns Tontozona but contracts out the maintenance of the facility. Tontozona will be included in ASU's GHG inventory because ASU still maintains authority over sustainability attributes.
    c. **Fulton:** Based on the methodologies, technically, this facility should not be reported as it is owned and under the operational control of the Foundation, another "non-major component unit". However, due to the fact it is serviced by the central distribution system and disaggregation would be challenging – it will be included.
    d. **Third Party Residence Halls (Please review Appendix 1 for more information):** Third-party residence halls will be included in ASU's sustainability reporting. The Task Force has found:
        i. If ASU owns the building and ASU leases it out for the purpose of advancing ASU's mission it should be included.
        ii. Portland State University does not report ACC facilities because they do not own them. But if they owned the facilities they would report them.
        iii. Southern Oregon University includes third-party residence facilities because they operate them.
        iv. Furthermore, these lease agreements are aligned closer to a capital lease than a space lease. Because ASU owns the space – ASU maintains responsibility.
        v. If ASU were to exclude these facilities – it could be viewed as a method to avoid emissions and work around the system.
        vi. **The Task Force finds:**
            1. These emissions will be reported as Scope 1 and 2
            2. Because these facilities are being included, ASU should contract any new facilities such that they minimize their GHG emissions
    e. **Poly Campus Houses:** ASU Owned – report in GHG
    f. **Karsten:** ASU will include the Karsten Golf Course facilities. Similar to Tontozona these facilities are managed by a third party but ASU maintains control over the sustainability attributes.
    g. **Lake Havasu:** Lake Havasu campus is a Capital Lease. The methodology requires Capital Lease facilities to be included.
    h. **Parking Garages:** ASU will include parking garages in its GHG Inventory and subsequent sustainability reporting because the Task Force has found:
        i. Second Nature provides no guidance for parking garages
        ii. Sophie Mason from Sightlines provided the following response: "*Our standard is to exclude parking garage GSF from all of our sustainability analyses so it should be that 100% of our members are excluding that GSF. Reasoning is that the large amount of associated GSF can skew the analysis, especially when a peer group might contain campuses that have a lot of garage space and campuses that have little or none, and their utility consumption, which is usually going to be the main thing they contribute to an emissions profile, tends to be minimal compared to a standard building.*"
        iii. AASHE STARS requests that parking structures to be included (p. 132 of the Technical Manual)
            1. Colorado State University includes their parking structures and a search of inventories has found many institutions reporting parking structures

iv. The Climate Registry and the World Resources Institute's protocols do not specifically address parking structures

v. Because Second Nature does not provide guidance and STARS does – the Task Force finds that ASU will follow the STARS guidelines. Sightlines can report ASU's information in any way that is requested and they can adapt to this process. Additionally, ASU can break down the data in a variety of ways to get a better understanding of emissions (e.g., by lab buildings, housing, third-party, etc.).

6. **Ramifications**
    - **Baseline:**
        - For facilities where data is available and the facilities existed:
            - Adjust baseline to include parking structures
            - Adjust baseline to include Poly Campus Housing or any other facilities that were online in 2007 and were not reported but should be reported based on the above recommendations.
        - Subsequent years
            - We will adjust the subsequent years as time permits
        - Other adjustments:
            - Air travel emissions need recalculation
            - Charter Buses need to be included when third-party data is available
    - **Increases to emissions:** These changes will result in increases in ASU's GHG emissions. To mitigate any increase in emissions the Task Force recommends that ASU acquire the appropriate number of RECs (or Offsets) to ensure continuous progress in reducing emissions. The decision as to whether to purchase RECs will be made at a later date.

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Thank you to the Institutional Boundaries Working Group and Task Force for all the hard work!

Working Group

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APPENDIX

1. **Third-party Residence Halls:** ASU's third-party residence halls exist on ASU-owned land that is leased over 65-80 years to a developer. The land and whatever is on it is owned by ASU at the end of the lease. ASU has a license agreement which gives ASU authority to lease the beds, conduct programming, and otherwise control what happens within the walls. ASU does not typically have control over "sustainability improvements." Nor does it appear that these facilities MUST adhere to ASU's Project Guidelines. Based on the definition developed by the Task Force – Third-party residence halls would be excluded. However, there are merits in arguments for and against including these facilities.

Should ASU include or exclude these facilities?

Argument	**Rebuttal**
Reasons for including third-party residence halls	
Because of ASU – the facility exists: These buildings would not exist if it wasn't for ASU's direct "ask" for the purposes of fulfilling ASU's goals, mission, protocols, and/or policies. ASU decided that it needed these facilities for certain ASU purposes and the choice to go third-party was a financing choice that also involved choices in the contractual process in which ASU chose both: 1) The initial design and sustainability requirements required of the third party, and 2) Which aspects of operational control ASU would retain versus turn over to the third party.	Other facilities exist because of ASU too: Some might argue that other facilities exists because of ASU's mission yet are not included in sustainability reporting.
Looks, feels, acts like ASU: The Perception Test: These buildings appear to the average student, faculty, staff and member of the public as ASU buildings, regardless of financing method or legal ownership. Categorization of these facilities will also face technical scrutiny by AASHE in the event ASU applies for STARS Platinum. While carbon reporters may be convinced by technical arguments, public perception will be harder to change.	Appearance may not be relevant: The appearance of the building to the ASU community and public is not necessarily relevant for GHG reporting, or may be overcome with clear information such as: "ASU has developed a robust methodology, based upon international protocols, for determining what facilities to include and exclude in its sustainability reporting. According to those protocols, third-party residence halls should be excluded in ASU reporting and included in the reporting of the third party entities that operate them."
Looks, feels, acts like Capital Lease: A lease term of 65-80 years is much more aligned with the concept of a capital lease than an operating lease, and ASU assumes ownership at the end of the lease. According to the protocol, ASU must include facilities under capital leases under Scope 3 reporting.	Not technically a Capital Lease: It is not clear that this is a capital lease as ASU does not assume maintenance responsibilities in the lease or the license agreement.
Upstream impacts: Corollary to a Walmart approach, these facilities are part of an upstream supply chain that enables ASU to create its "value add" of educated students.100% of their activities feed ASU's activities, so ASU should take responsibility for 100% of their emissions as Scope 3.	What about other upstream impacts?: Residence halls are not the only upstream supply chain member. Where does the responsibility and counting stop?
Intent and Slippery Slope:	Intent can change – ASU cannot dictate all terms:

The intent of ASU's sustainability goals was to establish ASU as a leader, including in climate action. Excluding third party residence halls, it would create a slippery slope and would incentivize further questions for future buildings. Will ASU contract out other new buildings to third-parties, too, in order to avoid counting their impacts? If we were to exclude, ASU should develop robust policies to address these impacts up front. For example, ensure that third party contracts require strict adherence to ASU's Project Guidelines, as well as include pathways with milestones to replicate ASU's sustainability goals and timelines.	Intent can change over time. Just because we exclude these facilities doesn't mean ASU will seek out more of these opportunities in order to work around sustainability commitments. Access to financing is the driver, not sustainability reporting. Additionally, third party contracts are a negotiation in which ASU cannot dictate all terms, or may not feel it can afford the financial implications of certain terms.
Creates inconsistencies across efforts: Excluding these facilities will create inconsistencies in reporting because waste data, food, and engagement data are processed differently. If we exclude these facilities for carbon and energy purposes should they also be excluded for waste? Food efforts? Engagement? Inconsistency creates confusion. It's also awkward to engage students but tell them what they do in their residence hall won't count for ASU's emissions and waste goals.	Draw a line: We can draw a line between energy and other sustainability efforts and attribute it to operational control of that particular sustainability impact.
They're already included: Residence Halls account for approximately 8% of ASU's emissions. Although significant, all other comparable institutions are faced with the same challenges. 8% is not unmanageable – it has historically been included in ASU's inventory.	Cancel out increases due to improved reporting: Not including these facilities would effectively cancel out the potential increase created by including the other facilities that the methodology indicates we should be including.
Reasons for excluding third-party residence halls	
ASU does not have Ops control: ASU does not have operational control based on the definition established by the protocols and the Task Force. ASU has little-to-no authority or ability to make real changes (except behavioral) to the energy and water impacts of these facilities so it does not make sense to include them in reporting meant to track performance improvements.	ASU chose this path: • It was ASU's decision to enter into the contract provisions in which ASU transferred these aspects of operational control to the third parties. • The residence halls were built for ASU purposes at ASU's request.
ASU does not control how they are built and it isn't ASU's money: ASU does not have control over how these facilities are built or maintained. It is not ASU's money.	It's ASU's responsibility: It is ASU's responsibility to require these facilities to meet all ASU's needs and goals, not just program space needs.
ASU can manage perception: ASU can manage the perception risk from questions through a clear and transparent decision tree and policies to address these issues in some capacity. AASHE auditors may be convinced by a robust, consistent methodology.	Counter to original intent, to students, and slippery slope: • It is counter to the original intent of the goals, • counter to student expectations, • counter-productive to behavioral change efforts, and • a slippery slope that does not drive innovation.