

Agenda Report

June 21, 2021

TO: Honorable Mayor and City Council

THROUGH: Public Safety Committee (June 16, 2021)

FROM: Department of Public Health

SUBJECT: AUTHORIZATION TO ENTER INTO A CONTRACT WITH PASADENA HUMANE SOCIETY AND SPCA TO PROVIDE ANIMAL SERVICES FOR FIVE YEARS IN AN AMOUNT NOT TO EXCEED \$8,524,938

RECOMMENDATION:

It is recommended that the City Council:

1. Find the proposed action is exempt from the California Environmental Quality Act (CEQA) in accordance with Section 15061(b)(3). The Common Sense Exemption states that CEQA only applies to projects that may have an effect on the environment;
2. Authorize the City Manager to enter into a five year contract with the Pasadena Humane Society and SPCA to continue providing animal services, as specified in this report, for a grand total amount not to exceed \$8,524,938 over the five year term of the contract, Competitive Bidding is not required pursuant to City Charter Section 1002(F), contracts for professional or unique services; and
3. It is further recommended the City Council grant the proposed contract an exemption from the competitive selection process pursuant to Pasadena Municipal Code 4.08.049(B) contracts for which the City's best interests are served.

BACKGROUND:

Since 1904, the City of Pasadena has contracted with the Pasadena Humane Society and SPCA (PHS) for the delivery of animal services and to satisfy provisions of California Health and Safety Code, Section 121690, mandating the governing body of each city maintain a pound system and rabies control program. These services include serving as the City's appointed Poundmaster and performing all the powers and duties conferred and imposed upon the Poundmaster by the Pasadena Municipal Code (PMC) and applicable State laws.

Staff recommends that the City enter a five-year contract with PHS for continued provision of animal services for the period July 1, 2021 to June 30, 2026 at a grand total not to exceed amount of \$8,524,938. Of this amount, staff projects \$1,605,711 will be expended in Fiscal Year (FY) 2022 followed by four additional years including an annual increase based on the Consumer Price Index (CPI) with a maximum annual increase of 3%.

In May 2019, PHS proposed to significantly increase the cost for animal services to the City, as well as to the cities of Arcadia, Bradbury, La Cañada Flintridge, San Marino, Sierra Madre, and South Pasadena. For Pasadena, the proposed increase was \$715,636 (57%) above the previous year's cost of \$1,250,924, for a total proposed cost of \$1,966,560. The proposed increase effectively doubled the annual cost for these services across the seven cities from \$1,592,594 to \$3,088,384. Staff from the group of affected cities met with PHS to discuss the basis for the proposed cost increases and options for the future. In June 2020, the group of cities successfully negotiated a one year term for PHS services from July 1, 2020 to June 30, 2021 at a total cost of \$2,673,443. Of this total, the Pasadena one year contract amount was \$1,625,887.

The one year contract served as a bridge year allowing city staff the time to evaluate alternative animal service options. The options identified and considered include:

- Forming a joint powers authority (JPA) with other affected cities for the purpose of delivering animal services;
- Contracting with the Los Angeles County Department of Animal Care and Control (DACC) for animal services;
- Contracting with the City of Los Angeles for animal services;
- Developing a City program to deliver animal services; and
- Continuing to contract with PHS.

In recognition of a shared need and potential for costs savings, several of these options were explored in conjunction with other cities in the Western San Gabriel Valley Region including Alhambra, Arcadia, Bradbury, Duarte, La Cañada Flintridge, Monrovia, Rosemead, San Gabriel, San Marino, Sierra Madre, and South Pasadena. The assessment of options focused on two primary frames: (1) the most effective and efficient method for providing animal services; and (2) the best method to control future costs. Small work groups were formed to evaluate the feasibility of a JPA and regional service options. Pasadena was represented in every work group. Eight cities served on the work group to evaluate the PHS option. Pasadena was the only city to explore contracting with the City of Los Angeles.

ANALYSIS OF ALTERNATIVES CONSIDERED:

Form an Animal Services Joint Powers Authority with Neighboring Cities

Citygate Associates was hired to study the feasibility of an animal services JPA. Citygate has significant experience performing analyses on a wide variety of JPA reviews and completed a study of two JPA models (Attachment A): a full-service model

and a field-service-only model. The full-service-model included comprehensive animal services functions such as sheltering, adoption, veterinary, licensing, dispatch, enforcement, and intake services. The field-service-only model includes selected animal services such as licensing, dispatch, enforcement, and intake services. In the field-service-only model, it would be necessary to contract with a separate entity for sheltering, adoption, and veterinary services. Citygate adjusted the current net cost of the selected services (i.e. normalized the cost) to match proposed services and ensure an accurate cost comparison to the two models. Both models studied assume long-term participation and commitment of partner cities, including Pasadena.

Citygate reviewed employee benefit requirements for JPA members who are California Public Employees Retirement System (CalPERS) employers and confirmed that JPA members are not required to offer CalPERS benefits to JPA employees. For the purposes of the study, Citygate assumed personnel hired by a JPA would not be eligible for CalPERS benefits.

For the full-service model, the net annual cost is projected to increase by \$6.8 million for the group of cities. Pasadena’s share would increase by \$1.9 million over the normalized cost to a total annual cost of \$3.5 million. This annual cost includes a debt service payment for 20 years to support \$19.2 million in startup costs (amortized at \$1.3 million per year) to acquire a site, facility, vehicles, and equipment. The full-service model would require 77 full-time personnel to operate including administrative, management, veterinary, field, dispatch, enforcement, and customer care staff.

For the field-service-only model, the net annual cost is projected to increase by \$324,000 for the group of cities. Pasadena’s share would increase by \$91,000 over the normalized cost to a total annual cost of \$890,000. The Pasadena share of the \$780,000 startup costs is \$220,000, which the study envisions paying upfront in the first year. The field-services-only model would require 24 personnel to operate including administrative, management, licensing, and enforcement staff. Citygate did not analyze market rates for shelter, adoption, and veterinary services but estimated costs at approximately \$800,000 per year based on current expenses.

Table 1. Summary of JPA Options

Model	FTE	Annual Operating Cost	Annual Debt Service	One-Time Startup	Difference from Recommended Action (FY 22)	Total Cost in FY22
Full-Service	77.0	\$2,263,857	\$1,289,827	--	Increase of \$1,947,973	\$3,533,684
Field-Service-Only	24.0	\$1,690,710*	--	\$219,887	Increase of \$304,886	\$1,910,597

* Includes estimated \$800,000 per year based on current expenses for shelter, adoption, and veterinary services.

Both the full-service and field-service-only model would cost more than the recommended PHS contract cost of \$1,605,711 in the first year with increases over time leading to \$1,807,242 in the fifth and final year. Even in the final year, the PHS contract

will be \$1.7 million less than a full-service model and \$96,000 less than the field-service-only model (assuming a 3% annual increase for contracted shelter, adoption, and veterinary services). Equally important, the field-services-only model continues reliance on costly contracted sheltering, adoption, and veterinary services – a significant challenge given the desire to gain more control over future costs. As such, establishing a JPA to provide animal services is not an alternative that reduces cost or increases control.

Contract with the County of Los Angeles Animal Services

The Los Angeles County Department of Animal Care and Control (DACC) provides animal services to 44 cities and many unincorporated County areas. Cities that contract with DACC in the San Gabriel Valley are primarily served by the County animal care centers located in Baldwin Park and Downey. DACC staff noted that existing facilities do not have adequate capacity to support additional intakes from the twelve cities.

Acquiring and developing an additional DACC facility in the San Gabriel Valley would be the only path for potential expansion. The size and cost of a facility is costly ranging from \$44.2 million for a big box renovation to \$49.6 million for new construction. Facility acquisition and development estimates in this scenario are significantly higher than the \$14.5 million estimated by Citygate in the JPA full-service model. The Pasadena share of these amortized startup costs over 30 years would result in an annual debt service payment ranging from \$734,000 for renovating a facility to \$822,000 for new construction.

If a new site is opened, unincorporated areas of the county near the new facility will contribute to debt service and they would be served by the new facility. DACC is in the process of evaluating the county animal services cost model with their contract cities and reviewing cost recovery methods for various services. A potential outcome of these discussions may be a request for contract cities to pay a greater share of operational and facility costs.

In a scenario where DACC is contracted for services, the net annual cost for the group of cities is projected to increase between \$6.2 million for renovating a facility and \$6.5 million for new construction. Pasadena's share would increase between \$765,000 and \$854,000 more than the normalized cost to a total annual cost between \$2.4 and \$2.5 million. This range of annual costs includes the potential debt service payments. The operational cost (without debt service) of \$1.6 million is equal to the proposed PHS contract. With the debt service, this option becomes one of the more costly alternatives considered.

Contract with the City of Los Angeles Animal Services

The Los Angeles Animal Services (LAAS) Department is a large animal services agency serving neighboring communities. LAAS has capacity to accept animal intakes from Pasadena but the closest LAAS facility is approximately eight miles southwest of Pasadena in the Lincoln Heights neighborhood of Los Angeles, a distance which may be a challenge for Pasadena residents. According to LAAS staff, the COVID-19

pandemic has extended an already lengthy contracting process resulting in new contracts taking up to two years for approval. In addition, the City of Los Angeles has entered a cost containment period for current animal service contracts to evaluate cost recovery. As with the DACC, a potential outcome is increased costs for entities contracting with the LAAS. Due to these factors, pursuing animal services with LAAS is not recommended at this time.

Develop a Mechanism for Providing City-Delivered Services

The primary benefits of partnering with other cities is the ability to spread infrastructure, operating, and overhead costs across multiple entities and gaining efficiencies through economies of scale. These benefits are lost in a City-delivered animal services model. The provision of CalPERS benefits significantly increases personnel costs in both City models.

Using the JPA analysis as the basis for evaluating City-delivered animal services, annual personnel costs for 48 employees in the full-service model total \$5.0 million. The annual debt service estimate for acquisition and development of a facility ranges between \$2.9 million (for a big box renovation) or \$3.2 million (for new construction) with a term of 30 years. In the field-services-only model, annual personnel costs for 17 employees total \$1.8 million. In both models, personnel costs alone would exceed the peak value of the recommended PHS contract of \$1,807,242 in the fifth and final year. While operational and startup costs were not estimated, both potential City models will significantly exceed the value of the recommended PHS contract.

Annual revenue is projected to reach \$130,000 for impound and licensing in FY22. Providing services to other jurisdictions could generate additional revenue but based on projected costs and discussions with other animal services providers, full cost recovery would be highly unlikely.

Continuing to Contract with the Pasadena Humane Society

After more than a year of discussions between PHS and the city workgroups, the parties negotiated a five-year contract with the first year contract value equal to the current contract value minus the value of licensing revenue retained by cities in FY20. In prior agreements, the City of Pasadena retained 100% of impound fees and shared licensing revenue with PHS keeping the first \$80,000 and splitting revenue above this amount 50/50 with the City. In the recommended agreement, PHS would retain 100% of impound fees and 100% of licensing revenue.

The City collected \$20,176 in licensing revenue in FY20. Between FY18 and FY20, the average City impound revenue was approximately \$18,000 and the average City licensing revenue was approximately \$30,000. The recommended change to impound and licensing revenue is projected to produce a net increase in the cost of animal services in FY22 by approximately \$28,000 over the current PHS contract value. The change, however, is expected to provide PHS motivation to increase impound and licensing activities that will ultimately improve the health and safety of residents and licensed animals in the City.

Table 2. Summary of PHS Contract Value by Fiscal Year

FY21 Cost (Bridge Year)	FY20 Revenue Amount	FY22 Cost	FY23 Cost (+3%)	FY24 Cost (+3%)	FY25 Cost (+3%)	FY26 Cost (+3%)
\$1,625,887	\$20,197	\$1,605,711	\$1,653,882	\$1,703,499	\$1,754,604	\$1,807,242

The recommended contract includes the provision of services at the same level of service as in the prior contract with the exception of proactive patrol services. After a comprehensive review, proactive patrol services did not lead to a measurable benefit to the PHS contract cities and reduced the availability of animal services staff to respond to calls for service. Of all the options evaluated in this report, contracting with PHS is the most cost effective. As such, staff recommends entering into a five-year contract with PHS.

COUNCIL POLICY CONSIDERATION:

This contract is consistent with the City Council's goal to ensure public safety.

ENVIRONMENTAL ANALYSIS:

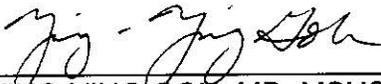
This contract is exempt from CEQA review pursuant to State CEQA Guidelines section 15061(b)(3). The contract is covered by the common sense exemption that CEQA applies only to projects which have the potential for causing a significant effect on the environment. Where it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment, the activity is not subject to the provisions of CEQA.

It is important to note that, in accordance with the City's adopted Urban Wildlife Management Plan, coyote abatement would only be conducted by representatives of the California Department of Fish and Wildlife or a state licensed animal trapping agent under contract with the City of Pasadena. The only circumstance under which PHS will manage a coyote, or other wild animal, is if it is injured or ill where they are no longer mobile.

FISCAL IMPACT:

The total cost of this action is \$8,524,938 for the five-year term of the contract. During contract years two through five, the annual contract amount will increase by CPI with a maximum increase of 3%. In FY22, the annual contract amount is \$1,605,711 for which there is sufficient funding and appropriations in the FY22 Operating Budget. The annual contract expenditure will be appropriated during the annual budget process for each respective fiscal year.

Respectfully submitted,



YING-YING GOH, MD, MSHS
Director of Public Health and Health Officer

Prepared by:



Manuel Carmona, MPA
Deputy Director

Approved by:



STEVE MERMELL
City Manager

ATTACHMENTS

- A. Citygate Feasibility Study