



CITY COUNCIL STAFF REPORT

TO: Honorable Mayor and City Council **DATE:** February 21, 2017

FROM: Matthew Bronson, City Manager

PREPARED BY: Matthew Bronson, City Manager

SUBJECT: Memorandum of Agreement with the County of San Luis Obispo to Jointly Finance and Construct Replacement Animal Services Shelter

RECOMMENDATION

Approve a Memorandum of Agreement with the County of San Luis Obispo and the Cities of Arroyo Grande, Atascadero, Grover Beach, Morro Bay, Pismo Beach, Paso Robles, and San Luis Obispo to jointly finance and construct the replacement of an animal services shelter and delegate to the City Manager the authority to finalize the agreement.

BACKGROUND

Under State law, each incorporated city has the option of contracting with the County or providing their own animal services consistent with the standards outlined. All seven cities in San Luis Obispo County have contracted with the County for those services. Under this service contract, all seven cities and the County share the cost of animal services based on a formula that factors the agencies' proportionate use of field services and shelter services. The City approved a three-year contract for field services and shelter services at its July 18, 2016 meeting. Services provided under that contract include: 1) Emergency and non-emergency response of Animal Services Officers for injured and stray animals, 2) Investigative services for animal bites, abuse, and neglect, 3) Sheltering and quarantine services, 4) Dog licensing, 5) Animal adoption and other services as required either by State law or City Municipal Code. Capital costs for the replacement of the Animal Services shelter are not included in the costs charged to cities for field services or shelter services.

The County Animal Services Division ("Division") provides animal field services/care and shelter services to each of the seven cities and the unincorporated area of the county. Each city contracting with the Division is assessed an annual service fee based upon their proportionate use of both field services and animal sheltering together with the operational costs associated with each of these functions. The City's contract for these services expires in July 2020 and the current costs are \$68,048 which are included in the Police Department's budget.

The Division operates a single animal shelter to house and care for stray and owner relinquished animals. This shelter, located at 885 Oklahoma Avenue in San Luis Obispo, is the county's only open intake animal shelter and receives approximately 4,500 animals annually. Dogs and cats account for roughly 92% of the animals handled at the shelter with the remainder comprised of a wide variety of animals ranging from rabbits, alligators, and emus to guinea pigs, monkeys, and snakes.

Existing Shelter

The Animal Services shelter was constructed in approximately 1975 on a site which had formerly been a landfill utilized in the 1940s by the US Army and Camp San Luis Obispo. As initially designed, the structure totaled 6,600 square feet and was intended primarily for the

kenneling of dogs, with less than 38 square feet dedicated to the care and housing of cats, but no accommodations were made for other types of animals. Since then, additional building modifications were constructed to accommodate dog runs adjacent to the kennels, corrals for ranch animals, a small structure for cats, night drop-off kennels, an expansion for staff administration, and renovation for the public lobby.

Current industry standards and public expectations of animal shelters have shifted substantially and many of the shelter's original design features and characteristics are now outdated or inconsistent with the current understanding of humane animal sheltering. The consequences of these design issues relative to their impact on humane animal care are further compounded by the effects of deferred maintenance, healthy utilization, and harsh environmental conditions. Over time, roofing leaks have developed, walls and door frames have begun to deteriorate, and the capacity of electrical and drainage systems have been overloaded. The lack of heating, poor ventilation, and general facility layout promotes stress, illness, and behavioral problems in sheltered animals. The austere and unwelcoming environment often discourages the general public from visiting and is believed to have an adverse impact on adoption and stray reclaim rates.

In 2010, the County contracted with Ravatt Albrecht & Associates to develop design plans for Phase I of the remodel. It quickly became apparent that the scope of this project exceeded the available funding and the dog kennel remodel component of the remodel was dropped. The ability to design a remodel which could be constructed within budget was further complicated by soil stability and potential methane off-gassing issues resulting from the shelter's location on an abandoned landfill. During the environmental permitting process, it was determined that a permit was required through CalRecycle¹, adding additional time and cost to the development process. Since then, the project received a post landfill closure permit through CalRecycle, and a permit from the Air and Water Quality Control Boards.

In November 2013, the County received five construction bids from contractors for the Animal Services Cattery and Lobby Expansion project. Bids ranged between \$1,245,200 and \$1,382,000. The lowest bid received exceeded the estimated construction cost or budget by \$350,250, which was 39% above the engineer's estimated construction cost. In January 2014, staff recommended and the Board of Supervisors rejected all bids for the Animal Services Cattery and Lobby Expansion project. In light of the significant disparities between the project budget, operational needs, and projected construction costs, the project was reassessed and an effort was made to identify design modifications and alternative operational measures which might bring construction costs within budget. During this reassessment, the identification of additional structural problems, including the development of a large sinkhole directly adjacent to the building, caused concern that further investment and attempts to rehabilitate the facility would be fiscally irresponsible.

The County explored a potential partnership with Woods Humane Society to build and operate a replacement facility. The County concluded that it was infeasible due to a number of factors with the primary one being that that Woods was not amenable to managing an expansion of services that they provided to the community. In April 2015, the County Board of Supervisors concluded based on the totality of factors that remodeling the existing facility would be imprudent, partnerships unlikely, and therefore directed staff to pursue the development of a replacement facility.

Proposed Shelter and Memorandum of Agreement

The Board of Supervisors directed County staff to pursue the construction of a new 15,000 square foot facility (approximate) to fully address the facility needs and implement many of the

¹ CalRecycle oversees the permitting of land use or other activities on active or abandoned land fill sites.

recommendations from the Humane Society of the United States and (HSUS) and SPA report (Attachment 2). Further programming was required to define the proper size for the facility and ultimately landed on the program description that is generally outlined in Exhibit A to the proposed Memorandum of Agreement (Attachment 1).

A committee representing cities and the County was formed in 2016 to begin negotiations regarding the scope, cost, and governance of the new Animal Services shelter. The committee consisted of County staff and three city staff members representing contracting cities. After substantial negotiations to meet the interests of both the County and contracting cities, the committee developed the proposed Memorandum of Agreement to establish a cost-sharing framework for the construction of this new countywide facility. Below are highlights of this agreement:

- Exhibit A to the Agreement outlines the general scope of the project. After the initial direction of the County Board of Supervisors, additional programming was required to define the proper size for the facility. The scope of the project was derived from a review of the existing needs of the facility and a needs assessment study.
- The estimated project construction cost is \$13.2 million with the County paying an additional \$1.5 million for land costs, demolition costs for the existing facility, and the remaining depreciation value of the existing facility. The County will also pay for a larger portion of the utility extension along Oklahoma Ave. See Exhibit D of the Agreement for project budget details.
- There is a formal procedure for authorization of excess construction costs as any projected costs over 10% of the estimated project construction cost (or \$14.5 million) is subject to formal approval by each city. The governance structure described below will provide a forum to confer on any means by which additional costs may be minimized.
- The County shall advance the funds to pay for the shelter construction through competitive long-term financing over 25 years
- Allocation of costs to each city is based on a rolling three year proportionate use calculation. As shown in Exhibit C of the Agreement, the City of Grover Beach has averaged 3.71% of total shelter use over the last three years. This percentage will change each year based on the average of the previous three years.
- There are provisions in the agreement that allow a city to withdraw; however, each city is still responsible for paying their proportionate share of the project costs and would be required to provide its own animal field and sheltering services.
- Governance of animal shelter operations is established through an executive board comprised of the County Administrative Officer and a subset of City Managers to consider significant policy or budget changes and make appropriate recommendations. Animal services will also be a recurring item for discussion at the established County/City Managers meetings.
- A project steering committee comprised of County staff and three contracting city representatives will be established to provide project oversight and identify opportunities for value engineering in constructing the shelter. The Grover Beach City Manager is a member of this committee.

Staff is recommending approval of the Memorandum of Agreement as it provides a mechanism to: 1) share costs based on proportionate use, 2) clarify service and shelter governance, 3) control construction costs, and 4) construct a shelter consistent with State law and local service preferences and standards. Countywide funding for this shelter is the most cost effective way of providing required animal sheltering services similar to animal field services.

The agreement must be approved by each City Council along with the County Board of Supervisors. The agreement was approved by Arroyo Grande and Atascadero on February 14 and will be considered by Paso Robles, San Luis Obispo, and Pismo Beach along with Grover Beach on February 21 and Morro Bay at a later date. The Board of Supervisors will then be asked to approve the final agreement on February 28 along with a related architectural design contract to begin design of the new facility. Prior to the Board's final approval, City and County staff are conducting final cleanup on the agreement language to ensure compliance with constitutional debt limitations and the Council is asked to delegate to the City Manager the authority to finalize the agreement following the Council's action.

FISCAL IMPACT

The proposed agreement would apportion 3.7% of the estimated costs of \$13.2 million to the City based on the average use of the shelter from 2013-2016. Participation in the animal shelter will cost the City approximately \$487,530 total financed over a 25-year period. Per the agreement, this amount could adjust upward or downward based on a three-year lookback of actual shelter usage though the City's shelter usage has been fairly consistent. With financing costs, this amounts to an annual payment of approximately \$30,000-\$38,000 over the next 25 years.

Additionally the agreement, as mentioned earlier, contains cost containment provisions with respect to actual costs and provides a mechanism to reduce costs or allow a participating City to terminate the agreement if costs exceed the estimated capital budget of \$14.5 million. If the agreement is approved, the annual payments to the County will be incorporated beginning with the 2017-18 budget.

ALTERNATIVES

1. Approve a Memorandum of Agreement with the County of San Luis Obispo, and the Cities of Arroyo Grande, Atascadero, Grover Beach, Morro Bay, Pismo Beach, Paso Robles, and San Luis Obispo to jointly finance and construct the replacement of an animal services shelter and delegate to the City Manager the authority to finalize the agreement; or
2. Do not provide such authorization and direct staff to explore providing its own animal shelter and field services as required by State law; or
3. Provide alternative direction to staff.

PUBLIC NOTIFICATION

The agenda was posted in accordance with the Brown Act.

ATTACHMENTS

1. Memorandum of Agreement
2. Humane Society Needs Assessment