



CITY OF LOS ANGELES
LA ANIMAL SERVICES



Date: August 21, 2008
To: Animal Services Commissioners
From: Edward A. Boks, General Manager
Subject: Information on Spay/Neuter Clinic Agreements

At the meeting of August 11, 2008, members of the public and the Board posed several preliminary questions and comments on the recommendations included in the Report presented to the Board that day ("Three-Year Agreement for the Operation of the West Los Angeles Spay/Neuter Clinic...", herein referred to as the "Board Report"). Specifically, concerns were raised regarding Clinico's and ValueVet's proposed operations. Accordingly, we are pleased to provide the following supplementary information.

Highlights:

- Although Clinico's proposal demonstrates expert qualifications and shares the Department's mission to sterilize pets in Los Angeles, the Department's immediate needs may not be met by Clinico's strategy at all locations.
- Transporting animals to off-site veterinarians is costly, a critical issue as the Department now faces a 15% budget reduction and impending layoffs, and a spike in shelter intake. As proposed, Clinico's operation will not eliminate the need to transport pets to off-site veterinarians at East Valley and North Central.
- The use of our clinics for sterilizing adopted pets is a policy grounded in years of City Council actions.
- The General Services Department, the City Attorney, and Animal Services developed a personal services agreement/lease hybrid to address the clinic operations' lease-type elements, at the direction of the Municipal Facilities Committee. Shifting the focus of clinic services to the public's pets changes the agreement to a commercial lease.
- It is unknown but unlikely that GSD's requests for lease bids would attract more spay/neuter experts than a Department RFP for a personal services agreement.
- Persons adopting animals would likely expect to be able to have their new pets sterilized next door; finding that an on-site clinic is not always providing services in connection with adoptions may create confusion or ill-will.
- Awarding an agreement with substantially different terms from the RFP could draw protests from other potential proposers as the decision requires a specific finding detailed in the Board Report.
- Clarifications on aspects of ValueVet's and Clinico's proposals are included below.

Clinico's Proposed Operation and the Department's Current Needs

As described in the Board Report, Clinico's proposal focuses on spaying and neutering animals owned by the public (as opposed to just-adopted animals) for the long-term benefit of reducing shelter intake. The Department commends Clinico and agrees that their approach will reduce the number of un-owned dogs and cats in the city, which in turn will reduce the number of animals in our shelters, and eventually help reduce the Department's operating costs and enhance its efforts to be a No Kill community. In fact, the Department's strict compliance with requirements to sterilize adopted animals helps achieve exactly that goal, and has been a success for decades. Therefore, other factors must be considered. A key issue is that two crises burden the Department this Fiscal Year—the 15% budget reduction and impending layoffs, and a spike in shelter intake—and call for us to address the urgent need of efficiencies and savings.

Savings, Revenue, and Benefits of Clinics Sterilizing Adopted Animals

Transporting animals to off-site clinics requires an ACT to drive pets in animal control vehicles that typically have six cages; if there are large animals, or more than can fit in one vehicle, additional vehicles—and staff—must be used. But even if there are fewer than six animals to be transported in a given day, the same vehicle and ACT must be used; this would be the case if Clinico sterilizes only a portion of our adopted animals, as they proposed, and the Department would have to continue to absorb the cost of transporting animals nearly every day.

At East Valley and North Central, for example, ACTs currently transport animals five days each week at each location. Assuming conservatively that an ACT takes two hours each day to transport animals, we have

$$\begin{aligned} 2 \text{ hours} \times 5 \text{ days} &= 10 \text{ hours per week,} \\ \times 52 \text{ weeks} &= 520 \text{ hours per year at each location.} \end{aligned}$$

An ACT's fully-burdened hourly rate is \$45.24; thus 520 hours of ACT time each year costs the Department \$23,525 at each care center, including fuel, vehicle maintenance, and related costs.

Based on data derived from the South Los Angeles Spay/Neuter Clinic, the average cost for the Department for a sterilization is \$69 (full price, dogs and cats included). Clinico proposes to discount this amount at 10%. Therefore, if Clinico sterilizes ten animals per day, 4 days per week, they can sterilize 2,080 animals per year, and the discount would yield an estimated savings of \$14,352 per year. This would likely not offset the cost of transporting animals at East Valley and North Central, as those locations routinely have more than ten adopted animals each day which need sterilizations.

Looking specifically at Harbor, however, where adoption rates are modest (but increasing), it is unknown whether sterilizations would routinely exceed ten per day. Assuming that one day each week Harbor has more sterilizations than Clinico would accommodate, one ACT would spend two hours, once a week, transporting animals, or 104 hours per year. Thus Harbor would spend $104 \times \$45.24$, or \$4,705 per year in staff

time to transport animals not sterilized by Clinico. This is merely an estimate, but if accurate, Clinico's discount to the Department may help offset the costs of transporting animals, approximately once per week, at Harbor. However, should there be an increase in the number of adopted animals needing sterilization, and a substantial increase in the frequency of transporting animals to off-site clinics, Clinico's discount may not be able to offset transportation costs. The Department must be mindful of reducing operating costs—whether those costs are in transporting animals, or any other costs—to offset this Fiscal Year's budget cuts, so that our staff can focus on caring for animals in our Care Centers.

Historical Basis for Prioritizing Spay/Neuter of Adopted Pets Over Public Pets

The priority indicated in the Board-approved RFP was to acquire spay/neuter services for adopted animals, additionally as feasible to promote responsible pet ownership by making it easier for the public to spay or neuter their new pets. A previous RFP (Board-approved on October 23, 2006) to solicit interest in the North Central and South Los Angeles Clinics likewise specified that the primary services sought were for adopted animals. In both cases, the Board emphasized a desire for the RFP to encourage potential operators to outreach to the public to maximize the total spay/neuter surgeries performed in the City, but confirmed that sterilizing adopted animals was the key service.

This intent is grounded in a history of Council actions. Over twenty years ago, the Council adopted an ordinance raising license fees for sterilized dogs from \$8 to \$10 & unsterilized dogs from \$18 to \$20, with new revenue being deposited in the Spay & Neuter Trust Fund because “[t]his would enable the Department to continue its policy of sterilizing maximum number of animals prior to adoption from a City Shelter” (CF 87-1298 S2, April 8, 1988). More recently in 2001, when years of use required another round of refurbishment, Council considered that “[t]hese three stationary clinics would provide sterilization services for dogs/cats adopted from City Shelters and would provide low-cost veterinary services to the public” (CF 01-0197, January 24, 2001). As recently as July of this year, in a motion about the status of the new clinics' operations, Council members Cardenas and Alarcon recalled that

“[T]he in-house spay/neuter clinics were built to help offset the expensive costs of out sourcing spay/neuter services to veterinarians... [Transportation] costs could be significantly reduced if the city took advantage of its in-house spay/neuter clinics and programs. In addition to financial burdens, the animals risk finding homes when they are kept from being adopted due to delays in their surgeries. They also have a greater chance of getting sick the longer they are kept in a shelter” (CF 08-1830, July 11, 2008).

In the project description and justification to voters for Proposition F, the Fire and Animal Facilities Bond (2000), the addition of spay/neuter clinics was explained as an enhancement to the adoption program: “Many of these animals could be adopted if the City had additional space for spay and neuter facilities.”

Personal Services Agreements vs. Leases

Personal services agreements are those in which a service is provided primarily to or on behalf of a City Department, as opposed to leases of City facilities, in which a service is provided directly to the general public using a City facility. If a facility is leased, the lessee typically pays rent to the City through the General Services Department. Agreements to operate our clinics have long been processed as personal services agreements because the services provided are primarily for the shelter. Any financial gain accrues back to the spay/neuter funds, to subsidize more surgeries.

As referenced in the Board Report, a procedural question to this long-standing practice was raised in October of 2007. Refreshed evaluation in coordination with other City departments questioned whether the clinic/shelter relationship was more properly considered a lease of City-owned space. However, in talks with General Services' Asset Management Division (responsible for leasing space in City facilities), and the Office of the City Attorney, Animal Services emphasized that spaying and neutering adopted animals was the primary function of the clinics, with services to the public offered only to enhance the clinic's services and help safeguard their financial stability (insofar as this ensures continued service to the Department). To move forward, the Department presented the situation to the City's Municipal Facilities Committee with justification for a recommendation to continue the process as an RFP for personal services of spay/neuter services for the Department, with services also for the public. Based on the long-standing policy that the clinics were foremost handling shelter animals, and that remuneration was received by the City principally in the form of discounts and saved expenses for transporting animals, the Municipal Facilities Committee concurred with our recommendation to proceed. They directed the Department to work with General Services to create a hybrid personal services and lease contract. After several months, Animal Services and General Services staff and legal counsel finalized a personal services agreement format that allowed Animal Services to be the contract administrator and to oversee the quality, compliance, and work quantity of the future spay/neuter contractors. The current RFP is based on this procedure.

Immediate Risks of Changing the Focus from Adopted Pets to Public's Pets at our Clinics

The policy decision to prioritize the sterilization of adopted animals at the clinics can be re-evaluated, but staff does not recommend a change in policy. As discussed above, an on-site clinic to sterilize adopted pets saves the Department substantial costs and adheres to a long-standing policy on the use of our clinics, which were constructed with public funds. To change the nature of the services to be provided will transform the agreements from personal services agreements to General Services-administered leases. General Services also operates under a competitive selection process so a gain of timeliness is not likely. General Services would set the requirements, perhaps based in part on our input, and would administer the contracts. We could ask lessees to spay and neuter adopted animals, as we do now with many outside veterinarians, but we would have no more meaningful control than we do of any veterinarian business in the City. Considering the well-documented shortage of veterinarians in the City and general disinterest in high-volume spay/neuter as a primary business, there is no information at

this time to suggest that a conventional lease opportunity with monthly rent and utilities would be more likely to receive bids than the Department's RFP efforts could receive. Again, staff does not endorse such a change, based on the benefits previously discussed and the potential for extremely negative public reactions if publicly-funded facilities are not sterilizing all animals adopted from the adjoining care center.

Ramifications of Re-Considering the Recommendation for Award of the Harbor Clinic

The RFP required that operators would foremost handle adopted animals. The Board cannot direct staff to negotiate any change of substance to that requirement in order to award an agreement that does not substantially conform to the RFP. Such a step could result in protests from other potential proposers, who may claim that they could have proposed if they knew that requirements were flexible. It would also jeopardize the personal services purpose of the agreement, resulting in the need for General Services to take over the contracting role. As discussed above, the number of animals adopted at the Harbor Animal Care Center will increase since their move to a larger location, and most likely will increase to numbers which may exceed Clinico's proposed commitment.

To discuss an award to Clinico for the Harbor Clinic, the Board would need to make the following finding:

- Although Clinico states that adopted animals are not the priority (contrary to the RFP), their offer essentially accommodates all or a significant portion of the adopted animals from Harbor; and
- Having Clinico operate the Harbor clinic may be financially beneficial to the Department; and
- The Department has a critical, emergency need for spay/neuter services for both adopted animals and the public's animals in the Harbor area; and
- Other than the expected number of surgeries for adopted animals, all other provisions of the proposed personal services agreement (including its License to use a City Facility, Standard Provisions for City Contracts, termination policy, and invoicing policy) remain substantially in effect.

Information to Address Questions by the Commission

Proposed Fees:

A summary of ValueVet's spay/neuter fees to be charged to the general public is below, along with a comparison to average fees, based on information from the American Animal Health Association. ValueVet will also accept the coupons distributed by the Department, for low-income residents, and is proposing to offer a variety of services to the public, making them a full service veterinary clinic. They are moderately priced for their area.

	Other clinics' average*	Value Vet
Dog spay		
Under 25 lbs.	\$240.55	\$165.00
25 – 50 lbs.	\$254.90	\$175.00
51 – 75 lbs.	\$293.76	\$200.00
Over 75 lbs.	\$329.69	\$280.00
Dog neuter		
Under 25 lbs.	\$207.12	\$150.00
25 – 50 lbs.	\$222.96	\$160.00
51 – 75 lbs.	\$234.33	\$175.00
Over 75 lbs.	\$267.24	\$240.00
Cat spay	\$185.90	\$135.00
Cat neuter	\$121.49	\$90.00

*The averages reflect fees in the Western region of the United States, and represents total fees, including exam, anesthesia, pain management, surgery room setup, sutures, etc. *Source: The Veterinary Fee Reference, Fifth Edition, AAHA 2007.*

Value Vet proposes to pay the Department a tiered percentage of gross revenues for other services, ranging from 2% in the first year, to 3% in the third year, up to 4.5% in the sixth year if a renewal option is exercised.

Clinico proposes to charge the following fees for their spay/neuter services to the public and to the City:

	Pricing for the Public	Fees Paid by the City*
Dog spay	\$55.00	\$61.20/ \$106.20 **
Dog neuter	\$45.00	\$54.00/ \$99.00 **
Cat spay	\$35.00	\$61.20
Cat neuter	\$25.00	\$54.00

*Reflects Clinico's proposed 10% discount off Board-approved fees.

**Higher fees are for dogs over 50 lbs.

Proposed Volume of Work:

ValueVet's proposed target of 20 sterilizations per day will accommodate all of the adopted animals at the West L.A. Animal Care Center. They are not limited, however, and confirmed that they will sterilize as many of West L.A.'s adopted animals as needed, should the number of sterilizations exceed 20 on a given day.

Responsiveness to RFP:

Value Vet was found to be responsive to all areas of the RFP, which did not expressly limit public spay/neuter fees. Clinico's proposal could be considered non-responsive in that they did not propose to provide the specific level of services indicated in the RFP

and the Scope of Services in the corresponding proposed Personal Services Agreement, namely, to sterilize *all* shelter dogs and cats.

The RFP refers the proposer to the Scope of Services in the Personal Services Agreement (listed as Attachment B), which lists the specific services required by the Department. The Personal Services Agreement states that the contractor is to sterilize *all* dogs and cats adopted from the shelter, which is not what Clinico proposed. If the Department would have received a proposal to sterilize only the public's animals and no shelter animals, that proposal would be non-responsive.

Clinico committed to 10 shelter animals per day (5 dogs, 5 cats, none in heat), plus unlimited male cats. However, as indicated in the Board Report, there's a potential at all of our shelters that there may often be more than 10 animals in one day, whether cats or dogs, males or females. At East Valley, there are substantially more than ten shelter animals every day. At the new Harbor location, it is likely that the number of sterilizations needed each day will soon exceed ten. But as the Board Report indicates, Clinico is unable to commit to sterilizing *all* shelter animals if they substantially exceed ten per day. The Board Report also describes the problems this raises.

Cost of In-House (City Employee-Staffed) Operations

Positions to staff the clinics are in the Department's budget. The Department has the following resolution authorities without funding:

	Each (fully-burdened)	Total
5 Veterinarian II	\$203,016	\$1,015,080
6 Veterinary Technician	\$125,405	\$ 752,430
5 Animal Control Technician	\$94,461	\$ 472,305
	Grand total:	\$2,239,815

The Department is also not budgeted for the necessary equipment, which would include anesthesia machines, autoclaves, scales, refrigerators, computers, and all related equipment, spay packs, and supplies. Based on equipment and supplies purchased for one of our clinics in a prior Fiscal Year, this amount is estimated at \$69,300 per clinic.

Should the Board have additional questions or require additional information, we will gladly provide such information.