

REPORT FROM

OFFICE OF THE CITY ADMINISTRATIVE OFFICER

Date: June 2, 2010

CAO File No. 0160-01544-0000

Council File No.

Council District: All

To: The Council

From: Miguel A. Santana, City Administrative Officer



Reference: Communication from the Department of Animal Services;
Referred for report May 25, 2010

Subject: **PROPOSED ANIMAL SERVICES FEES FOR FISCAL YEAR 2010-11**

SUMMARY

The Department of Animal Services (ASD) requests approval, in accordance with the Los Angeles Municipal Code 53.12(a), to update the existing fees charged for costs incurred by the City in connection with animal impoundment and adoption activities for Fiscal Year 2010-11. The proposed fees, attached, are in compliance with the City's Financial Policies requiring full cost recovery for special services. The Office of the City Administrative Officer concurs with the Department's fee calculations and fee increases for Fiscal Year 2010-11. The Department projects that the new fee schedule will increase General Fund revenue by \$250,000. This assumed revenue increase was included in the Mayor's Proposed Budget and the Council's approved 2010-11 Budget.

RECOMMENDATIONS

That the Council, subject to the approval of the Mayor, approve the Department of Animal Services' proposed fee schedule for Fiscal Year 2010-11 and authorize the Department of Animal Services to implement the new fee schedule effective July 1, 2010.

FISCAL IMPACT STATEMENT

The proposed fee schedule is estimated to generate an additional \$250,000 in revenue for the General Fund. The recommendation in this report is in compliance with the City's Financial Policies as the proposed fee is estimated to fully recover the costs of providing the associated services.

MAS:JLK:04100167d

Attachment

JUN 2 2010



**Los Angeles ²⁰¹⁰ Animal Services
Study of Fees and Charges
For Fiscal Year 2010-11**

In accordance with the Fiscal Year 2010-11 Budget instructions, the Department of Animal Services completed its annual Fee Study which was presented to its Commission on November 10, 2009. The recommendations contained in the report included streamlining of adoption fees for cats, dogs, and rabbits, with no increase in the gross fees, various changes to permit fees tied to improvements in tracking inspection times, establishing discount periods for the next fiscal year, and other minor modifications including an increase in penalties for multiple redemptions. At its November 10, 2009, the Commission adopted the Board Report entitled, "Adjustments to Adoption, Discount, and Permit Fees for 2010-2011 Budget," directing staff to submit the recommendations (as described in the body of this report) as part of its FY2010-11 Budget Request.

SUMMARY:

In May of 2009, as a culmination of several years of research, analysis, and collaboration with the City Administrative Officer, the City Council and Mayor approved an amendment to the Los Angeles Municipal Code (LAMC) that updated all fees related to adoption, including spay/neuter co-pay, and updated all permit fees; established the concept of discount periods with a pre-approved discount percentage; and provided that future modifications to fees would be through a process of approval by the Board, Mayor, and Council, rather than through ordinance. The appropriate mechanism for considering and processing modifications to fees is annual budgeting process. A major element of the annual budget preparation, review, and adoption is recommending cost-recovery-based changes to rates and fees.

Accordingly, staff has revised the 2007-2008 Cost Recovery worksheets to determine actual average cost for impounding and caring for animals, and for handling permits, based on 2008-2009 workload indicators and 2009-2010 fully burdened salaries. Although the full cost average was calculated, the adoption- and redemption-related fees are actually based on a percentage of the true total cost, in order to retain attractive pricing that sustained adoptions. As the new fee structure was implemented on July 1, 2009, we have only preliminary statistical findings and do not yet have definitive indicators about whether we have reached or exceeded the price point at which we would be depressing animal adoptions. Early findings suggest that our pricing is not too high, and the Department may have achieved an appropriate balance for our customer base.

Fee Category	% Increase	2008: 1st Quarter (July-Sept)		2009: 1st Quarter (July-Sept)	
		Total Number	Revenue	Total Number	Revenue
Owner Surrender Fees	272%	3,094	\$16,117	2,518	\$59,938
Sum of Adoption/Redemption Fees	21%	7,570	\$234,521	7,174	\$284,307
Spay/Neuter Co-Pays	33%	5,832	\$179,690	5,896	\$238,816
Permit Fees	104%	234	\$28,230	246	\$57,680
Overall	40%		\$458,558		\$640,741

Five-Year Trend - Dog and Cat Adoptions

1st Quarter 2009	6,922
1st Quarter 2008	7,202
1st Quarter 2007	5,792
1st Quarter 2006	5,192
1st Quarter 2005	5,106

Five-Year Trend - Dog and Cat Owner Surrenders

3,507	21% of Intake	72% collected
4,799	27% of Intake	64% collected
3,848	27% of Intake	59% collected
4,272	28% of Intake	48% collected
4,472	30% of Intake	41% collected

One of the primary goals of the fee re-engineering was to simplify the calculation of fees particularly for adoptions of dogs and cats. Based on 1960 LAMC language, the cost of an adoption was made up of seven to twelve separate fees (advertising, care and feed, individual medical treatments, and so on) which confused some customers and allowed others to haggle about pricing so as to receive unauthorized discounts, such as waiver of a vaccination or removal of a care and feed surcharge. As of July 1, 2009, with the LAMC change, all impound, care, and medical expenses were combined into a single Adoption Fee based on the average. That fee and the addition of fees for spay/neuter, microchip, and licensing, as applicable, together made up the total adoption (or redemption) price. Although these recent fees are much more streamlined, there are still variations between one adopter's final check-out price and another's, depending on spay/neuter or microchip status. Animals returned as allowed under LAMC within ten days generally would have been sterilized and microchipped, but the recording and crediting of spay/neuter and microchip fees on the return, and for future adoptions is difficult to track, leading to over- and under-charging. Spay/neuter charges for animals pre-sterilized for reasons such as preparation for off-site adoptions or terminating pregnancy may be waived in error. For consistency in marketing, efficiency in accounting, and to ensure that spay/neuter as a vital City service is fairly distributed among all pet adopters, the Department proposes to average spay/neuter and microchip among all adopters, just as medical and other care expenses are amortized pro-rata among all adopters even though some pets are held longer or shorter times than average, or receive more or less food than average, and so forth.

The chart below shows new fees as proposed: combining adoption-related fees for dogs, cats, and rabbits for consistency as discussed above, but with no net increase in cost; revising other fee categories in light of 2008-2009 cost-recovery review; adding a fee for 3rd or more redemption to motivate more responsibility on the part of pet owners.

Animal Category	Current Adoption Fee	Typical Total Fees Charged	Proposed New Fee
For each dog sold	\$47	\$117	\$102**
For each dog redeemed	\$47	n/a	\$47 (no change)
For each dog redeemed, 2nd occurrence additional	\$25	\$25	\$25 (no change)
For each dog redeemed, 3rd or more occurrence additional	New	n/a	\$50
For each cat sold	\$21	\$76	\$76
For each cat redeemed	\$21	n/a	\$21 (no change)
For each cat redeemed, 2nd occurrence-additional	\$13	\$13	\$13 (no change)
For each cat redeemed, 3 rd or more occurrence-additional	New	n/a	\$26
Spay or Neuter for dog, cat, or rabbit	\$40	Inc.	\$40 (redemption)
For each equine sold or redeemed	\$325	n/a	\$325 (no change)
For each other animal sold or redeemed	\$23	n/a	\$26
For each small pet, reptile, or bird	\$13	n/a	\$17
For each rabbit sold or redeemed	\$16	\$56	\$56 (no change)
Relinquishment Fee for dog	\$25	n/a	\$25 (no change)
Pickup for Relinquishment, dog	\$56	n/a	\$59
Relinquishment Fee for cat	\$22	n/a	\$22 (no change)
Pickup for Relinquishment, cat	\$53	n/a	\$56
Relinquishment Fee for rabbit	\$18	n/a	\$18 (no change)
Relinquishment Fee for equine	\$223	n/a	\$237
Pickup for Relinquishment, equine	\$326	n/a	\$333
Relinquishment Fee for small animal	\$11	n/a	\$11 (no change)
Relinquishment Fee for other animal	\$24	n/a	\$25
Pickup for Relinquishment, other animal	\$54	n/a	\$55

*With Spay/Neuter at \$40, Microchip at \$15, and License for Dogs at \$15

**Dog adoptions are plus \$15 dog license if over 4 months and new pet owner/guardian lives in the City

Redemption fees would still be calculated by adding together a base Redemption Fee to cover costs for impound, care, medical, etc., with spay/neuter, microchip, and associated fines.

As a point of comparison, Los Angeles County recently approved new fees. Persons are charged \$50 for dog adoptions, including microchip, plus \$50 for spay/neuter for a total of \$100 plus license. Pasadena Humane charges \$120 inclusive of spay/neuter and microchip, but not including license. Cat adoptions in Los Angeles County are \$30 plus \$40 for spay/neuter for a total of \$70, and the inclusive cat adoption at Pasadena Humane is also \$70.

Discount periods have shown to provide an incentive for adoptions without a significant drop in revenue. In the first quarter comparison, months with discount periods (July and August) demonstrated a sustained high adoption level even with higher overall fees, and revenue was up from the prior year. The discount would remain 50% off the adoption cost-recovery portion of the adoption fee and also free microchipping. The spay/neuter co-pay would still be part of the discounted package charged to the adopter. For example, the established dog discount adoption would be \$78.50 plus license if applicable, for cats \$50.50, and for rabbits \$48.00.

The Promotional Rate would be activated by the General Manager in accordance with the following schedule for Fiscal Year 2010-2011.

- Five Consecutive days in July
- Five Consecutive days in August
- **Five Consecutive days in September (New, to relieve summer overcrowding)**
- **2nd cat or kitten from July 1-September 30, 2010, and in June 2011(New)**
- December 17-24, 2010
- February 8-13, 2011 (Valentine's Day)
- May 3-8, 2011 (Mother's Day)
- June 14-19, 2011 (Father's Day)
- Best Buddies Program (second animal)
- Seniors for Seniors Program (seven years or older to seniors)
- **30 Days Plus (New, any dog, cat, or rabbit held over 30 days)**

This schedule adds three discount periods. One is in September, when the population of pets is still high after peak summer impound periods and therefore marketing tools are needed to continue adopting at the same pace as we did in the summer months with discount days. Also, because cats are the greatest challenge to reducing the euthanasia rate, the Department should join other shelter systems such as Pasadena Humane and Southeast Area Animal Control (SEAACA) in promoting cat adoptions through discounting pairs. This is especially helpful in getting kittens placed together, which has positive effects for the pets. The Found Animal Foundation has also expressed interest in funding the cost of a 2nd cat (i.e. 2-for-1) summer program, if prices are reasonable; they reimbursed over 100 cat adoptions over six weeks in the summer of 2009. Lastly, pets held over 30 days generally have issues which make adoptions more difficult, such as being older or not tolerating other pets. When the total system population allows holding pets more than 30 days, the Department would provide a discount to adopt.

The other major fee program relates to issuing permits for animal-related businesses. The recommendation of the CAO which was adopted by Council required that the full cost of implementing the Permit Program should be calculated and recovered through permit fees. Therefore, we surveyed permit officers to determine the duration and number of inspections typical on each permit type, included processing costs, and derived a cost-recovery fee for each permit. Since that time, more officers have been involved in permit inspections and closer tracking of time has occurred since that is now the basis for fees charged. Also, some permit types, such as pet stores and circuses, now have more rigorous standards to meet so inspections take longer. The updated time estimates and increases in base pay have been used to calculate new permit fees.

Permit Type	July 2009 Permit Cost	2010-2011 Proposed	2008-2009 Permits Issued	2009-2010 Revenue	Revenue as Proposed 2010-2011	Difference
Breeding	\$120.00	\$235.00	1,705	\$204,600	\$400,675	\$196,075
Dog Kennel	\$225.00	\$305.00	76	\$17,100	\$23,180	\$6,080
Cat Kennel	\$210.00	\$290.00	30	\$6,300	\$8,700	\$2,400
Pet Shop	\$275.00	\$290.00	147	\$40,425	\$42,630	\$2,205
Zoo	\$180.00	\$185.00	3	\$540	\$555	\$15
Animal Rental Establishment	\$210.00	\$265.00	63	\$13,230	\$16,695	\$3,465
Pet Show, Dog Show, Animal Acts or Exhibitions	\$380.00	\$425.00	29	\$11,020	\$12,325	\$1,305
Alligator Farms, Ostrich Farms and Wild Animals	\$150.00	\$290.00	113	\$16,950	\$32,770	\$15,820
Miscellaneous Animals or Reptile Establishment	\$150.00	\$205.00	11	\$1,650	\$2,255	\$605
Circus, First Day	\$3,100.00	\$4,000.00	8	\$24,800	\$32,000	\$7,200
Circus, Per Day after First	inc.	inc.	31	\$0	\$0	\$0
Rodeo, First Day	\$665.00	\$1,660.00	1	\$665	\$1,660	\$995
Rodeo, Per Day after First	inc.	inc.	0	\$0	\$0	\$0
Homing Pigeons	\$225.00	\$290.00	28	\$6,300	\$8,120	\$1,820
Riding Academy, Livery Stable, Board Stable, Pony Ride, Horse Market or Mule Market	\$180.00	\$325.00	56	\$10,080	\$18,200	\$8,120
Animal Grooming Parlor	\$130.00	\$160.00	184	\$23,920	\$29,440	\$5,520
Filming with Animals	\$300.00	\$300.00	207	\$62,100	\$62,100	\$0
Filming Per Day after First	inc.	inc.	0	\$0	\$0	\$0

FISCAL IMPACT:

Only minimal additional revenue will be gained through the minor changes to pick-up and adoption fees above. Using the 2008-2009 averages with about 80% of cats requiring spay/neuter surgery and 75% of dogs, the total additional spay/neuter co-pays could increase as much as \$250,000 annually. However, since the average cost the Department pays for spay/neuter is about \$64 per pet, the net cost looking at 2008-2009 adoptions is over \$1.3 million, while the maximum revenue yielded by charging \$40 for each dog and cat would only be around \$1 million. The increases in permit fees to more closely match actual time could yield an additional \$250,000 per year, based on 2008-2009 fiscal year permits issued.