



POLICY AND SERVICES COMMITTEE MINUTES

Special Meeting
May 10, 2012

ROLL CALL

Chairperson Holman called the meeting to order at 6:09 p.m. in the Council Conference Room, 250 Hamilton Avenue, Palo Alto, California.

Present: Holman (Chair), Espinosa, Klein, Schmid

Absent:

ORAL COMMUNICATIONS

None

AGENDA ITEMS

1. Consideration and Discussion of the Palo Alto Animal Services Outsourcing and Other Cost Reduction Options.

Pamela Antil, Assistant City Manager reported the presentation would give an overview of the Palo Alto Animal Services (PAAS) function within the City as well as answer a number of questions from the Policy and Services Committee (Committee) members and the public. The shelter was located on the East Bayshore property at the Municipal Services Center (MSC).

David Ramberg, Assistant Director of Administrative Services provided a financial context for the proposal to outsource PAAS. The City was forced into serious consideration of outsourcing when Mountain View withdrew from the multi-city agreement for PAAS. That negatively affected General Fund revenue by \$470,000. Outsourcing PAAS was one of a number of proposals for budget reductions to close a \$5.8 million gap in the General Fund for Fiscal Year (FY) 2013. The Long Range Financial Forecast projected a \$3.7 million deficit in FY 2014, and a cumulative deficit of \$83.4 million for FY 2015-2022. The need to review PAAS from a cost perspective was critical. The Proposed Budget included a complete outsourcing of PAAS. Additional issues were major facility upgrades and expansions that would increase costs further without new opportunities for revenue from other partners. Additional expansion would need additional partnership on the revenue side.

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Ms. Antil reported the City had a significant Budget shortfall that needed to be covered. Additional challenges that did not have concrete price tags were proximity to the shelter for the public and emotional attachment to the current facility. The shelter received approximately 65 visitors per day including people visiting the animals. PAAS was a part of the cultural fabric of the community. It was one of the first shelters that provided this type of service in the United States. PAAS provided a high-level, high-touch service that would be hard to emulate through outsourcing. Staff and volunteers were dedicated to PAAS. PAAS was one of the few public shelters in the area that would take animals from outside the partner cities. Staff tried to balance animal care with fiscal constraints. This particular Item was forwarded to Committee as part of a larger discussion the Council had regarding Infrastructure Blue Ribbon Commission (IBRC) recommendations. PAAS's budget under Public Safety was on the Agenda for the following Tuesday at the Finance Committee. Staff hoped the Committee would hear input from the public, learn more about the services PAAS provided, and recommend long-term actions from a policy perspective. The financial portion of PAAS would be discussed in detail with the Finance Committee the following week. Staff provided some basic financial information to answer questions from the Committee and other members of the City Council. The Finance Committee would have its meeting the following Tuesday, and hoped to finalize budget sessions on May 29, 2012, with Budget adoption scheduled for June 18, 2012. There would not be a final decision from P&SC Committee.

Amber Cameron, Senior Management Analyst presented a broad overview of the financial information of PAAS. In FY 2011, total expenditures for PAAS were \$1.71 million, and total revenues were \$1.04 million. A good portion of that was revenue from member cities, including Mountain View, Los Altos, and Los Altos Hills. The spay and neuter clinic, vaccinations, and dog licenses comprised a majority of the remaining revenue. The net cost to the City for FY 2011 was \$670,000. The total number of domestic animals served annually was 9,300; 1,500 animal intakes (100 percent from Palo Alto and member cities), 2,400 animals at the spay and neuter clinic (24 percent from Palo Alto and member cities), and 5,400 animals at the vaccination clinic (39 percent from Palo Alto and member cities). Overall, 55 percent of animals served were from outside the member cities. The primary impetus for reviewing the PAAS budget was the loss of revenue from Mountain View. Mountain View provided the required one-year notice to terminate service in November 2011. The contract with Mountain View would end October 31, 2012. From July 1, 2012 through October 31, 2012, the City would receive \$170,000 from Mountain View. The gap from November 2012 through June 2013 would be \$300,000. The cost to the City

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was \$670,000 with the annualized Mountain View revenue loss of \$470,000. The net cost to the City would be \$1.14 million. Outsourcing, as a service delivery alternative, would include closing the City's current operations for PAAS and paying another agency to provide the services for residents. The estimated cost for the contract was \$500,000 annually, which would provide the greatest savings to the City. Another option was to reduce management and field services. This option would eliminate 2.5 Full-Time Equivalents (FTE) and reduce costs by \$271,000. A second option was an expansion of the first option, with the creation of a hybrid employee classification that would perform both office support and animal control duties. Option 2 would result in a cost reduction of \$366,000. Option 3 would provide only mandated and essential services, which would eliminate 4 FTEs and reduce costs by \$194,000. Staff prepared a cost reduction analysis of eliminating only the spay and neuter, but did not recommend this option because it would cost the City an additional \$18,000.

Ian Hagerman, Senior Financial Analyst noted Some service-level impacts of outsourcing would be an increased travel distance to the facility for Palo Alto residents, increased response times for non-emergency calls, and a reduced level of proactive enforcement in field services. Staff proposed several expenditure reduction plans in the option to retain PAAS within the City. The first option reduced management and field services, which would leave the division without backup in times of vacation and leave. Calls for service that could not be handled by an animal control officer would fall on the Police Department Patrol Division, and those would be prioritized against Patrol's calls for service, resulting in increased response times. With any option to reduce management staffing, there would be a reduction in long-term planning items such as disaster preparedness and Staff training. Option 2 was quite similar to Option 1 with the addition of hybrid staffing, and the impacts were similar. This option would allow some flexibility in scheduling field services employees during times of higher calls for service, particularly in the summer. Option 3 proposed mandated and essential services only. This option would focus solely on animal control and adoption services. The public spay and neuter clinic, the vaccination clinic, the pet store, and most other animal care services would be eliminated. This would preserve most of the current field service options, but would decrease the options available to the public. The last scenario was eliminating the spay and neuter clinic, which would have a net cost to the City. Staff did not recommend that option. Staff had been asked to provide some revenue enhancement scenarios. No scenario provided a full cost recovery for PAAS. Staff had not identified any municipality-operated shelter or private shelter that was not heavily subsidized by the government or donations. It was difficult to pass those costs to consumers. Some options would be increasing vaccination fees, spay and neuter fees, licensing compliance, and barking dog citation

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fees. Licensing compliance would require Palo Alto to either mandate or work with local vets to obtain information on dog owners. Legal issues of charging non-residents higher fees than residents would need to be studied further.

Council Member Klein asked whether Los Altos and Los Altos Hills were willing to share more of the burden of this facility.

James Keene, City Manager reported he discussed the issue with the managers of Los Altos and Los Altos Hills, and their capacity to share the burden had limitations based on the amount they were currently paying and the service they received. They had expressed an interest in working with Palo Alto.

Bob Beacom, Assistant Police Chief reported Los Altos and Los Altos Hills were not in a position to assume a bigger role. If the City ceased operating PAAS, they could join Palo Alto in moving to another facility or make other arrangements. Los Altos' and Los Altos Hills' assumption of the extra burden left by Mountain View was cost prohibitive.

Council Member Klein stated no one was suggesting they assume the entire gap left by Mountain View. He felt Los Altos and Los Altos Hills residents would rather travel to Palo Alto than Santa Clara. He asked what the legal problems were with charging non-residents higher fees, and how that was different from other areas where non-residents were charged higher fees.

Mr. Keene indicated the City Attorney had not completed her research and could not definitively state there were no problems. Propositions 218 and 26 and other issues were forcing fee charges to be aligned with the cost of the service. The City would have to develop the rationale for different fees in this new environment.

Council Member Klein noted an earlier presentation indicated higher fees for non-residents were prohibited, and now Staff was indicating higher fees could be charged.

Mr. Keene repeated Staff could not definitively state whether or not the City would have the flexibility legally to create surcharges on out-of-the-area users. The City was providing many services to people outside the service area.

Council Member Klein asked if the City Attorney had indicated when she would have a response.

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Mr. Keene answered no. He assumed it would be relatively soon.

Council Member Klein suggested non-residents should pay the right amount and not be subsidized by the taxpayers of Palo Alto.

Mr. Keene stated the question would be could the City charge non-residents more than recovery in order to subsidize Palo Alto residents. The Council may need to work through the rationale.

Molly Stump, City Attorney reported Staff was reviewing the fee issues. The structure of fees and the ability to change the structure of fees and add different fees raised a number of issues. Staff wanted to review all of them to ensure any fee structure adopted by the Council was defensible and appropriate. Staff could provide that information in the next week or so.

Council Member Klein asked for more details concerning difficulties in increasing license fees for animals.

Mr. Hagerman suggested licensing fees would not necessarily be a problem. There were some fees that were difficult to increase, such as impound fees or adoption fees. Raising those fees could result in owners not claiming their animals and animals not being adopted. There was some difficulty in increasing those fees beyond what the market could bear.

Council Member Klein indicated he was referring to the annual license fees.

Mr. Hagerman stated the City had some flexibility to increase those fees, but they would not bring in a substantial amount of revenue.

Council Member Klein asked Staff to provide details regarding using veterinarians as a way of enforcing licensing.

Sandra Stadler, Superintendent of Animal Services reported surrounding municipalities had ordinances requesting and requiring clinics to provide license authorities with rabies vaccination information in order for authorities to follow up with dog licenses. PAAS did not have that enforcement ability in Palo Alto, but did in Los Altos. Staff hoped this would increase license compliance and, therefore, increase revenue and also allow Staff to return stray animals to their homes.

Council Member Klein inquired if Staff knew how much this proposal could increase revenue.

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Ms. Stadler indicated Staff's recommendation was to increase license fees so that Palo Alto was comparable to surrounding agencies. The compliance rate in Palo Alto was currently 18 percent. Staff was considering programs to increase compliance, which should double the current revenue. Revenue should continue to increase over time.

Council Member Klein asked for the compliance rate in Los Altos.

Ms. Stadler reported Los Altos' compliance rate was lower. Staff had the ability to write citations and follow-up with obtaining and renewing licenses in Palo Alto. Staff had just taken on that duty for Los Altos and Los Altos Hills, and expected compliance to increase.

Council Member Klein inquired if Staff had figures from other communities where this program had been in effect.

Ms. Stadler stated the City of San Jose increased revenue by \$300,000 in one year by implementing a municipal ordinance.

Ms. Antil stated the City received approximately \$49,000 from animal licenses. If the license fee remained the same, 36 percent compliance would generate approximately \$100,000.

Council Member Klein was attempting to determine small amounts of revenue increases to possibly cover the deficit.

Ms. Antil reported Staff performed some estimates of increasing fees, and determined the increase in funds would be about \$100,000. Staff did not find any scenario without cuts in PAAS that could close the \$600,000 gap.

Council Member Klein asked Staff to comment on the Humane Society proposal.

Ms. Stadler reported the ability to enhance the spay and neuter clinic was something Staff wanted to consider. Staff had every desire to increase efficiencies, but doubling the spay and neuter clinic numbers would be extremely difficult. Staff was following industry and humane standards. In the past, the spay and neuter veterinarians and technicians did nothing but spay and neuter, but now they were working in the vaccination clinic and caring for the animals in the shelter. With the current staffing, Staff could not double the number, but could increase the number.

Mr. Keene indicated the Humane Society proposal was more detailed than proposals the City normally received. If the Council wanted to consider a

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different alternative, then Staff would need to perform further due diligence. The motivation for the Budget was to make ongoing structural adjustments where possible to save money for the long term. Over the next ten years, a \$300,000 savings would be \$3 million. Those savings mattered for other services provided by the City. When the Council made a decision about how it wanted to proceed, it needed to ensure the numbers were consistent over several years.

Council Member Schmid inquired whether Staff had received any feedback from other communities such as Menlo Park and East Palo Alto concerning possible partnerships.

Ms. Antil reported Staff had interacted with those communities. They were in a County contract in San Mateo that expired in 2015. Those communities were unsure of the future of that agreement, but they were not eligible to partner with PAAS at the current time. Depending on the direction the Council took, in the short term the shelter was fine. To attract new entities to the shelter and to accommodate more animals, PAAS would need to make some upgrades to the shelter or consider a warehouse model similar to the one Silicon Valley Animal Control Authority (SVACA) used.

Council Member Schmid understood Palo Alto had achieved a certain level of service that offered a number of things that SVACA did not. He asked Staff to articulate possible differences in services.

Ms. Antil indicated one major difference, from a resident's point of view, was a proactive park patrol by animal control officers. Animal control officers were very responsive to barking dog complaints, neighbor disputes, and dogs on other property; and accommodated field trips and school engagements. Community members knew the animal control officers. These were the types of services that would be reduced, because there would not be the same number of animal control officers in a smaller geographic region. Some communities responded to barking dog complaints through code enforcement, sent letters and after so many letters, the owners were charged an administrative fee. The City could respond to those types of complaints using other Staff or cross-staffing, but it would not be the same level of service. Many times, animal control officers knew the pets in the community and could return lost pets to their owners. In time, animal control officers from another entity could learn the community, but it would not be the same.

Mr. Hagerman indicated a change would occur in calls for service. PAAS responded to almost 1,800 dead animal calls last year across all partner cities, with 700 of those being in Palo Alto. The response time for those calls

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was generally within 30 to 60 minutes. SVACA had a response time of approximately 10 hours on a similar level of calls for service. San Jose, another potential partner agency, had difficulty responding to their highest priority calls in a day. Either residents or police officers would have to pick up dead animals. Calls concerning stray animals also had a response time of 10 hours from SVACA. PAAS generally responded within 30 minutes. There would be a sharp increase in response times for those types of calls. Aggressive animals were high priority for SVACA, and their response times were not drastically different than PAAS. Some quality of life issues would be impacted.

Council Member Schmid noted some activities currently being performed by animal control officers would be shifted to the Public Safety call centers in Palo Alto. Budget discussions included a reduction in the number of Public Safety officers; therefore, there was a potential community conflict.

Ms. Antil stated Staff would not recommend shifting those calls to the Police Officers; although, Police Officers did respond to those calls after PAAS business hours. One code enforcement officer in the Police Department and one code compliance officer in the Planning & Community Environment Department handled a variety of matters. Staff had discussed whether or not some complaints could be handled by them. Some of the agencies interested in participating in a Request for Proposal (RFP) had made the capital investment in new buildings. SVACA and Silicon Valley Humane Society had more modern facilities. Staff did not believe PAAS's high level of service could be duplicated by other entities.

Council Member Schmid stated the loss of Mountain View as a partner reduced both revenue and expenditures. Reducing both revenue and expenditures created a deficit in FY 2012 of approximately \$529,000. With reductions in revenues and expenditures, that gap would decrease to \$477,000 in FY 2013. Outsourcing services to SVACA would cost the City \$300,000 annually plus a \$200,000 capital investment. He asked if the City would actually lose money under that proposal in FY 2013.

Ms. Antil indicated the net cost to the City was approximately \$670,000 annually. With the loss of Mountain View revenue, costs to the City increased to \$1.14 million.

Council Member Schmid said expenses needed to be subtracted.

Mr. Keene indicated expenses had to be reduced in order to subtract them, which meant potentially laying off employees.

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Ms. Antil reported the City's costs would be \$1.14 million with the Mountain View loss and before reducing expenditures. Staff was comparing the \$1.14 million cost to the \$500,000 cost in the SVACA proposal, which provided a cost reduction each year of \$640,000. The options that Mr. Hagerman discussed were ways to close that gap should the Council wish to continue PAAS. Staff's secondary recommendation would be to close that gap between the losses as well as the annual gap of \$670,000. Staff recommended some cuts if the Council decided to continue PAAS. Even though revenue would be lost, Staff found it difficult to determine which positions to cut, because the lion's share of the work was still generated from Palo Alto animals.

Council Member Schmid noted Mountain View's contribution to PAAS was dependent on the number of animals treated, which was 30 percent of the total number.

Ms. Antil indicated Option 1 would reduce Staff by one animal control officer, one volunteer coordinator and one animal control supervisor, which would reduce service costs by slightly more than \$277,000.

Council Member Schmid stated a 30 percent reduction in expenditures was \$500,000.

Ms. Antil said the percentage of the loss of revenue did not mirror the percentage loss of Staff without reducing additional Staff. Staff was not designated to specific communities. Even though Mountain View revenue was lost, duties and responsibilities still had to be covered by Staff.

Mr. Keene stated the Council would have to determine whether a 30 percent reduction in expenses was feasible and whether it had an effect greater than 30 percent on service levels.

Council Member Schmid inquired if the contrast was a 100 percent reduction with outsourcing.

Mr. Keene answered no, because services would not be outsourced to nothing. The Council would have to outsource to an alternative it felt was worthwhile in comparison to other alternatives. Staff was presenting the numbers to the best of their knowledge, because an RFP had not been issued for any alternative services.

Council Member Schmid asked if the alternative was to outsource to SVACA as well as maintain part of PAAS.

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Ms. Antil stated the original recommendation was to fully outsource.

Council Member Espinosa commented the Council appreciated the services, amenities and policies provided by PAAS, but it was in a difficult position of weighing all City services. He asked for Staff's feedback on the suggestion of a task force to extend the timeline with different goals in mind.

Ms. Stadler stated a task force was an excellent idea to provide different options. Staff would welcome any input to deliver better services and provide other alternatives.

Mr. Keene indicated the current discussion was a prelude to the Finance Committee discussions from the financial perspective. Council wanted to obtain input from the community which would be beneficial to both Committees' considerations. Typically, the Finance Committee's financial recommendations were included in the Budget process, because the Finance Committee could consider all the other Budget decisions simultaneously. Any decision had a potential ripple effect that hit some other area of the City. These decisions were not made in isolation, particularly from the long-term point of view. If the Policy and Services Committee wanted to recommend to the Finance Committee a different decision horizon, then they should determine the cost implications of that delay and what should be considered. He recommended the Committee take a broader look at all the alternatives in order to not prejudge a conclusion. After hearing from the public, he suggested additional discussion about timeframes.

Council Member Espinosa understood some neighboring communities would end contracts with San Mateo County in the next two years. He asked how the Council could make decisions well in advance of knowing whether or not those cities were potential revenue sources. Other issues were longer term facility needs and whether or not those facility needs would be shared with partners. He asked if the numbers for those needs were realistic.

Mr. Keene reported the City needed to invest more in facilities across the City including the animal shelter if it remained. There was a range of investments that could be made, and some of the numbers were on the high side. There was flexibility in future capital costs for the shelter.

Council Member Espinosa asked if the hybrid model included some staffing of PAAS to maintain service levels.

Ms. Antil felt services would still be provided if PAAS was outsourced, but there would be a delay in timing. Staff had asked SVACA if the City could purchase a higher level of service. SVACA staff indicated they had a model

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that worked and were not interested in offering more service. This idea would be better vetted through an RFP rather than a conversation. Staff considered cross-training existing Staff to respond to some types of complaints; however, an animal control officer or police officer would have to respond to complaints involving animal interaction. To prevent police officers from responding to calls during the day, Staff would have to be supplemented in some way. Staff did not find a scenario that saved the same amount of money as completely outsourcing.

Council Member Espinosa asked if Staff found a scenario that saved some money and kept the same level of service.

Ms. Antil answered no. The City could keep the same level of service for some services if code enforcement officers were assigned those duties. The City could not retain the same level of service across all services and still have the same savings. Someone had suggested using volunteers to provide some services; however, volunteers were not likely to want to pick up dead animals and those kinds of things. Staff could not find a scenario that provided the same services, because of the cost of employees.

Council Member Espinosa remarked that outsourcing services reduced service levels; and staffing to maintain service levels did not provide the same cost savings but did provide some cost savings.

Chair Holman noted Staff's comments that all facilities were subsidized to some extent, and asked if Staff had a range of what a subsidy might be.

Mr. Hagerman indicated Staff reviewed shelters operated primarily by municipalities in the area. Those ranged from an 80 percent subsidy for SVACA to 55 percent for the City of San Jose. Palo Alto's subsidy was between those two.

Chair Holman inquired if contract services could be used to fill the gaps left by Staff layoffs.

Ms. Antil reported the City had contracts with a few veterinarians who filled in when the Staff veterinarian was not available. Otherwise, all were City employees.

Chair Holman asked if the difference was due to the different benefit impacts from hourly workers.

Ms. Antil indicated two employees were hourly and the rest were full-time FTEs.

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Chair Holman inquired whether the retiree impacts would change if the PAAS closed.

Mr. Keene stated the City might carry a share for the time that people worked for the City, but the City had already been paying that. The City would clearly avoid any future costs that would accrue.

Chair Holman asked how many visitors the shelter had per day.

Ms. Antil replied approximately 65 visitors per day.

Chair Holman inquired whether distance to a new facility would be a factor in policy impacts.

Ms. Antil stated SVACA had some volunteers from Palo Alto, and Palo Alto had volunteers from other areas. Those volunteers who were strongly committed would travel the distance. There was no method to estimate the number of visitors that would travel from Palo Alto to another facility.

Chair Holman asked if the numbers for services provided to animals from outside partner communities was accurate.

Ms. Antil indicated some of the traffic from outside the area was related to rescue groups.

Ms. Stadler reported Staff had tracked services in the spay and neuter clinic and vaccination clinic by ZIP codes. That information was fairly accurate, because it was taken from payment receipts.

Chair Holman recalled Mountain View's capital investment in SVACA's facility was \$300,000. Do to the number of animals being managed for Palo Alto being higher than Mountain View's number; Chair Holman believed Palo Alto's capital investment would also be higher than Mountain View's. Chair Holman asked if Staff knew the actual amount of capital investment the City would have to pay SVACA.

Ms. Antil answered no. Until Staff issued an RFP, they would not know that amount definitely. Staff had been told verbally that the capital investment could be \$300,000, or slightly less, because the other member cities had made the largest part of the capital investment. SVACA wanted Palo Alto's business, so they might quote a different capital investment amount. The first year of costs would be higher than the ongoing costs.

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Chair Holman asked for the anticipated cost of the RFP process.

Ms. Antil reported staff did not intend to hire a consultant to write the RFP, so the cost would be the time of existing Staff members.

Chair Holman asked if Staff had considered partnering with school programs and dog training to enhance the community as well as raise revenues for the facility.

Ms. Stadler indicated Staff had planned to provide dog training and classroom events when Sunnyvale was considering partnering with the City. However, the current facility did not have an area suitable for those purposes. Staff believed the community would be interested, but had not considered the cost to change the facility and projected revenue; these were potential means for generating revenue.

Katarina Merk came here to tell the Committee that it was potentially making a huge mistake. Closing the shelter would not just upset many people; it would also kill the chance of many adorable animals finding a loving home. This conversation, Ms. Merk thinks, has proven that the Committee was mostly thinking about money, and not about the animals. She asked the Committee to keep the shelter open because the animals deserved it. The animals had been treated badly and had never known a nice home. Selling the land to a private investor would not be a good idea; it would be a horrible mistake. Life is not about money, it is about the pursuit of happiness. The City had limited funds, but could find creative ways to keep the shelter in the community.

Scottie Zimmerman was one of the 50 volunteers at PAAS. She was recruited, trained, and managed by the volunteer coordinator. Eliminating the Volunteer Coordination position could result in the loss of volunteers. That position was important to the work of the volunteers. She and others had been collecting signatures to save the shelter, and had received donations for the shelter. Someone was reviewing the possibility of a 501(c)(3), Non-Profit Friends Group. Other groups had sponsors and donated buttons on their websites. There were so many ways to raise funds, including Corporate Sponsorships. For example, Google had paid for the spaying and neutering of feral cats. More ways could be found to raise funds if given a task force or more time.

Ted Aberg lived in Palo Alto for almost 40 years and had obtained two cats from a shelter. His three grandchildren had two pets to enjoy and learn how to care for. The animals provided comfort, love, and relaxation; they enhanced quality of life. There were many domestic animals in Palo Alto

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that have benefited the majority of residents in Palo Alto. Residents need PAAS for their sake, as well as the animals' sake. He asked the Committee to please help them.

Leonor Delgado was an Humane Educator. Ms. Delgado says PAAS had long been active in education and community through school and group visits, along with the visits from Animal Control Officers. Given Palo Alto's often stated strong commitment to quality education, she asked why the City Council would want to toss aside locally based humane education currently shared by PAAS and Palo Alto Humane Society. She asked if paths and other similar embellishments at Rinconada Park were a higher priority than the long history of locally based humane efforts, caring for animals, and educating children. Finally, the penchant for spending money on luxuries, rather than on what most considered necessities, she thought was disturbing. Thanks to the Spay and Neuter Clinic, lower income people from neighboring communities and rescuers could afford to fix their animals, leading to fewer homeless animals. The Vaccination Clinic was frequented by the residents of East Palo Alto as well, who were historically lower income. She asked where the sense was in responsibility to the greater community and to the animals. She asked the Committee not to destroy the shelter, an invaluable local service and institution.

Carol Hyde, Palo Alto Humane Society, asked the Committee to keep animal services local. The Humane Society's proposal focused on unrealized efficiencies and potential income from the Spay and Neuter Clinic. Reducing the deficit would allow time for a working group to plan for sustainable animal services. The issue of animal control arrangements was complex and affected families and their pets. The Council should not be hasty in deciding this issue. Ms. Hyde hopes the Committee will realize this and allow time for careful discussion of different models. Animal services need to stay in Palo Alto. Outsourcing would mark a radical departure from the principle, which has guided PAAS since 1955: the concept of safe community. Having a safe community means that stray animals would be picked up immediately and returned safely to their owners. Animal Control Officers from somewhere else could not do that. Stray and surrendered animals were entrusted to the City. They relied on the City to take care of them. In 1961, Stanford University asked the City for permission to seize animals from the shelter for laboratory research. The shelter Master refused, stating that it violated the principles on which the shelter was founded. That was different from the current issue, but was also the same. Animals entrusted to the City relied on good and wise policies for the animal's lives and well-being. The Palo Alto Humane Society did not believe that transporting animals to crowded facilities, with uncertain fates, constituted good and caring stewardship. She

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asked the Committee to allow the PAAS to continue to operate and to create a task force to carefully and thoroughly plan for the future.

Jay Levin, who was reading the remarks of David Guison, a person who was unable to attend was interested in the welfare of animals, dogs and cats especially. His remarks pertained to keeping public ownership of the land parcel in question. Mr. Guison stated that the land was the primary resource of the community and without it; there could be no community, no homes, no businesses, and no public services. Land was the long-term, and sometimes short-term, chief resource of the community. Although the needs of community changed over time, the satisfaction of needs would occur through the use of land. He urged the Committee and the City Council to retain the land in question. At some point in the future, there would be a need for some community service, and this parcel could be the location for satisfying that need. If the City sold the parcel today, it would have to purchase the parcel at some time in the future. It was a philosophical perspective, but also a prudent and practical perspective. Whatever course the Committee took relative to PAAS, it should recommend that the parcel remain the community's. It should either serve the community directly through some purpose such as the shelter or through the revenue it could generate in perpetuity by being leased to commercial activity.

Sandra Drake and Raymond Myer stated distant shelters would be less useful and less used by the local population. They had received beloved canine companionship and good animal care from PAAS, as well as having a trusted place to take lost animals. They urged the Committee not to charge a fee to surrender animals, which could result in people simply abandoning animals. An outsourced entity would charge at least \$150 to accept an animal.

Jill Cody said the report was good in that it represented the facts. She listed various calls to which animal control officers responded. One facility was 17 miles away, and another 16 miles away. The question was how to innovate the City out of this problem rather than how to reduce the deficit. She had facilitated many task forces, and marvelous ideas resulted from them.

Judy Adams suggested increasing revenue through creative means. She wanted a sign indicating Palo Alto was an animal companion city as well as a tree city. The quality of life of all citizens and companion animals was at risk. The proposals for future study and innovation was important. A task force would give other cities time to consider their needs and perhaps partner with Palo Alto.

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William Warrior thanked the Council for funding PAAS in extraordinary ways. The community was grateful in ways too numerous to mention. If PAAS was closed, he asked the Committee to make a provision for the PAAS mascot, a cat who did not work to union scale and would not request 2.5 percent.

Rita Morgin related the story of finding her son's lost pet at the PAAS. Her story was one of hundreds that happened because of the high quality of care and service provided by the Staff at PAAS. Residents should not lose this service due to lack of funds. She volunteered to manage the Main Community Garden to eliminate the paid position of Community Garden Coordinator and to provide those funds to the PAAS.

Nancy Petersen was a happy client of the PAAS. She wanted to be a part of the solution of keeping a high performing shelter open. She was heartened by the Committee discussion. Extending the study period was important. There was a way to make PAAS work for the City.

Luke Stengel stated for the past 40 years, Palo Alto residents had been able to get an animal control officer to their neighborhood in a few minutes to save the life of a cat or dog. For the past 40 years, the Mid-Peninsula region had a place for low cost spay and neuter and vaccination services. For the last 40 years, thousands of cats and dogs had lived at the shelter until they could find a permanent home. It was staggering to consider the immeasurable good the shelter had created for the community and the lives of cats and dogs. Its work was not done. He implored the Committee to keep the shelter open.

Elena Kogan stated the Bay area was an affluent region with real estate to support the community. It was ironic that one of the wealthiest areas in the world could not find enough money to keep a small shelter open. It was strange to balance the budget on the backs of the most defenseless. She refused to believe the community could not find money for animals that were part of everyone's lives. She asked the City to find ways to keep the shelter open.

Rene Flexer had a terrible experience with retrieving a lost pet from Santa Clara. Residents of Barron Park did not want Santa Clara to provide animal services. She called SVACA for information concerning spaying and neutering kittens, and reached a message which stated someone would return her call in three days. PAAS returned calls within minutes. She attended the Mountain View meeting, and learned Mountain View would save only \$40,000 annually while paying \$300,000. SVACA did not have a veterinarian onsite each day the center was open, and charged \$150 to

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accept animals. Its website stated it was not accepting surrender animals at the current time.

Mary Donoghue knew SVACA charged \$150 or \$160 per animal to surrender an animal. Irresponsible pet owners would dump their pets anywhere, but some pet owners were forced by economic difficulties to surrender their pets. These people could not afford to pay to surrender their pets. This would result in Palo Alto having more feral cats and dogs and another level of animal control problems. Many people in Palo Alto did not know the problem existed, and would be happy to get their pet licensed to support the shelter. There were alternatives to closing PAAS, and a task force was a good idea. She volunteered to help out with this effort.

Winter Dellenbach stated wildlife rescue was possibly in danger as well because of the Cubberley issue. The City could soon be without any services. She calculated the roundtrip miles between Palo Alto and Santa Clara for the same number of visitors per day to be 28,000 a month. Fewer visitors meant less quality care for animals at that shelter. She expressed concerns about the interest in using the land for other purposes. PAAS would be an appropriate public benefit as opposed to the parking situation at 355 Alma.

Carol Schumacher was an owner of the Mid-Peninsula Animal Hospital in Menlo Park. She had worked with the Palo Alto Humane Society as a board member. Thousands of her clients used PAAS. Closing PAAS would be an undue burden for them. She was also familiar with the economics of a veterinary practice, and has some experience with models of high-speed, low-cost spay and neuter techniques. She suggested spay and neuter fees could be too low, and had room to grow while remaining low cost. Revenue could be increased by performing more spay and neuters and by charging more. There could be voucher plans to assist low-income clients. She volunteered for the task force, if it was created. Having services removed from Palo Alto and Menlo Park would not help with emergency preparedness plans.

Christina Peck co-founded the Stanford Cat Network at Stanford University to rescue abandoned cats on campus, and co-founded Fat Cat Rescue, which adopted out abandoned cats and helped with spay and neuter. She had taken over 3,000 cats to the City's spay and neuter clinic. She understood the Council's need to close the budget deficit and to develop a sustainable, long-term solution to providing animal services. Pets shared the world and people felt responsible for their care. The issue deserved a careful, thorough, and thoughtful analysis than had been presented thus far. She supported the Palo Alto Humane Society proposal to establish a working

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group to explore ways to provide animal services to residents of Palo Alto and to reduce the City's budget deficit.

Christine Witzel asked the Committee to estimate the cost of unintended consequences of outsourcing. Others had alluded to the likely increase in stray and feral animals. SVACA's website indicated surrenders would most likely be euthanized. She encouraged the Committee to spend its efforts reviewing ways to increase revenue through philanthropy and services.

Douglas Moran in deciding the appropriate levels of service, he urged the Committee to consider that seemingly small differences could have outsized impacts on people. He was concerned that this aspect had not received adequate attention. Experts told pet owners to be aggressive in searching for their lost pets, because of the many mistakes that happened at shelters. He operated his neighborhood's email service and gave priority to lost and found pet messages, because of the experiences of neighbors and family. He noted the stress and time spent by pet owners searching for their lost pets and by people who found pets. A time response by animal services could directly connect the finder to the owner without the pet having to go into the shelter.

Alice Smith, as an outsourcing lawyer, warned the Committee that services not stated in a contract would not be provided. Once PAAS was outsourced, it could not be restarted without a greater cost. She urged caution and care. She had reported dead animals, and PAAS had responded immediately. Outsourcing would require ten hours for a response, 700 calls meant 7,000 hours of dead animals close to homes and children. That was a health hazard. She was also concerned about not having responsible officials to address issues. PAAS was more important to her than the Airport. Stanford University could be inveigled to be a part without having to go to the County.

Lorraine Amirian Parker stated no one had addressed the issue of finding pets in a disaster. Red Cross shelters did not accept pets. The City was attempting to establish a program to care for pets in the event of a disaster. The City would need experienced animal control officers to catch and care for pets, as well as a place to house pets. This issue was as important as libraries, art commissions, and the Airport. She suggested letting citizens decide through a vote.

Antonia DeMatto was a full-time volunteer with Community Cat Rescue. As a business person, she had learned that paying for services later rather than sooner resulted in higher costs. She concurred with previous comments regarding low-cost spay and neuter services. Surrender services were one

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of the most important services offered by a shelter. If owners could not surrender pets, the pets would be abandoned. Those pets then created large feral populations. That was an increasing animal control cost for the future. SVACA was not accepting surrender pets at the current time, and could not state when it might accept surrender pets in the future.

Rosemary Schmele had learned the Humane Society of Silicon Valley (HSSV) had a three-month waiting period to surrender dogs and at least one month for cats, if it agreed to take a surrendered pet. To apply to surrender a cat, HSSV required the owner to complete a four-page information sheet, pay a \$160 fee, and provide the veterinary records and proof that the animal was current with vaccinations. These requirements alone probably eliminated many pets from consideration. Next, there was a 45-minute interview, after which HSSV would schedule an assessment of the pet and determine if it would take the pet. HSSV cited temperament and health as issues, but it probably also considered adoptability factors such as age, breed, color and cuteness. If HSSV did not accept the pet, there was no other place because SVACA was not accepting surrenders. HSSV and SVACA did not have the capacity, and did not currently provide these services to their contracting cities. With the addition of more animals from Palo Alto and possibly Los Altos and Los Altos Hills, the situation became worse. SVACA in particular would provide a lower and more dismal level of services to all cities with which they contracted. Palo Alto would not receive the services it paid for, and the residents and animals would suffer. SVACA was operating over their actual service capacity. Any representation otherwise did not take into account actual animal service levels.

Cheryl O' Conner understood that the City had to cut costs, but also understood that the City overspent in some areas. She suggested eliminating double dipping by retirees to fund the PAAS. She suggested dog training programs could generate revenue.

Theresa Morris had volunteered at PAAS. PAAS provided a community service through opportunities for pet lovers to interact with pets. She felt the residents of Los Altos would be interested in knowing more about this issue, and perhaps would be willing to pressure the Los Altos government to pay more for the service. She felt elimination of the volunteer coordinator would increase costs. Outsourcing would cost the Police Departments in all the cities a great deal of money.

Jessica Koran did not feel different fees for residents versus non-residents were an issue. She questioned Staff's figures, because an RFP had not been issued. Discussing cost savings without a formal response to an RFP seemed premature. She hoped the Council would perform further research.

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Catherine Kirkman opposed the PAAS closure, and supported the proposal of the Palo Alto Humane Society. She also supported a friends of the shelter initiative. She reported Stanford contracted with Crane Pest Control for pick up, and dogs were taken to Silicon Valley Humane Society or Morgan Hill. It was poor fiscal management to dismantle vital City services to offset pension costs.

Annette Herz had utilized PAAS neuter and spay services for seven cats. She felt lucky to live in a City with such services. Palo Alto was known as a progressive City, and it was mind-boggling not to have PAAS.

A Redwood City resident said she volunteered at PAAS in the spay and neuter clinic. She had called her community shelter about a dead animal on a sidewalk. They picked up the animal three days later. That was a health hazard, as well as an emotional and psychological hazard for residents. She related the story of a resident surrendering a pregnant cat and a male cat. She did not believe the pet owner would pay \$320 to surrender those animals. She urged the Committee to consider those issues in making its decision.

Carol Novello, from the Silicon Valley Humane Society, urged the Council to consider seriously the request for a task force. Physical proximity was critical for animals brought to the shelter and for owners to find lost animals. Taking the time to carefully and thoroughly plan for the future through a task force was critically important. Silicon Valley Humane Society had not received a response from the City to its phone requests to assist in this process. It wanted to assist in finding a solution that worked for the citizens and animals of Palo Alto.

Suzy Heisele worked with the Palo Alto Humane Society and HSSV. Rather than closing PAAS, she suggested updating and supporting it. People paid more for adoptions at HSSV, because HSSV of the state of the facility.

Charles Gary stated the emotional case had been made. He noted the ideas of reducing costs, fundraising efforts, increased mileage costs for residents, some savings from the loss of the Mountain View contract, and dead animals not being picked up. He felt the City could be in the position of losing money if services were reduced.

MOTION: Council Member Schmid moved, seconded by Council Member XXX to request Staff issue a Request for Proposal for Animal Services while at the same time working to define expected budget savings and to define clearly what would be lost in the service levels for Palo Alto and to continue

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conversations with San Mateo County cities considering the possibilities of revenue enhancements.

MOTION FAILED DUE TO A LACK OF A SECOND

MOTION: Council Member Klein moved, seconded by Council Member Espinosa to recommend the City Council; 1) Continue the Animal Services Program and find not less than \$100,000 in increased revenue from a combination of increased payments by Los Altos and Los Altos Hills, increased non-resident fees, and increased license fees, and reduce expenses by approximately \$200,000 for Fiscal Year 2013 to cover the \$300,000 lost from Mountain View, 2) request the City Manager appoint a task force to report, by the end of the current calendar year, suggestions to him for further revenue increases, and reduced expenses, with the goal of eliminating the gap caused by Mountain View, plus one half of the remainder of the amount Palo Alto paid for Animal Services to be effective by Fiscal Year 2014, the task force will also make recommendations to totally eliminate the amount paid by the City for Animal Services by Fiscal Year 2016.

Council Member Klein remarked that pet ownership was not unusual in Palo Alto. He was impressed by the public's comments and the number of emails received. He was disappointed that most emails urged the Council to fund PAAS without a consideration of revenue and expenditures. He did not expect commercial businesses to solve the funding problem. The newspaper columnist did not indicate the City had a net reduction of over 60 employees in the last three or four years.

Mr. Keene reported 10 percent of the City's general tax-supported Staff had been eliminated in the past three years.

Council Member Klein was not impressed with the idea of outsourcing. Outsourcing was not always a good idea and not a magic solution. He did not think residents would drive to other communities for services for their animals. Outsourcing might be feasible in dollars and cents, but that did not include a dramatic reduction in the service level. He deliberately set goals for a task force. The Council had been moving too fast in that the idea was presented to the Council just six weeks ago. The Palo Alto Humane Society contained many good ideas, and perhaps some of the ideas would be feasible. It had the desired increase in revenue and reduction in expenses. He hoped a task force would have more ideas about improving services and making them economical.

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Council Member Espinosa stated the COMMITTEE reviewed policies across the different departments within the City. The Finance Committee would take up the same issue, and they had a different perspective. Following that, the full Council would consider this issue. He agreed with comments that there was no panacea. The City had led the State on reform with regard to unions, and recognized the need to make significant changes across all labor units. He thanked the public and particularly the Humane Society for recognizing the need to generate revenue and reduce costs and for proposing creative solutions. Rarely had he seen an organization present a comprehensive set of ideas like the Humane Society. He encouraged the public to make a personal investment to engage in this issue for the long term. A friends organization could work, but it required a great deal of effort over many years.

Council Member Schmid agreed it was a tough situation. Time was necessary and more information critical to making it work. This gave residents an opportunity to work with the Council.

Chair Holman also was impressed by the Humane Society's proposal. She invited citizens to remain involved, because civic engagement was the means to solving problems. There were limitations on what the Council could do, because of legal requirements and because those changes affected lives. This was a financial issue as well as a Palo Alto value which the community had held for more than 100 years. It was also a health issue not just for the animals, but also for many people who had animals. She offered a friendly amendment to the Motion to include Carol Hyde of the Palo Alto Humane Society and Carol Schumacher of Mid-Peninsula Animal Hospital on a task force.

Council Member Klein stated if the Committee specified the members, it could become a Brown Act committee.

Ms. Stump reported it would be treated as a Brown Act committee if the Council appointed the advisory committee, and it would need to follow those procedures. The Motion was carefully drafted to direct the City Manager to appoint the task force to advise him. That was an appropriate way to proceed to avoid the rubric of the Brown Act.

Chair Holman hoped the City Manager would include Carol Hyde, Carol Schumacher, and Carol Novello in the committee.

Mr. Keene noted different factors of the public attended Council meetings each week depending on the issue being discussed. There was a constituency and demand for each of the City's services. He wanted to use

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these discussions as an opportunity to create greater understanding rather than divisions. The real challenge was reconciling the differences over the years. Services could be performed better, more money could be saved, and revenues could be restructured, but that was not easy work. He understood the intent of the Motion, and hoped Staff would not be bound by the stated metrics if they could do better in a particular timeframe. The less the Council created savings this year, the greater the deficit that would impact other program or service areas. He invited the public to come to any meeting after budget discussions were completed to better understand the City and Council actions. The City would be better with citizens who understood a range of issues.

Chair Holman stated the Council had made critical and serious decisions about important services. Based on the public turnout, PAAS was an important service. She assumed the Motion did not preclude such things as fundraising, and asked residents to remain engaged with this effort. She hoped expenditures were driven by policy.

Council Member Klein repeated the Motion:

1. Do not at the present time outsource PAAS;
2. For FY 2013, Staff find a combination of reduced expenditures and additional income to at least equal the gap created by Mountain View's departure, which was approximately \$300,000, or \$100,000 in increased revenues and \$200,000 from reduced expenses; and,
3. The City Manager appoint a task force to advise him on PAAS programs, and that a) a report would be due to the City Manager by the end of the calendar year; b) report recommendations would eliminate the gap caused by Mountain View's departure and also eliminate not less than one half of the remainder of the budget gap for PAAS for FY 2014; and, c) report recommendations would eliminate the remaining gap for FY 2016.

MOTION PASSED: 4-0

ADJOURNMENT: Meeting adjourned at 9:08 p.m.