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EDWARD A. BOKS
General Manager

Report to the Board of Animal Services Commissioners

Edward A. Boks, General Manager

COMMISSION MEETING DATE: December 10, 2007 **PREPARED BY:** Linda Barth

REPORT DATE: December 6, 2007

TITLE: Assistant General
Manager

SUBJECT: Amend Los Angeles Municipal Code to Remove Specific Fees and Charges Related to Adoption, Redemption, and Permits and Direct the Board to Annually Review Fees and Submit a Schedule of Fees for Approval of the Mayor and Council

BOARD ACTION RECOMMENDED:

That the Board:

1. Request that the City Council direct the City Attorney to prepare an ordinance amending the Los Angeles Municipal Code (LAMC) to require the Board, with assistance of the City Administrative Officer (CAO), to review fees and charges at least annually relating to impound, adoption, redemption, and permits, based on a cost recovery model, and submit recommendations to the Mayor and Council for approval;
2. Request that the ordinance delete specific fees and charges in sections of LAMC 53.00, as described below;
3. Rescind the previous recommendation that the Council delegate authority to the Board to set fees;
4. Note and file the "Study of Fees and Charges 2007-2008 for the Los Angeles Department of Animal Services" as submitted to the Council and CAO in accordance with the 2007-2008 Budget Instructions, pending approval by Council of the requested ordinance amending LAMC; and,

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5. Direct Staff to transmit this request to the Mayor and Council for consideration and action.
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SUMMARY:

❖ Background On Previous Recommendations and Need for Change

At the meeting of July 23, 2007, staff presented to the Board recommendations on streamlining the process for annually reviewing and setting fees and charges, which are currently set forth explicitly in LAMC 53.00 et. seq. The recommendation, to amend the LAMC to delegate authority to the Board to set fees and charges relating to impound, adoption, or redemption, based on a cost recovery model and subject to review by the City Administrative Officer, was based on a fee-setting provision in LAMC 54.12 for the Fire Commission. The July 23, 2007, action, as amended in the Board meeting, also recommended giving the Board authority to waive fees for adoption promotional events, beyond the current restricted authority of the General Manager to waive fees for non-profit rescue partners and for special events three days per year.

These recommendations to modify the LAMC were a first step in a larger process of reviewing the fees, charges, and fines set in the LAMC relating to services and functions of Animal Services. During the City Council's hearings on the Mayor's Fiscal Year 07-08 Budget, the Department was requested to report on recent efforts to ensure that we were recovering costs in the fees we charged. No comprehensive effort to adjust fees has been made since at least 1995. In these intervening years, any individual changes in fees, including license fees, were a response to a particular problem or circumstance, not the outcome of a cost recovery exercise. For example, a proposal to increase the adoption fee for "pocket pets" from \$1.00 to \$5.00 was aimed at pricing these little pets above the amount owners of snakes and other animals would pay for food. While the cost just of processing the paperwork to impound and adopt a pocket pet surely exceeds \$5.00, the increase was selected after considering market factors and not true service costs. Only with the licensing increase was any cost recovery research performed, and that research was a component, not a driver, of proposed changes.

As staff researched cost elements and developed models for calculating fees based on the costs of services, however, it became clear that along with simplifying the fees and tying them logically to costs, we needed to improve the ease and timeliness of changes. Explicitly listing fees in LAMC is atypical within the City and not comparable to practices for any other major animal control agency. The length of time required to effectuate a change when an ordinance must be processed quashes efforts to make changes at any regular interval. Those occasional changes that have been made over the years, for example that increase in the "pocket pet" adoption fee, required multiple public

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hearings, the drafting of an ordinance, then review, approval, and publishing of the fee change ordinance. As a result of the additional time needed to complete the ordinance-related steps of the process, and the relative low priority compared to other ordinances needed by the City, the entire process to raise this fee by \$4.00 took about a year. Also, worthy promotional efforts can be delayed because every waiver beyond the three days' of events allowed in the LAMC also requires LAMC change by ordinance. For example, a popular proposed discount for senior citizens who adopt senior-aged pets was finally approved by Council in mid-summer 2007, but implementation is expected no sooner than six months later, in January 2008, because of the ordinance creation and approval process.

Inasmuch as both the Department's fee schedule and the process for setting fees on a regular basis needed overhaul, staff recommended on July 23, 2007, that the proposal to delegate fee-setting start to move through initial review by the Mayor and the City Council, while work was finalized on the required fee study report and cost recovery model. The goal was for efforts to establish guidelines for new fees and to gain permission to set fees proceeding concurrently.

❖ Developments Prompting Modifications to the Original Recommendations

The Budget and Finance Committee of the City Council considered the recommendations about fee setting and waivers for special events at their meeting of September 10, 2007, at which they requested an assessment of the recommendations by the CAO. The CAO's report, dated, November 6, 2007, discussed the background on fees and lack of cost recovery basis, but also recommended that the Council take no action on delegating fee setting authority until the full study on fees and charges was submitted and analyzed. Budget and Finance Committee concurred with this recommendation at their meeting on November 26, 2007. In discussions with the CAO and with the Committee, however, the Department has learned that a modification of the original recommendation would greatly assist the Department in achieving the principal goal of the recommendation: removing individual fees from LAMC and establishing an annual review process.

As mentioned, the original recommendation was based on language in LAMC 57.04.12(c) describing the Fire Department's fee development process. The relevant portion of the Fire Department language appears to delegate fee setting to the Board of Fire Commissioners, with fees to be on the basis of "verifiable costs" and reviewed by the CAO. We have since learned that in practice the Fire Commission reviews and determines costs and fees, with CAO participation, but they also submit all fees to the Council for approval. The modified model staff now proposes would still achieve the goal of removing express fees from:

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Pound Fees - Section 53.12(a)

Electronic Animal Identification Device Fees – Section 53.15.5

Permit Fees – Section 53.50(f)

Suggested language in the modified amendment to LAMC 53.12 would be:

The Board, with the concurrence of the City Administrative Officer, shall determine on a regular basis the verifiable costs of the City for the items set forth in this subsection. These costs shall be the actual total costs incurred, as determined by the Board. The Board shall use those costs to develop a cost recovery schedule of applicable charges necessary to recover City costs for services or issuing permits in connection with the activities set forth in the schedule. The Board shall recommend fees for services and activities and adopt such fees subject to review and approval of the City Council.

In regard to the fee waiver aspect of the original recommendation, and again factoring in learning from our work studying the current fee situation, staff also recommends a modification. Along with establishing a new schedule of streamlined fees, a set discount rate also would be established along with criteria for triggering the discount. For example, the fee schedule could stipulate that the promotional adoption price for an animal would be one-half the regular price, and could be applied as seen fit by the Board during the ten days before and after certain holidays, or during well-known peak animal intake periods. Should the Department desire to activate the promotional discount outside the criteria, special approval would go through the same process as fee review, which is Board and Council approval, but not requiring an ordinance.

❖ Preview of Cost Recovery Model and Report to Council

The Department has also completed the “Study of Fees and Charges 2007-2008 for the Los Angeles Department of Animal Services,” provided for your review. This study will be the foundation of a future report specifying recommended fees, after Council considers and acts on the recommendations regarding setting a fee schedule. During the review of the study by Council and the CAO, some changes and refinements are likely. The Board may also have comments that will be considered prior to recommending a final set of fees.

The cost recovery formulas integrate several factors to achieve the most conservative and fair average cost of caring for the animals of the City. A fee which recouped from an adopter of a pet the full cost of taking in and caring for that pet up to adoption would be counter-productive to the City’s goal of becoming “no-kill.” Elements of the cost recovery model:

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- The average time for various staff members to perform intake, adoption, periodic medical exam, daily care such as cleaning and feeding, and weekly special cleaning developed after both survey of staff and focus group meetings.
- Average time for officers on calls developed by extracting mean and average call start and complete times in Chameleon; officer time for permit inspection estimated based on experience of current officers.
- Food costs averaged using contract prices and comparing with outside daily food cost estimates.
- Hourly rates for staff including cost-of-living raises projected through 2008-2009, but not fully burdened with benefits, compensated time off, and central services in this exercise because the resulting cost of adoption would be too prohibitive; burdened rates used for permit fees.
- Average days that an impounded animal is held before adoption, redemption, or other outcome, by type of animal.
- Real cost of vaccines and other medicines.
- Estimates of other expenses such as photocopies, mailing, and disposal.

This provided an average cost per dog, cat, rabbit, equine, small animal/bird/reptile, and other animals, along with average fees to process and inspect for permits. Because those fees were still at or above market costs, and given the need to increase adoptions to achieve “No-Kill” goals, we further applied a “marketing factor” that dropped the adoption/redemption rates to a pro-rata of the cost. Just as these costs can be updated annually and the fee automatically re-calculated, the “marketing factor” can be re-evaluated annually and altered to meet market conditions.

The fee study focuses on eliminating hundreds of individual charges that confuse staff, are inconsistently applied, and nearly impossible to audit, and instead establishing a flat fee for adoptions and redemptions, with spay/neuter, micro-chipping, and licensing added to the flat fee as appropriate. Promotional fees would be a set discount off the flat fee. Rescue partners would be able to pull animals at a third tier, which would be a fraction of the promotional discount rate.

❖ Summary Justification for Change

The current situation for the Department is that we use a schedule of fees that are inconsistent with the City’s cost recovery principal, is confusing to the public, and is difficult to apply consistently. For example, LAMC incorporates different fees for a redeemed animal than for a stray adopted animal of the same species--a redeemed cat is \$2 per day, while an adopted cat is a flat \$3. Receipts may show six or more individual fee types with the charge for some varying from customer to customer depending on the details of the adoption and how the animal came to Animal Services. Permit fees do not include any coordination with the time needed to do an inspection,

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which varies greatly between, for example a cat kennel versus a pet store, while the fees are almost the same. Discount promotions are needed tools to improve marketing of animals for adoption, but only three days a year is not effective.

The hand-in-hand steps of recommending process change while preparing a new fee schedule that will have consensus support will result in better fee handling in 2008.

FISCAL IMPACT:

The Department will realize a revenue gain from the changes, since the City will start with a foundation of cost recovery and be able to more timely process adjustments. Since the initial fee schedule is not set and implementation date is not known, no revenue estimate for the current year can be provided. However, if the fees are implemented by 2008-2009, and the number of animals and permits do not diminish with some increase in fees, the Department could realize up to \$1 million annually in additional revenue. The Department will be greatly advantaged by this change regardless of the exact revenue increase because there are positive monitoring and accountability effects in tying fees charged to services actually expected of and performed by staff.

Approved:

Edward A. Boks, General Manager

BOARD ACTION:

_____ Passed	Disapproved _____
_____ Passed with noted modifications	Continued _____
_____ Tabled	New Date _____