

**Performance Review
of the
Sonoma County
Animal Services Function**

**Prepared for:
County of Sonoma**



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September 22, 2020

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public sector management consulting



September 22, 2020

Ms. Terri Wright
County Administrator's Office
County of Sonoma
575 Administration Drive
Santa Rosa, CA 95403

Dear Ms. Wright:

Harvey M. Rose Associates is pleased to present our revised *Performance Review of the Sonoma County Animal Services Function*. As requested, our analysis included a review of organizational improvements that were recommended by prior studies, an evaluation of the County's cost recovery for animal services provided to the City of Santa Rosa and the Town of Windsor, and an evaluation of organizational placement, service delivery, and governance options for animal services within and outside the County structure.

Thank you for the opportunity to work with the County of Sonoma. Please contact us at any time if you have questions or would like further information about the contents of this report. As indicated in our work plan, we are also available to present our analysis to the Board of Supervisors, if requested to do so.

Sincerely,

Fred Brousseau, Principal

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Executive Summary

Introduction

As requested by the County Administrator's Office, our performance review of the Sonoma County Animal Services function included: a review of animal services organizational improvements that were recommended by prior studies; an evaluation of the County's cost recovery for animal services provided to the City of Santa Rosa and the Town of Windsor; and an evaluation of animal services organizational placement, service delivery, and governance options within and outside the County structure.

Status of Prior Recommended Improvements to Animal Services

Animal Services has successfully implemented improvements to its operations since its move to the Department of Health Services in 2010. Shelter outcomes and relationships with stakeholders have improved, as has access and reliability of certain operational data and online services. However, the Animal Services Unit remains in the same facility, which is sub-optimally located and designed, and needs to be improved, particularly reducing the noise within the holding areas and expanding the space for veterinary treatment, according to prior assessments. The cost of a new facility was estimated to be \$11.2 million in 2009; the cost of expanding the medical treatment area has not been estimated. In addition, the Animal Services Unit has lost 6.5 full-time equivalent positions (FTEs) of the total 39.00 FTEs it had as a maximum staffing level in FY 2016-17, which may undermine its performance going forward.

Cost Recovery from Contracts with Santa Rosa and Windsor

The City of Santa Rosa and the Town of Windsor contract with Sonoma County for services provided by the Animal Services Unit of the Department of Health Services. In FY 2018-19, the two jurisdictions paid a total of \$2.2 million for these services, or approximately 35 percent of the \$6.3 million in actual Animal Services Unit costs.

The billing methods for the City of Santa Rosa and Town of Windsor contracts should be modified to more accurately capture Animal Services costs. Modifying billing methods would require negotiations with the cities, as well as contract amendments. On net, we estimate that amending billing methods with both cities and correcting billing discrepancies would result in \$250,949 in additional revenues for the County.

The City of Santa Rosa contract does not fully recover costs due to the contract's workload formula, which does not adequately capture shelter services workload, resulting in an estimated \$46,663 in lost revenue for the County in FY 2018-19. Discrepancies between the final billing invoice and actual costs and revenues resulted in an additional \$166,784 in lost revenue, for a total of \$213,447 in lost revenue in FY 2018-19.

As in prior years, billing for the Town of Windsor in FY 2018-19 was a fixed amount (\$255,531 for that year) but this did not reflect actual expenditures for Animal Services, up-to-date workload

information, or building replacement costs, resulting in billing amounts that did not reflect the actual costs of providing animal services to the Town. While the current billing arrangement could result in under- or over-billing to the Town in a given year depending on changes in costs and workload, we estimate that it resulted in \$37,503 in lost revenue for the County in FY 2018-19, but it may have also resulted in over-billing to the Town of Windsor in other years when workload was lower than in FY 2018-19.

The County's contract with the Town of Windsor expired in June 2019 and was renewed for one year under a new inter-agency services agreement for a fixed amount of \$300,000. The one-year contract was intended to support continuity of services while the Town of Windsor went through a competitive bidding process to select a new animal services contractor. Our analysis focuses on contractual terms and conditions prior to the one year arrangement.

Analysis of Placement Alternatives for Animal Services

Based on animal care and control organizational placement in other jurisdictions and in consultation with the County Administrator's Office, we identified several placement options for the Sonoma County Animal Services Unit, including:

1. remaining at the Department of Health Services (DHS),
2. placement in a different County department or as a standalone department,
3. transfer of functions to a joint powers authority (JPA), or
4. contracting with non-profit animal welfare providers for some or all animal care and control functions.

We evaluated each placement option based on the following criteria:

- cost
- performance
- governance
- willingness of the potential placement partner, and
- timeline for completing the transfer of functions.

Though not without obstacles, we conclude that contracting would be the most beneficial placement option for the County. County officials may place greater value on one criterion (e.g., governance) over others (e.g., cost) and arrive at a different conclusion.

Our analysis of placement options concluded that the County could save up to approximately \$829,306 on wages and benefits and up to \$1.5 million on administrative costs annually if it contracted with a non-profit organization for animal care and control services. Existing Sonoma County nonprofit providers have expressed an interest in contracting with the County and their performance data indicates they have better shelter and medical outcomes than the County, though this may be, in part, due to the fact that the County is required to take in all stray dogs.

Contracting for animal services carries a risk of negative outcomes if the County's contractor oversight is lax. Such outcomes could be mitigated by executing a strong contract and active County management of a contract, including contractor oversight by a subject matter expert.

Besides cost advantages, the contracting placement option scored high in our analysis for mission alignment and expertise among potential partner organizations. Though County costs would be incurred for at least a year while managing the transfer of functions to a contract service provider, and the County could attempt to negotiate that labor costs could remain at their current level during a transition period for existing employees if they transfer to the nonprofit. However, ongoing cost savings would be realized over time due to the lower labor and administrative costs of potential non-profit contractors.

Our analysis concluded that the most beneficial placement option for remaining within the County is either making Animal Services a standalone County department with its own oversight commission or remaining in DHS. In order to properly function as a standalone department, new positions would have to be added to Animal Services though these costs would be offset by a reduction in administrative service charges.

The least disruptive placement option would be for Animal Services to remain within DHS but with a more appropriate administrative cost recovery model that better aligns administrative service charges with benefits to Animal Services. Though it would not reduce labor costs, the savings from a more appropriate DHS administrative service charge back model could be used to enhance Animal Services, including the restoration of recently deleted positions.

Introduction and Review of Previous Animal Services Assessments

Harvey M. Rose Associates, LLC is pleased to present our *Performance Review of the Sonoma County Animal Services Function*. As requested, our analysis included: a review of animal services organizational improvements that were recommended by prior studies; an evaluation of the County's cost recovery for animal services provided to the City of Santa Rosa and the Town of Windsor; and an evaluation of animal services organizational placement, service delivery, and governance options within and outside the County structure. To complete this analysis, we interviewed staff and management at the Department of Health Services (DHS), the Animal Services Unit, the Sheriff's Office, the Department of Agriculture/Weights and Measures, and the Department of Regional Parks, conducted a site visit to the Animal Service facility in Santa Rosa, conducted interviews with governmental and non-profit animal welfare providers within and outside of Sonoma County, reviewed fiscal and operational data for all of the County's Animal Service functions, reviewed prior assessments of the functions, and reviewed the County's contracts for Animal Services with the City of Santa Rosa and the Town of Windsor.

Overview of Animal Services

Sonoma County's Animal Services function is organizationally located within the Department of Health Services' Public Health Division. The major functions of Animal Services include: sheltering stray or unwanted domestic animals, removing dead animals, pet licensing, rabies prevention, low cost spay and neutering, and enforcement of animal welfare regulations and impounding animals. Exhibit 1 below summarizes Animal Services' budget and staffing.

Introduction and Review of Previous Animal Services Assessments

Exhibit 1: Animal Services Unit Budget and Staffing

Revenues (Budget)	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	5 Year \$ Change	5 Year % Change
Contract Cities	\$2,225,019	\$2,125,582	\$2,127,912	\$2,104,507	\$2,163,111	(\$61,908)	(2.8%)
General Fund	\$1,035,987	\$1,410,699	\$1,484,323	\$1,529,211	\$1,439,212	\$403,225	38.9%
Licenses & Permits	\$1,198,935	\$1,320,901	\$1,397,000	\$1,270,750	\$1,191,461	(\$7,474)	(0.6%)
Offset to County Cost Plan	\$733,908	\$500,984	\$308,181	\$561,516	\$954,026	\$220,118	30.0%
Charges for Services	\$174,250	\$315,503	\$308,669	\$367,730	\$367,730	\$193,480	111.0%
Misc. Revenues	\$463,109	\$197,000	\$197,150	\$325,000	\$320,000	(\$143,109)	(30.9%)
Reimbursements	\$295,056	\$60,000	\$83,341	\$81,266	\$124,244	(\$170,812)	(57.9%)
Fines	\$140,158	\$72,900	\$69,900	\$86,500	\$86,500	(\$53,658)	(38.3%)
Other Financing	\$0	\$0	\$35,000	\$78,746	\$0	\$0	n/a
Total Revenue (Budget)	\$6,266,422	\$6,003,569	\$6,011,476	\$6,405,226	\$6,646,284	\$379,862	6.1%

Expenses (Budget)	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	5 Year \$ Change	5 Year % Change
Salaries & Benefits	\$3,694,835	\$3,788,277	\$3,905,753	\$3,797,810	\$3,587,964	(\$106,871)	(2.9%)
County Cost Plan	\$733,908	\$500,984	\$308,181	\$561,516	\$954,026	\$220,118	30.0%
Services	\$719,186	\$298,295	\$415,296	\$736,450	\$740,850	\$21,664	3.0%
DHS Admin Charges	\$297,907	\$399,678	\$389,764	\$464,716	\$641,985	\$344,078	115.5%
County Direct Service Charges	\$515,710	\$700,068	\$691,646	\$529,361	\$407,267	(\$108,443)	(21.0%)
Supplies	\$315,489	\$352,474	\$300,837	\$315,373	\$314,192	(\$1,297)	(0.4%)
Capital Assets	\$12,157	\$0	\$0	\$0	\$0	(\$12,157)	(100.0%)
Other Financing	\$0	\$0	\$0	\$0	\$0	\$0	n/a
Total Expenses (Budget)	\$6,289,192	\$6,039,776	\$6,011,477	\$6,405,226	\$6,646,284	\$357,092	5.7%
Total FTEs	37.00	38.00	39.00	35.00	32.50	(4.50)	(12.2%)

Source: Department of Health Services

Notes: County Cost Plan expenses are fully covered by Offset to County Cost Plan, a General Fund revenue. "Miscellaneous revenues" refers to license fee revenue that is not attributable to any jurisdiction; changes to that revenue line reflect the level of detail in license documentation.

As shown above in Exhibit 1, the total expenditure budget for Animal Services increased by 5.7 percent, or \$357,092, between FY 2014-15 and FY 2018-19. However, over the same period, total staffing decreased by 12.2 percent, or 4.50 FTEs. Three expenditure lines had budgeted increases

since FY 2014-15: costs for County Cost Plan (which are fully offset by matching revenues), costs for Department of Health Service administrative charges, and costs for services. The budgets for salaries and benefits, service charges provided by other County departments, supplies, and capital assets (which are prior year encumbrances) all decreased in FY 2018-19 relative to FY 2014-15. In FY 2018-19, the largest¹ non-labor expenditure budget was the line item for services, which includes contracts with veterinary service providers.

Background

In October 2010, the Board of Supervisors approved the transfer of all Animal Services functions from the Agriculture Commissioner's Office to the Department of Health Services. Prior to and since that time, there have been numerous evaluations of the Animal Services function and changes to program delivery. We reviewed prior studies of the County's Animal Services functions, including the 2006 Citygate Associates assessment, analyses conducted by the Department of Health Services and their consultants, and Civil Grand Jury Reports from 2009, 2014, and 2018. We identified common areas of analysis, grouped thematically below:

- **Shelter outcomes:** Animal Services shelter outcomes were found inconsistent with County and community goals, particularly the number of animals being euthanized.
- **Community outreach:** Prior assessments have noted the need for the Animal Services Unit to expand its community outreach efforts, including increasing the quality and frequency of public engagement and enhancing working relationships with other animal welfare service providers.
- **Operational data:** Prior studies have noted the need to make Animal Services' operational data more transparent and publicly available.
- **Licensing:** A prior assessment noted the planned implementation of a new licensing program would include online licensing, incentives for spaying and neutering, assessing the impact of waiving late fees on compliance rates, and additional efforts towards education and enforcement.
- **Facility:** Prior studies have recommended improvements to the existing facility and ultimately moving to a new facility.
- **Staffing:** Prior studies indicated a need for additional staffing for Animal Services, particularly to replace inmate labor, enhance field services, extend public hours, and enable more effective management oversight.

Many of the concerns raised by prior studies have been addressed, with two notable exceptions: field service staffing levels are below those recommended in the 2006 Citygate Associates assessment and many of the shortcomings inherent in the existing office and shelter facility

¹ The County Cost Plan expenditure line is fully offset by revenue.

remain unaddressed. The areas analyzed by prior studies are briefly discussed below, with a focus on ongoing issues facing the unit.

Shelter Outcomes

According to prior assessments, shelter outcomes historically have been a major concern for the public in Sonoma County. In particular, prior reports have recommended programmatic changes to support lowering levels of euthanasia, increasing adoption and reunification, and enhancing partnerships with foster organizations and other animal welfare providers. Exhibit 2 below compares three snapshots of shelter outcomes: FY 2009-10, the last year Animal Services was organizationally located in the Agriculture Commissioner's Office; FY 2015-16, approximately five years after the function had been transferred to the Department of Health Services; and FY 2018-19, the most recent fiscal year for which data is available at the time of this writing.

Exhibit 2: Shelter Outcomes

	FY 2009-10	FY 2015-16	FY 2018-19	Nine Year % Change
Intakes	5,242	3,233	2,863	(45.4%)
Adoptions	1,038	1,104	725	(30.2%)
Returned to Owner	96	1,138	939	878.1%
Transferred to Rescue/Other Agency	240	431	648	170.0%
Euthanized	1,172	556	318	(72.9%)
Live Release Rate	62.9%	81.8%	88.6%	40.9%

Source: Animal Services workload data provided by DHS and Asilomar report for FY 2018-19.

As shown in Exhibit 2, the number of intakes declined by 45.4 percent between FY 2009-10 and FY 2018-19. According to DHS management, intakes into the shelter declined largely because of a reduction in intakes of feral cats², increasing pet owner awareness of alternatives to surrendering their pets (such as behavior training or financial assistance programs), and increasing returns to owners in the field.

Over the same period, transfers to foster organizations increased substantially, by 170 percent. Returns to owners increased by 878.1 percent and the number of animals euthanized decreased by 72.9 percent, which accounts for the increase in the live release rate from 62.9 percent in FY 2009-10 to 88.6 percent in FY 2018-19. Adoptions made directly from the County shelter decreased by 30.2 percent but this was offset by the increase in reunifications and transfers to foster organizations.

Community Outreach

Prior reports have noted the need for the Animal Services Unit to expand its community outreach efforts, including increasing the quality and frequency of public engagement and enhancing

² According to management, Animal Services partnered with a non-profit, Forgotten Felines, to spay and neuter feral cats, which has reduced the number of cats coming in to the shelter.

working relationships with other animal welfare providers. According to interviews with Animal Services staff and management, public confidence in the organization has increased since it moved to DHS, a sentiment echoed by the non-profit animal welfare providers we spoke with. Since at least March 2016, DHS has contracted with a vendor to develop and maintain public-facing online content. In addition, staff have noted that community outreach is sometimes hamstrung by DHS's media relations policy, which requires approval from the Animal Services Director, the DHS Communications Coordinator, the Public Health Division Director, the Director of Health Services, and, if the issue is related to communicable diseases, the approval of the Health Officer as well.

Operational Data

Prior studies have noted the need to make Animal Services' operational data more transparent and publicly available. Animal Services has been using Asilomar statistical guidelines since August 2013, an industry standard for shelter outcome reporting.³ Individual outcomes are updated daily on the County's open data portal, and the most recent shelter outcome data featured on the Animal Services website is for FY 2018-19. Animals available for adoption at the County shelter are featured on Pet Harbor, a popular pet adoption website, which is linked to the Animal Services webpage and appears to be updated in real-time. When asked, Animal Services staff were able to immediately produce reports on: field service calls for service by type, location, and response time; license compliance; veterinary procedures; and shelter outcomes and lengths of stay, all of which represents an improvement from conditions noted in prior assessments.

Licensing

A prior 2013 assessment⁴ noted the intended implementation of a new licensing program would include online licensing, incentives for spaying and neutering, assessing the impact of waiving late fees on compliance rates, and additional efforts towards education and enforcement. Because licensing revenues (for pets and for kennels) represented 17.9 percent of the Animal Services revenue budget in FY 2018-19, we reviewed the status of these specific recommendations. We found that pet owners may register their pets and pay for licenses online, as originally recommended, and the current licensing fee structure incentivizes spaying and neutering. In addition, according to interviews with Animal Services management, licensing education content is delivered via public events and social media. Prior attempts to increase license compliance, such as waiving late fees, appear to have not been effective at increasing compliance rates, as shown in Exhibit 3 below. To increase licensing compliance, DHS management stated that Animal Control Officers spend a portion of their time visiting veterinarian offices to educate staff there about the County's dog licensing requirements.

³ The Asilomar reporting refers to a 2004 accord to standardize data collection and definitions and to assure consistent reporting across animal welfare agencies regarding shelter outcomes.

⁴ Report to Sonoma County Board of Supervisors, "Animal Care and Control and Animal Services Workgroup Update", August 13, 2013.

Exhibit 3: Licensing

	2013	2014	2015	2016	2017	2018	% Change
Dogs	30,276	34,236	36,398	34,774	32,576	32,054	5.9%
Cats	184	169	125	183	205	139	(24.5%)
Total Licenses	30,460	34,405	36,523	34,957	32,781	32,193	5.7%
Actual Revenue	\$738,814	\$1,022,998	\$1,132,324	\$1,173,863	\$1,148,465	\$1,194,025	61.6%
Est. Compliance %*	unavailable	unavailable	unavailable	39.8%	38.4%	39.2%	n/a

Source: Animal Services.

Note: License data refers to calendar year and revenue and compliance estimates are fiscal year figures. License compliance is estimated by the County by comparing the total number of licensed dogs against the total dog population of the City of Santa Rosa, Town of Windsor, and unincorporated portions of the County. The dog population is estimated by multiplying the estimated number of households with dogs by the estimated number of dogs per household that have them.

As shown above, licenses for dogs (which are required by County ordinance) increased by 5.9 percent between 2013 and 2018 and revenue increased by 61.6 percent over the same period, mostly as a result of a substantial increase in licenses issued in 2014 and then remaining close to that level through 2018. However, during 2016 – 2018 estimated license compliance remained relatively unchanged.

Facility

Like shelter outcomes, the Animal Services facility has been a source of community concern and a repeated focus of prior assessments. The facility functions as a shelter, adoption center, administrative office, and point of public contact for all Animal Services programs (including licensing, veterinary, and enforcement actions). Several challenges identified in prior assessments, including a Swat Miers architectural assessment in 2009 and an assessment by Citygate Associates in 2006, were determined to have been addressed or deemed not problematic in a 2014 assessment by a team from the UC Davis Koret Shelter Medicine Program. That assessment found that the facility was adequate but had the potential to be better.

The UC Davis team recommended some changes in operations and physical upgrades to improve the overall experience for animals at the shelter. The 2014 assessment did agree with the earlier reports in its conclusion that the current design is stressful for the animals because the holding areas are very noisy, that there is inadequate space for veterinary procedures at the facility, and that the lobby area is too small for all public interactions. The prior analyses recommended moving Animal Services to a new facility, which was estimated to cost approximately \$11.2 million in 2009. The cost of the recommended expansion of the medical treatment room only was not quantified in the UC Davis or any other studies.

Staffing

Prior studies indicated a need for additional staffing for Animal Services, particularly to replace inmate labor, enhance field services, extend public hours, and enable more effective management oversight. For example, increases in shelter and management staffing since 2006 have allowed the Unit to improve its shelter performance and to extend public hours for the shelter, which have increased from 16 hours per week in 2006 to 27.5 in FY 2019-20.

While the total authorized Animal Services FTEs increased from 26.5 FTEs in FY 2005-06 to 39 FTEs by FY 2016-17, the Animal Services Unit subsequently lost 6.5 FTEs for budget balancing purposes resulting in total staffing of 32.50 FTEs, which remains the staffing level as of this writing, and which includes the loss of the Director position as of October 2019. Because the most recent staffing analysis of this function is from 2006, when the program served a greater number of jurisdictions, a new staffing analysis for the Animal Services Unit should be conducted to determine the optimal level of staffing.

Field Services

The decreases in staffing also included the loss of two Animal Control Officers and one Supervising Animal Control Officer. As a result, the Field Services program staffing is the same in FY 2019-20 as it was in FY 2005-06, when the Citygate Associates assessment recommended at least two additional Animal Control Officers for the Field Services program.⁵ In FY 2013-14, the Unit achieved the Citygate Associates recommended staffing level of 13.00 Animal Control Officer FTEs. However, one was deleted in FY 2017-18 (along with a Supervising Animal Control Officer) and another was deleted in FY 2018-19, in all cases to balance the budget. Exhibit 4 below shows the calls per Animal Control Officer and per Supervising Animal Control Officer. The calls for service between FYs 2015-16 and FY 2017-18 have remained virtually the same, however the decrease in staffing has meant that the calls per officer have increased by 15.9 percent.

⁵ However, the Animal Services Unit served a greater jurisdiction at the time of the Citygate Associates staffing recommendations (the Unit had contracts with Healdsburg and Cloverdale at the time, in addition to Santa Rosa and Windsor).

Exhibit 4: Calls for Service

Workload Metric	FY 2015-16	FY 2016-17	FY 2017-18	% Change
Calls for service	16,832	16,496	16,900	0.4%
Animal Control Officers	15.00	15.00	13.00	(13.3%)
Calls per ACO Full-time Equivalent (FTEs)	1,122	1,100	1,300	15.9%

Source: Activity Report by Jurisdiction for FY 2015-16 – FY 2017-18. ACO FTE include Animal Control Officers and Supervising Animal Control Officers (subtracting one Supervising Animal Control Officer from the total number of funded FTEs, as that person is assigned to oversee shelter operations).

Given that the County will be considering organizational alternatives as outlined in this report in the near future, and the workload per Full-time Equivalent position (FTE) has not increased dramatically as of FY 2018-19, we do not recommend adding Field Services staffing at this time.

Summary of prior analyses

Animal Services has successfully implemented improvements to its operations since its move to the Department of Health Services in 2010. Shelter outcomes and relationships with stakeholders have improved, as has the access and reliability of certain operational data and online services. However, the Animal Services Unit remains in the same facility, which is sub-optimally located and designed, and needs to be improved, particularly reducing the noise within the holding areas, and an expanded space for veterinary treatment according to prior assessments by Swat Miers, Citygate Associates, and a veterinary team from UC Davis. The cost of a new facility was estimated to be \$11.2 million in 2009; the cost of expanding the medical treatment area has not been estimated. In addition, the Animal Services Unit has lost 7.5 FTEs of the total 39.00 FTEs it had as a maximum staffing level in FY 2016-17, which may undermine its performance going forward.

Prior studies and assessments reviewed

We reviewed the following studies to understand the historical challenges, recommendations, and changes to program delivery in the Animal Services Unit.

- Reports to the Board of Supervisors, dated September 9, 2010; August 21, 2012; August 13, 2013
- Civil Grand Jury Reports, dated June 2004, July 2009, July 2014, July 2018
- Internal Assessments:
 - Building a High-Performing Animal Services Agency for County of Sonoma, Status Update, Department of Health Service, December 1, 2014
 - Strategic Opportunities & Direction, Animal Services, October 2017
- Sonoma County Capital Project Plan Request Form, October 1, 2014
- Third party assessments:

- Management Review of the Sonoma County Animal Regulation Division, Citygate Associates, 2006
- Condition & Needs Assessment, County of Sonoma Animal Shelter, Swatt Miers Architects, June 2009 (excerpts only)

1. Contracts

- The City of Santa Rosa and the Town of Windsor contract with Sonoma County for services provided by the Animal Services Unit of the Department of Health Services. In FY 2018-19, the two jurisdictions paid a total of \$2.2 million for these services, or approximately 35 percent of the \$6.3 million in actual Animal Services Unit costs.
- The billing methods for the City of Santa Rosa and Town of Windsor contracts should be modified to more accurately capture Animal Services' costs. Modifying billing methods would require negotiations with the cities, as well as contract amendments. On net, we estimate that amending billing methods with both cities and correcting billing discrepancies would result in \$250,949 in additional annual revenues for the County.
- The City of Santa Rosa contract does not fully recover costs due to the contract's cost recovery formula, which does not adequately capture shelter services workload, resulting in an estimated \$46,663 in lost revenue for the County in FY 2018-19. In addition, discrepancies between the final billing invoice and actual costs and revenues resulted in an additional \$166,784 in lost revenue, for a total of \$213,447 in lost revenue in FY 2018-19.
- In FY 2018-19, the billing amount for the Town of Windsor was fixed in the contract, and it did not reflect actual expenditures for Animal Services, updated workload information, or building replacement costs, resulting in billing amounts that did not reflect the actual costs of providing animal services to the Town. While billing a fixed amount could result in under- or over-billing to the Town in a given year depending on changes in costs and workload, we estimate that it resulted in \$37,503 in lost revenue for the County in FY 2018-19, but it may have also resulted in over-billing to the Town of Windsor in other years when workload was lower than in FY 2018-19.

Sonoma County Animal Services is responsible for shelter and animal control services for the unincorporated areas in Sonoma County and also provides these services on a contract basis for the City of Santa Rosa and the Town of Windsor. The County's contract with the Town of Windsor expired in June 2019 and was renewed for one year under a new inter-agency services agreement for a fixed amount of \$300,000. The one-year contract was intended to support continuity of services while the Town of Windsor went through a competitive bidding process to select a new

animal services contract. Thus, our analysis focuses on the previous contract billing method, which could inform future agreements between the County and the Town as appropriate. The County's contract with the City of Santa Rosa will expire in January 2032. The two contract jurisdictions paid a total of approximately \$2.2 million for services in FY 2018-19.

The billing methods for the two contracts differ and are stipulated in their respective contracts. We reviewed expenditures and compared billing methods for the two contracts to practices in other counties to determine if the billing methods appear to reasonably recover costs.

Billing for the City of Santa Rosa contract is based on annual actual expenses, which are allocated to the City based on its combined share of field service calls and shelter impounds for the year. This combined share for a given year is calculated as the sum of the number of City shelter impounds and the number of field service calls for City animals divided by the sum of the total number of shelter impounds (City and County) and the total number of field service calls (City and County), as shown below:

$$City\ Share_{YEAR} = \frac{City\ Impounds + City\ Service\ Calls}{Total\ Impounds + Total\ Service\ Calls}$$

Based on this formula, the City would be allocated 41.21 percent of the Animal Services Unit's costs for FY 2018-19, as shown below:

$$City\ Share_{FY\ 18-19} = \frac{1,607\ Impounds + 4,397\ Calls}{3,690\ Impounds + 10,880\ Calls} = 41.21\%$$

By using this formula, which combines the two major categories of workload and costs (shelter intake and calls for field services) rather than calculating them individually, the City of Santa Rosa ends up paying less for animal services than if their share of shelter impounds and their share of field service calls were separately weighted. Based on FY 2018-19 actual gross costs of \$6,295,846, the City underpaid by approximately \$213,447, including \$46,663 due to the combined workload formula and an additional \$166,784 due to discrepancies between the final billing invoice and actual costs and revenues, as shown in Exhibit 1.1.

As shown, the allocation rate would have been 41.95 percent for FY 2018-19 if the City of Santa Rosa's share of the Animal Services Unit's costs were calculated separately for its two cost pools (shelter and field services) rather than the current system of combining the dissimilar workload measure of shelter impounds and calls for service into a single caseload pool. In addition, costs used in the billing invoice by DHS for the City of Santa Rosa were less than actual costs and revenues were greater than actual revenues (e.g., the City received a \$586,854 credit for penalties and fees when the actual total was \$548,235). Both effects resulted in \$166,784 in lower billing to the City than if final actual cost and revenue data was used.

**Exhibit 1.1: Impact of Combined Workload Formula & Overhead Costs Calculation Method:
City of Santa Rosa Contract, FY 2018-19**

	City Billing under Terms of Contract and Existing Practice	City Billing if based on Actual Costs Calculated through an Alternative Workload Formula ^a	Difference
Adjusted Operating Expenses ^b	\$6,123,310	\$6,431,970	(\$308,660)
x Percent of Costs Allocated to City	41.21%	41.95%	-0.74%
Equals City Allocated Operating Expenses	\$2,523,416	\$2,698,244	(\$174,828)
Less Credit of Revenue	\$586,854	\$548,235	\$38,619
Total Billing	\$1,936,562	\$2,150,009	(\$213,447)

<i>Composition of Billing Difference</i>	Amount
Portion due to Combined Workload Formula ^c	(\$46,663)
Additional Billing Discrepancies	(\$166,784)
Total Difference	(\$213,447)

Sources: HMR analysis based on Animal Services Final Share of Cost for FY 2018-19 and City of Santa Rosa FY 18-19 True-Up Invoice.

^a Alternative Workload Formula, which weights the City's share of calls and impounds separately based on their relative share of actual costs for the two service categories is defined as: (51% Calls share) + (49% Shelter Services Share).

^b Operating expenses adjusted to account for City's contribution to building replacement and facility repairs.

^c Calculated as the percentage difference in costs allocated to City (-0.74%) multiplied by Adjusted Operating Expenses of \$6,431,970.

The City of Santa Rosa contract also stipulates that it will contribute towards facility repairs and a building replacement reserve equal to two percent of the estimated replacement cost¹ and that it receives a credit for all licensing and other fees and penalties collected for City of Santa Rosa animals, which is subtracted from allocated costs to determine the final billing for the City. DHS accounting staff bill the City on a quarterly basis based on estimated expenses for the year and reconcile the estimated payments at the end of the fiscal year based on actual expenditures.

The billing amount for the Town of Windsor contract changed in June 2019 according to a one-year interagency services agreement, but we did not receive an updated billing methodology for the Town.² Under the new agreement, the Town would be billed a not-to-exceed amount of \$300,000 for animal services for FY 2019-20, and the County would submit quarterly invoices

¹ In FY 2018-19, the City of Santa Rosa contributed \$42,726 towards facility repairs and \$58,962 towards building replacement costs. According to DHS fiscal staff, the City has contributed \$775,605 over 18 years towards building replacement costs (as of April 2020).

² According to fiscal staff, the agreement was signed but not yet executed as of September 2019 and could change.

“reflecting services performed” for the preceding quarter. However, the contract does not stipulate how the quarterly billing amount would be determined or if it would be based on workload statistics and actual expenses. According to Department management, quarterly billing would be based on equal installments of the flat \$300,000 annual amount, which would cover the Town’s share of costs (together with license and fee collections) based on its calls for service and shelter impounds. Unlike the City of Santa Rosa contract, the agreement states that the Town of Windsor would not receive a credit for fees and/or penalties collected for Town of Windsor animals, and it does not appear to include building replacement costs. Prior to this change, the Town of Windsor contract billing method was based on a fixed amount that was increased annually by the San Francisco Bay Area Consumer Price Index (CPI), rather than based on annual workload. Like the new contract executed in 2019 the previous contract with the Town of Windsor similarly did not contribute towards building replacement and did not receive a credit for fees collected.

According to the previous Town of Windsor contract, the initial contract billing amount was based on FY 2010-11 expenses, which were allocated to the Town of Windsor based on the Town’s share of field service calls, then updated each subsequent year to incorporate changes in the Consumer Price Index, as mentioned above. However, DHS staff who prepared the formula used for billing the Town of Windsor are no longer with the Department, and current staff report that they do not have any work papers documenting how the formula was derived. Unlike the City of Santa Rosa contract, the Town of Windsor did not receive a credit for actual fees and/or penalties collected for Town of Windsor animals. However, like the allocated expenses, the Town received a flat credit of \$66,000 as a “revenue allocation” in the annual payment calculation, and DHS fiscal staff could not explain how that amount was determined. DHS accounting staff billed the Town on a quarterly basis, but there was no year-end reconciliation because the contract amount was fixed.

Workload in Santa Rosa, Windsor, and the Unincorporated County

DHS’s Animal Services Unit workload in the City of Santa Rosa reflects a significant portion of total workload (43.32 percent of all shelter impounds and 37.29 percent of non-rabies³ field service calls, on average over the four year period between FYs 2015-16 and 2018-19), while workload in the Town of Windsor reflects a relatively small portion of total workload (6.53 percent of all shelter impounds and 5.39 percent of non-rabies field service calls, on average for the same period). The remaining balance reflects workload in the unincorporated County (50.15 percent of all shelter impounds and 57.33 percent of non-rabies field service calls, on average), as shown in Exhibits 1.2 and 1.3 below.

³ The number of non-rabies field service calls dispatched is the basis for billing for the City of Santa Rosa contract. Workload percentages for all field service calls dispatched, including rabies calls, are very similar to non-rabies calls.

Exhibit 1.2: Shelter Impounds by Jurisdiction, FY 2015-16 – FY 2018-19

Jurisdiction	FY 15-16	FY 16-17	FY 17-18	FY 18-19	4-Year Avg.
Unincorporated	2,325	2,239	2,157	1,814	2,134
<i>% of Total</i>	<i>51.44%</i>	<i>50.75%</i>	<i>49.07%</i>	<i>49.16%</i>	<i>50.15%</i>
Santa Rosa	1,886	1,921	1,958	1,607	1,843
<i>% of Total</i>	<i>41.73%</i>	<i>43.54%</i>	<i>44.54%</i>	<i>43.55%</i>	<i>43.32%</i>
Windsor	309	252	281	269	278
<i>% of Total</i>	<i>6.84%</i>	<i>5.71%</i>	<i>6.39%</i>	<i>7.29%</i>	<i>6.53%</i>
Total	4,520	4,412	4,396	3,690	4,255

Source: HMR analysis based on activity statistics for FY 15-16 – FY 17-18, and Animal Services Final Share of Cost for FY 2018-19

Exhibit 1.3: Non-Rabies Field Service Calls* by Jurisdiction, FY 2015-16 – FY 2018-19

Jurisdiction	FY 15-16	FY 16-17	FY 17-18	FY 18-19	4-Year Avg.
Unincorporated	7,501	7,697	7,862	5,850	7,687
<i>% of Total</i>	<i>56.31%</i>	<i>58.10%</i>	<i>57.57%</i>	<i>53.77%</i>	<i>57.33%</i>
Santa Rosa	5,018	4,790	5,190	4,397	4,999
<i>% of Total</i>	<i>37.67%</i>	<i>36.16%</i>	<i>38.00%</i>	<i>40.41%</i>	<i>37.29%</i>
Windsor	802	760	605	633	722
<i>% of Total</i>	<i>6.02%</i>	<i>5.74%</i>	<i>4.43%</i>	<i>5.82%</i>	<i>5.39%</i>
Total	13,321	13,247	13,657	10,880	13,408

Source: HMR analysis based on activity statistics for FY 15-16 – FY 17-18, and Animal Services Final Share of Cost for FY 2018-19

*Non-rabies calls dispatched are used for billing purposes.

Billing Methods for City of Santa Rosa and Town of Windsor Contracts should be Modified to more Accurately Capture Department Costs

Contract revenue does not reflect the true costs of providing services in the City of Santa Rosa and the Town of Windsor. Prior to FY 2018-19, the billing method for the Town of Windsor was not based on actual expenditures for Animal Services and it did not incorporate updated workload information or building replacement costs. While this could result in under- or over-billing to the Town in a given year depending on changes in costs and workload, we estimate that the Town of Windsor was under-billed for services in FY 2018-19. As of September 2019, the billing methodology for FY 2019-20 for the Town could not be explained by DHS fiscal staff. The City of Santa Rosa contract billing methodology does not adequately recover costs due to the contract's workload formula, which does not adequately capture shelter services workload, resulting in lost revenue for the County and fewer resources for the Animal Services Unit.

Amending billing methods would require negotiations with the two jurisdictions and contract amendments.

As shown below, with the exception of the Windsor contract, all contracts we reviewed in other jurisdictions allocated actual expenditures based on workload in the relevant jurisdiction, and none added the different categories of workload in a combined fraction. In addition, it is common in other counties to reduce city billing based on fee collection.

Similar to the City of Santa Rosa contract, San Mateo County credits its contract cities for fee collection in their jurisdiction, while Marin and Santa Cruz counties allocate costs to cities based on their net costs, which subtracts out license revenue from gross costs, effectively sharing license revenue among cities. Finally, the City of Santa Rosa billing practice of combining field service calls and shelter impounds to allocate costs is unusual relative to practices in other counties, as discussed below. In Marin, Santa Cruz, and San Mateo counties, a specific percentage of the costs for each city are based on two or more of the following: (a) share of field services workload; (b) share of shelter services workload; and (c) share of population in the jurisdiction. San Mateo County for example allocates 41 percent of costs to cities based on calls for service and 59 percent based on shelter services, rather than a combined fraction that adds calls for service to shelter impounds directly.

Exhibit 1.4: Contract Billing Method Comparison to Other Counties, As of May 2019

	Workload Component	Fixed Cost Component	License/Fee Credit	Workload Year	Workload Formula
Town of Windsor Contract (prior to FY 19-20)		✓	*	FY 10-11	N/A
City of Santa Rosa Contract	✓		✓	Current Year	COMBINED SHARE: (SR Calls + SR Shelter) / (Total Calls + Total Shelter)
Marin Humane Society	✓		✓**	Current Year	(50% Population Share) + (50% Calls Share)
Santa Cruz Animal Services Authority	✓		✓**	3 Year Average	(50% Population Share) + (25% Shelter Services Share) + (25% Calls Share)
San Mateo-Peninsula Humane Society	✓		✓	3 Year Average	(41% Calls share) + (59% Shelter Services Share)

Sources: Contracts provided by Sonoma, Marin, Santa Cruz, and San Mateo Counties

*The Town of Windsor does not receive a credit based on actual license or fee revenue collected in a given year, but the previous contract calculated annual payments based on a flat revenue allocation of \$66,000.

**In Marin and Santa Cruz Counties, cities do not receive a credit for license revenue for animals from their particular city. Rather, license revenue is shared among cities, as license revenue is subtracted from costs before allocating to cities based on workload.

City of Santa Rosa Contract

The City of Santa Rosa contract does not adequately recover costs due to the contract's combined workload formula, resulting in an estimated \$46,663 in lost revenue for the County in FY 2018-19. In addition, discrepancies between the final billing invoice prepared by DHS and actual costs and revenues resulted in an additional \$166,784 in lost revenue, for a total of \$213,447, as shown in Exhibit 1.1 above.⁴ Because there are nearly three times as many calls for service as animal impounds at the shelter, the combined workload formula arbitrarily skews towards share of calls for service (over share of shelter impounds) resulting in lower contract billing for the City than if they were weighted equally or weighted based on their relative share of costs, as the City's share

⁴ DHS fiscal staff report that discrepancies arose from failing to update the final billing calculation with actual costs and revenues, as quarterly billing statements rely on budgeted amounts.

of shelter impounds is significantly higher than its share of field service calls. For example, the City represented 40.41 percent of field service calls and 43.55 percent of shelter impounds in FY 2018-19. The contract's combined workload formula would estimate that 41.21 percent of costs should be allocated to the City on average over the period. However, using a formula that weighs field service calls and shelter impounds separately based on their relative share of costs (51 percent and 49 percent respectively)⁵ would have resulted in a higher average percentage of costs allocated to the City (41.95 percent), a difference of 0.74 percentage points, as shown in Exhibit 1.1 and Exhibit 1.5 below. Using this formula (holding all else equal) would have resulted in an estimated additional \$46,663 in revenues for the County in FY 2018-19.

Exhibit 1.5: Santa Rosa Allocation Methodology Comparison, as of May 2019

	FY 15-16	FY 16-17	FY 17-18	FY 18-19
<u><i>Workload</i></u>				
% of Impounds	41.73%	43.54%	44.54%	43.55%
% of Non-rabies Field Service Calls Dispatched*	37.67%	36.16%	38.00%	40.41%
<u><i>Allocation Methodology</i></u>				
Existing Contract Formula	38.70%	38.00%	39.59%	41.21%
Alternative Formula: Weight Based on Share of Costs: (51% Calls share) + (49% Shelter Services Share)	39.66%	39.78%	41.21%	41.95%
Difference	0.96%	1.77%	1.61%	0.74%

Sources: HMR analysis based on activity statistics for FY 15-16 – FY 17-18, Animal Services Final Share of Cost for FY 2018-19, and the allocation method in the City of Santa Rosa contract.

*Non-rabies calls dispatched are used for billing purposes.

Discrepancies between the final billing invoice and actual costs and revenues resulted in an additional \$166,784 in lost revenue in FY 2018-19. Costs used in the billing invoice for the City of Santa Rosa were less than actual costs and revenues were greater than actual revenues. For example, the City received a \$586,854 credit for penalties and fees when the actual total was \$548,235. Both effects resulted in lower billing to the City than if final actual cost and revenue

⁵ The alternative formula allocates all costs based on two workload measures (impounds and field service calls), rather than allocating individual program costs based on their respective workload measures. We used the relative cost of shelter operations compared to field services costs to determine how much to weigh the two workload measures in our formula. Excluding administrative and all other program costs (which accounted for approximately one-third of total costs on average between FY 2015-16 and FY 2017-18), shelter costs accounted for 51% of costs and field services costs accounted for 49% of costs on average between FY 2015-16 and FY 2017-18. Thus, we weighed the field services workload slightly more than shelter workload in our formula because field services costs are slightly higher than shelter operations costs. However, should the County seek to amend the billing methodology in the future, it could select different weights for the workload measures, such as equal weighting. Formulas used in other counties are shown in Exhibit 1.4.

data was used. The Department should document internal billing procedures for the City of Santa Rosa contract to ensure consistency and accuracy in billing practices

In addition to the issues detailed above that result in insufficient cost recovery, staff report that yearly fluctuations in workload in the City of Santa Rosa result in material swings in revenue, which presents budgeting challenges for the Animal Services Unit. For example, contract revenue increased from \$1.65 million in FY 2016-17 to \$1.77 million in FY 2017-18, an increase of 7.3 percent, due to an increase in workload (City of Santa Rosa field service calls increased from 35.5 percent of total calls to 38.2 percent of total calls). Other counties, including Santa Cruz and San Mateo, average workload data over three years to smooth out one-year variances. The Animal Services Unit could consider adopting a similar practice. Averaging workload data over three years may result in higher or lower billing to the City in individual years compared to using workload data for one year only but should be revenue neutral over time.

Town of Windsor Contract (prior to FY 2019-20)

Unlike billing methods in other jurisdictions reviewed, the billing method for the Town of Windsor under its previous contract with the County was not based on actual expenditures for Animal Services and it did not incorporate updated workload information or building replacement costs. Thus, the billing amount did not reflect the actual costs of providing animal services to the Town. We estimate that this resulted in an estimated \$37,503 in lost revenue for the County in just FY 2018-19, but it may have also resulted in over-billing to the Town of Windsor in other years when the Town's share of workload was lower than FY 2018-19.

The Town of Windsor paid \$255,531 for animal services in FY 2018-19 under the old billing methodology, but we estimate that the Town would have been billed an additional \$37,503, for a total of \$283,375, using actual expenditure and workload information for the year. Our estimate⁶ is based on the City of Santa Rosa's billing methodology, which includes building replacement costs, and our recommended changes, including an updated workload formula that better reflects shelter services and actual overhead costs (as discussed above).⁷ However, the Town of Windsor may have been over-billed in other years when the Town's share of workload was lower than FY 2018-19. For example, if the Town's share of workload in FY 2018-19 had been

⁶ Calculated as Total Expenditures multiplied by 6.5% (49% of shelter intake share of total and 51% of field service calls share of total, 7.29% and 5.82% respectively) minus the Town of Windsor's share of License Fees and Other Revenues.

⁷ DHS fiscal staff estimated that the Town would have been billed an additional \$5,945, for a total of \$261,476, using the City of Santa Rosa's existing billing methodology (without our recommended changes).

the same as FY 2016-17 (when it was lower), the Town would have been over-billed by approximately \$16,000 in FY 2018-19.⁸

Recommendations

The Department of Health Services should consider the following to ensure full cost recovery for services provided to the City of Santa Rosa and the Town of Windsor and provide additional revenues to Animal Services:

1.1 Request that the City of Santa Rosa engage in a process to modify its contract and billing practices with the County, including:

- a) Changing the workload formula to weight impounds and calls separately instead of adding them together,
- b) Three year averaging of workload measures to smooth yearly fluctuations.

1.2 Document internal billing procedures for the City of Santa Rosa contract to ensure consistency and accuracy in billing practices. The procedures should require that final actual costs and revenues be used to calculate the City's final billing statement.

1.3 Request to amend the Town of Windsor contract and billing practices to calculate contract billing based on documented actual costs and workload data (not undocumented historical), and consider the proposed changes for the City of Santa Rosa Contract outlined in Recommendation 1.1 in developing an updated billing methodology for the Town of Windsor.

⁸ The Town of Windsor's share of impounds and field service calls were 5.71% and 5.74% respectively in FY 2016-17, compared to 7.29% and 5.82% in FY 2018-19. Our estimate assumes the same level of costs as FY 2018-19 with FY 2016-17 workload levels.

2. Placement Options

- Based on animal care and control placement in other jurisdictions and in consultation with the County Administrator's Office, we identified several placement options for the County Animal Services Unit, including: remaining at the Department of Health Services (DHS), placement in a different County department or as a standalone department, transfer of functions to a joint powers authority (JPA), or contracting with non-profit animal welfare providers for some or all animal care and control functions.
- We evaluated each placement option based on: cost, performance, governance, willingness of the potential placement partner, and timeline for completing the transfer of functions. Though not without obstacles, we conclude that contracting would be the most beneficial placement option. County officials may place greater value on one criterion (e.g., governance) over others (e.g., cost) and arrive at a different conclusion.
- Our analysis of placement options concluded that the County could save up to approximately \$829,306 on wages and benefits and up to \$1.5 million on administrative costs if it contracted with a non-profit organization for animal care and control services. Some Sonoma County nonprofit providers are interested in contracting with the County. Their performance data shows better shelter and medical outcomes than the County; this could be, in part, because the County is required to take in all stray dogs.
- Contracting for animal services carries a risk of negative outcomes if the County's contractor oversight is lax. This could be mitigated by a strong contract and active County management of its contractor(s), including oversight by a subject matter expert. Besides cost advantages, the contracting placement option scored high in mission alignment and expertise among potential partner organizations. One-time County costs would be incurred for at least a year while managing the transfer of functions to a contractor and labor costs could remain at their current level during a transition period for existing employees who transfer to the nonprofit. However, ongoing cost savings would be realized over time due to the lower labor and administrative costs of potential non-profit contractors.
- Our analysis concluded that the most beneficial placement option for remaining within the County is either making Animal Services a standalone County department with its own oversight commission or remaining in DHS. In order to properly function as a standalone department, new positions would have to be added to Animal Services though these costs would be offset by a reduction in administrative service charges.
- The least disruptive placement option would be for Animal Services to remain within DHS but with a more appropriate administrative cost recovery model that better aligns administrative service charges with benefits to Animal Services. Though it would not reduce labor costs, the savings from a more appropriate DHS administrative service charge back model could be used to enhance Animal Services, including the restoration of recently deleted positions.

As requested by the County Administrator's Office, we have examined alternatives to the current organizational placement and service delivery model of animal control and shelter services in Sonoma County. Based on our review of practices in other counties in California and in consultation with the County Administrator's Office, we identified the following placement options:

1. **Status Quo:** Animal Services continues to be located within the Department of Health Services and County staff perform all animal control and shelter services
2. **Alternative Placement in County:** Animal Services is moved out of the Department of Health Services but remains a County function in another department or as a standalone department. The five alternative (non-DHS) County placements considered in this analysis are:
 - a. Sheriff's Office
 - b. County Administrator's Office (CAO)
 - c. Regional Parks Department (Regional Parks)
 - d. Department of Agriculture/Weights and Measures (Agriculture)
 - e. Standalone Department
3. **Joint Powers Authority (JPA)**¹: Sonoma County, together with cities and towns in the County, form a separate legal entity to provide animal services among the jurisdictions, with oversight provided by a governing board composed of representatives of all participating jurisdictions.
4. **Contracted Function:** Animal control and/or shelter services are contracted-out to a private organization such as a non-profit service provider; County (or JPA) staff are responsible for overseeing the contract. Our analysis pertaining to this placement option includes contracting with one or more service providers for all animal care and control functions currently performed by the County and contracting out for only certain programs (for example, contracting for shelter services but having the County continue to deliver field services).

While the first through third alternatives address the organizational placement or governance model (i.e., which County department or entity is responsible for oversight), the fourth placement option, contracting for animal services, addresses the service model. As such, the

¹ A Joint Powers Authority is a legal entity permitted under the Joint Exercise of Powers Act, as codified in California Government Code section 6500, whereby two or more public agencies may jointly exercise common powers, such as two or more cities that jointly provide law enforcement services. Under the Act, two or more public agencies may contract to jointly exercise common powers or form a separate legal entity, which has independent legal rights. If a separate legal entity is formed, the debts, liabilities and obligations of the JPA belong to that entity, not the contracting parties.

fourth alternative may be paired with any of the first three. For example, the County could elect to form a JPA, and the JPA could contract out services to a non-profit service provider, or the County could move part of the animal services function, such as field services, to another County department and contract for other services, such as shelter and veterinary care.

We analyzed the above alternative placement options based on their relative **costs**, expected **performance**, and the degree to which the **governance** structure would contribute to effective oversight. Our criteria are further defined in Exhibit 2.1 below.

Exhibit 2.1: Animal Services Function Placement Options Criteria

Criteria	Elements	Key Questions
Cost	Operating Costs	Would there be savings in operating costs compared to current costs for the same or better service levels?
	Administrative Costs	Would there be savings in administrative costs compared to current costs?
Performance	Program Outcomes	How effective would the alternative be when compared to current performance measured in key outcomes such as number of intakes, calls for service, animals euthanized, number of adoptions, etc.?
	Facility Location & Attributes	Would the shelter conditions and location allow convenient access by residents and other members of the public?
Governance	Oversight	Who is responsible for oversight and how much control would the responsible party have over services? Would there be an effective mechanism for public input? What is the County's recourse in the event of poor performance?
	Mission Alignment & Expertise	Does the alternative organization structure or service model have mission alignment and expertise regarding animal services?

Source: HMR analysis

Each placement option was scored on each element of our criteria using a 3-point scale, with 1 being the lowest score (i.e., least fit) and 3 being the highest score (i.e., best fit). Each criterion (Cost, Performance, and Governance) has two elements, for a maximum score of 6 points each. None of the criteria were weighted, as our conclusion based on information collected during this performance review was that they were all equally important. If DHS and County officials believe that some of the evaluation criteria are more important than others (e.g., a higher value for Oversight over Facility Location), it is relatively simple to adjust the scoring system accordingly. Adjusting the scoring system, however, may result in a different analysis and recommendations.

Our assessment is based on: (a) a review of practices in other counties, including interviews with animal services providers in other counties; (b) interviews with stakeholders in Sonoma County, including management staff in DHS and other County departments, Animal Services Unit management staff, and other service providers in the County; and (c) a review of data and documents, including the Animal Services Unit budget data, caseload, and performance reports. We interviewed management staff from the following organizations:

Sonoma County Stakeholders

- Department of Health Services
- Animal Services Unit (within Department of Health Services)
- Sheriff's Office
- County Administrator's Office
- Regional Parks Department
- Department of Agriculture/Weights and Measures
- City of Santa Rosa
- Town of Windsor
- Humane Society of Sonoma County (a non-profit animal services organization)
- North Bay Animal Services (a non-profit animal services organization)

Other County Stakeholders

- Marin County
- Marin Humane Society
- Mendocino County Animal Care Services
- Monterey County Animal Services
- San Mateo County
- Santa Clara County Animal Services
- Santa Cruz Animal Services Authority
- Yolo County Animal Services

We selected other counties for our review based on their regional proximity, population, size, recent studies or changes in their organizational models. We note that our review was not exhaustive, but reflects a variety of alternative organizational and service models.

Practices in Other Jurisdictions

While it is common for Animal Services to be located within the county health department in other jurisdictions that we reviewed, we also identified a variety of other arrangements. Animal Services is located in the Sheriff's Office in Solano County, Yolo County, and Mendocino County (field services only), and it is located in the county executive or other administrative department in the City and County of San Francisco and Mendocino County (shelter services only). In addition, JPAs provide animal services in Marin County, Santa Cruz County, Stanislaus County, and for a subset of cities within Los Angeles County (Southeast Area Animal Control Authority).² While we only reviewed one county that has a standalone animal services department (Washoe County,

² The Southeast Area Animal Control Authority consists of eight member cities in Los Angeles County and also provides services for six contract cities. Los Angeles County is not a member of the JPA.

Nevada), we note that other counties not reviewed as part of this performance review also have this arrangement.³

It is common for counties/JPAs surveyed to provide animal services directly, but we found several examples where at least some services are contracted out to non-profit organizations. The Marin County Animal Control JPA and San Mateo County both contract with their local Humane Society for both shelter and field services, and two counties contract with a non-profit organization for some, but not all, shelter services (City and County of San Francisco and Washoe County, Nevada). In the case of Marin County, the County and every city in the County are part of a JPA with the Marin County Humane Society, which provides all animal services countywide.

Exhibit 2.2 below summarizes other county arrangements reviewed. It should also be noted that in municipalities throughout California it is common for the animal services function, especially field services, to be located in police departments. Of the nine cities in Sonoma County, five cities⁴ provide field services through their police or public safety departments. Two of the remaining four cities, Santa Rosa and Windsor, contract out both field services and shelter services to Sonoma County Animal Services and the other two cities, Healdsburg and Petaluma, contract with one of two non-profit organizations (North Bay Animal Services and the Humane Society of Sonoma County).

24 Hour Operations

As part of our benchmarking process, we also considered whether other Bay Area animal care and control agencies provided service on a 24-hour basis. We surveyed Napa, San Francisco, and Marin Counties and found they provide *emergency* field services only 24 hours per day, similar to Sonoma County. The County's practice of providing emergency only response to animal service calls, rather than 24-hour service, is consistent with these regional practices.

³ For example, the Los Angeles County Department of Animal Care and Control, is a standalone county department, and provides animal services directly for unincorporated Los Angeles County and 47 contract cities.

⁴ The City of Cloverdale, the City of Cotati, the City of Rohnert Park, the City of Sebastopol, and the City of Sonoma all have field services located in their police or public safety departments, two of which (Rohnert Park and Sonoma) also have shelter services located in these departments. The remaining three of these five cities (Cloverdale, Cotati, and Sebastopol) contract out shelter services to a non-profit organization or another city in the County (the City of Cotati contracts with the City of Rohnert Park Department of Public Safety for shelter services).

Exhibit 2.2: Other County Arrangements for Animal Services, as of May 2019

County	Population (2018)	Organizational Placement	Services Contracted Out
<i>County Direct Service Provision</i>			
Mendocino*	89,299	Shelter & Licensing: County Executive ^d Field Services: Sheriff's Office	<i>None</i>
Monterey*	443,281	Health Department	<i>None</i>
Santa Barbara	453,457	Health Department	<i>None</i>
Solano	439,793	Sheriff's Office	<i>None</i>
Sonoma	503,332	Health Services Department	<i>None</i>
Tulare	475,834	Health Department	<i>None</i>
Yolo*	221,270	Sheriff's Office	<i>None</i>
<i>Public-Private Non-Profit Partnership Examples</i>			
San Francisco	883,963	City Administrator's Office	Some Shelter ^b
San Mateo*	774,155	Health Department	All Services
Washoe (NV)	460,587 ^e	Standalone Department	Some Shelter ^c
<i>JPA Examples</i>			
8 Cities in LA County ^a	900,000 ^f	Southeast Area Animal Control Authority	<i>None</i>
Marin*	263,886	Marin County Animal Control Joint Powers Authority	All Services
Santa Cruz*	276,864	Santa Cruz Animal Services Authority	<i>None</i>
Stanislaus	555,624	Stanislaus Animal Services Authority	<i>None</i>

Sources: HMR review of county budgets and agency websites; population estimates for California counties from the State of California Department of Finance

*Interviewed by HMR

^a Group of eight cities in Los Angeles County; Los Angeles County is not a member of the JPA

^b SF Society for the Prevention of Cruelty to Animals provides some medical services and an in-house behaviorist

^c Nevada Humane Society provides adoption services and some shelter services

^d Shelter & Licensing moved from the Health Department to the County Executive Office in FY 2017-18

^e US Census population estimate as of July 2017

^f Estimate of jurisdiction population from agency website, as of May 2019

Analysis of Alternative Animal Services Placement Options

Exhibit 2.3 below summarizes the scores assigned to placement alternatives available for Sonoma County Animal Services, including remaining within the Department of Health Services. As noted above, each of these elements are scored on a 3-point scale, with 1 being the lowest score (i.e., least fit) and 3 being the highest score (i.e., best fit). The total score presented for each alternative is meant to provide general comparative information. For cost elements, placements with lower costs received higher scores.

Exhibit 2.3: Animal Services Unit Placement Option Scoring Matrix (1 = least fit; 3 = best fit)

	Criteria	Cost		Performance		Governance		
Rank	Placement Option	Operating Costs	Administrative Costs	Program Outcomes	Facility Location & Attributes	Oversight	Mission Alignment & Expertise	Total Score
1	Contract Function	3	3	3	2	1	3	15
2	Joint Powers Authority	1	2	2	2	2	3	12
2	Standalone County Department	1	2	2	2	2	3	12
3	Sheriff	1	2	2	2	2	2	11
4	Status Quo (Dept. of Health Services)	1	1	2	2	2	2	10
4	CAO	1	2	2	2	2	1	10
4	Regional Parks	1	2	2	2	2	1	10
4	Agriculture	1	2	2	2	2	1	10

Source: HMR analysis

As shown above, fully contracting out the Animal Services function scored the highest in our placement analysis, and forming a JPA was tied with moving the Animal Services Unit out of the Department of Health Services so that it is its own standalone County department. The other options would be acceptable, but did not score as well in the key areas of cost, mission alignment and expertise, and program outcomes (only contracting scored higher than the other options for

this measure). Scores for remaining at DHS were the same as moving to other County departments, except for placement in the Sheriff's Office. We detail our scoring below.

Cost

Due to significantly lower staffing costs for both operations and administrative functions, the contracting placement option scored the best on cost as it represents savings over current costs that could be used to enhance service levels or reduce the County's costs. The status quo, or keeping the Animal Services Unit in the Department of Health Services, scored the lowest of the placement options on cost, as it is burdened by high overhead costs from the Department of Health Services (discussed below) and Countywide administrative costs and relies on County staff, who are paid more than the two non-profit providers in Sonoma County for which we have compensation information. We have concluded that other County departments are likely to have a lower overhead burden than DHS and, as a result, alternative County placement options scored better on cost than the status quo. However, the Department of Health Services could adjust its administrative cost recovery methodology to better align administrative charges to Animal Services with that division's actual use of DHS administrative services and relieve the administrative cost burden without moving Animal Service functions to a different County department. However, unless DHS administrative costs are reduced as a result of the Animal Services Units being relocated, it could mean higher administrative charges to remaining DHS divisions as the charges would need to be reallocated.

All of the alternative County placement options were rated the same for operating and administrative cost scores, though remaining at DHS would avoid one-time startup costs necessary to complete any transfer of functions. We assume JPA costs are also the same as the existing County costs. Results are shown in Exhibit 2.4 and detailed below.

Exhibit 2.4: Cost Criteria for Animal Services Function Placement Alternative (1 = least fit; 3 = best fit)

Criteria	Cost		
Placement	Operating Costs	Administrative Costs	Total Score
Contract Function	3	3	6
JPA	1	2	3
CAO	1	2	3
Sheriff	1	2	3
Standalone	1	2	3
Regional Parks	1	2	3
Agriculture	1	2	3
Status Quo (remain in DHS)	1	1	2

Source: HMR analysis

Operating Costs

Based on our stakeholder interviews, the primary operating cost difference between the status quo and the other placement options we analyzed is the cost of staff. As noted above, we assume staffing costs would remain the same if Animal Services were placed within another County department, became a stand-alone department, or were transferred to a JPA since existing County employees with their established salary and benefits costs would simply be transferred to a new organization. We consulted with two non-profit animal service providers in Sonoma County, and confirmed lower salary and benefits costs. We compared the County's salary costs against the salary schedules provided by the non-profit providers based on our analysis of the most comparable positions at the two organizations. The results are shown in Exhibit 2.5 below.

Exhibit 2.5: Animal Services Salary Cost Comparison with Two Non-Profit Animal Services Organizations (NPOs)

		Hourly Wage			Annual Salary			
Position	County FTE	County (Top Step)	Avg. NPO	NPO Savings	County (Top Step)	Avg. NPO	NPO Savings per FTE	NPO Savings for all FTEs
Accounting Clerk II	4.00	\$24.98	\$16.50	\$8.48	\$52,136	\$34,320	\$17,816	\$71,264
Administrative Aide	2.00	\$31.98	\$26.50	\$5.48	\$66,746	\$55,120	\$11,626	\$23,252
Health Program Manager	1.00	\$49.81	\$34.46	\$15.35	\$103,959	\$71,677	\$32,282	\$32,282
Animal Control Officer II	11.00	\$28.28	\$25.00	\$3.28	\$59,023	\$52,000	\$7,023	\$77,253
Supervising Animal Control Officer	2.00	\$33.81	\$25.00	\$8.81	\$70,565	\$52,000	\$18,565	\$37,130
Animal Health Technician	5.50	\$26.94	\$22.00	\$4.94	\$56,227	\$45,760	\$10,467	\$57,569
Animal Care Assistant	6.00	\$18.82	\$16.00	\$2.82	\$39,279	\$33,280	\$5,999	\$35,994
Behavior Staff	contractor	\$37.50	\$19.00	\$18.50	\$46,800	\$23,712	\$23,088	\$23,088
Subtotal, Wages (assumes County health insurance costs retained)	31.50				\$1,828,101	\$1,470,269		\$357,832
Health Insurance Costs (savings if current County plans are not transferred with employees to non-profit organization)					\$559,674	\$88,200		\$471,474
Total known costs					\$2,387,775	\$1,558,469		\$829,306
Total known costs (for Shelter only, excludes Field Services)					\$1,454,747	\$900,869		\$553,879

Source: Sonoma County Human Resources, Animal Services FY 2018-19 budget data, and non-profit data 2018

Note: Animal Control II non-profit wages and non-profit health insurance costs each are estimated using data from one potential provider.

As shown above, using the Animal Services Unit's staffing levels for FY 2019-20 and the average non-profit salary for each full-time position and the contracted behaviorist, the County could save an estimated \$357,832 in salary costs annually if all functions are contracted but existing employees are allowed to keep their jobs at contractor salaries but retain their County health insurance coverage. These salary costs do not include overtime, non-health-related benefits, or administrative costs, discussed further below.

As can be seen in Exhibit 2.5, if transfer of the County health insurance plans is not negotiated for employees that transfer to the contract non-profit provider, the County's savings would be increased by up to an estimated \$471,474, for total estimated savings of up to \$829,306 per year. If only the shelter function is contracted out to a non-profit provider, estimated savings would be \$553,879 per year.

The cost savings estimates presented in Exhibit 2.5 above assume the selected contractor would keep the County's FY 2019-20 staffing levels. For current Animal Services Unit employees, we understand that the County would attempt to find employment for them within the County. Alternatively, if these employees were interested in working for the nonprofit animal services contractor, it is possible that the County could negotiate with the contractor the transfer of

County employees to be hired by the contractor. In this case, salary and benefits would be determined through the negotiation process. If an agreement with the contractor mitigates the salary loss for the County employees, the full salary and health insurance savings identified above may not be immediately realized, but would eventually be achieved as the former County workers retire or leave the nonprofit providers for other reasons.

The savings estimates do not include costs for the community engagement and veterinarian functions, which were provided to the County by contractors at a cost of \$459,492 in FY 2018-19 since if these contract services are continued, we assume there would be no difference in cost whether the animal services function is contracted out or not. The savings also do not account for the deletion of the Animal Services Director position, which was scheduled by the County for the second quarter of FY 2019-20.

The savings from the lower cost of nonprofit wages could generate savings for the County or could be used to hire additional staff such as the 1.5 FTE Accounting Clerk II, 2.00 FTE Animal Control Officers, and 1.00 FTE Supervising Animal Control Officer positions that have been deleted from the Animal Services budget since FY 2015-16. In addition, and as discussed below, we estimate that \$641,985 of Animal Services' \$2,048,558 FY 2018-19 budget allocated to administrative functions could be repurposed for other uses, including hiring additional shelter and field service staff or to fund a capital improvement program for the shelter facility. Some administrative support staff would be needed under the alternative County placements or a JPA to replace fiscal and human resource services currently provided to the Animal Services Unit by DHS's Administration Division, but we estimate these costs would be substantially less than DHS's administrative charges, as discussed below.

If the County contracted out services, there would be one-time costs associated with the County's required processes regarding contracting out bargaining represented work, and the legally required meet and confer due to the impacts of employee layoffs or arrangements if the County requires that existing animal services employees be given the opportunity to transfer to the contract agency maintaining their current jobs and compensation. If Animal Services becomes a stand-alone department or is moved out of DHS and in to another County department, the estimated one-time transition costs would be less given these options are significantly less disruptive to the existing Animal Services staff.

Administrative Costs

Animal Services as currently organized incurs prorated costs for Countywide administrative services such as payroll and building maintenance services through the Countywide Cost Allocation Plan and for DHS's administrative support functions such as DHS accounting and information technology services through a DHS cost allocation plan. In addition, other variable administrative costs are incurred on a direct charge basis for services such as County information technology services unique to the Animal Services Unit. Together, these costs amounted to \$2,048,558, or 30.7 percent, of the total Animal Services Unit budgeted costs in FY 2018-19.

Under the status quo, DHS would continue to provide and charge the Animal Services Unit for its administrative services as would the County. Under the other alternative placement options, Animal Services would continue to incur at least the County-wide costs and likely some new costs to replace the services provided by DHS administration, but we conclude any such new costs would be offset by no longer incurring DHS's full administrative cost charges of approximately \$760,888 per year. While other County departments also have administrative costs, a portion of which would assumedly be allocated to Animal Services if it were moved to one of these departments, we expect that these costs would be lower as DHS has administrative needs and costs unique to its size and the provision of health care services. For example, DHS's administrative costs, for which Animal Services pays a portion, include privacy and compliance functions which are needed for public health services but are not relevant for animal services.

The contracting placement option would have the lowest administrative costs, giving it the highest, or most favorable, cost score of the models reviewed, as a non-profit organization could hire administrative staff or contractors at a lower cost than the County due to their relatively lower compensation costs.⁵ Using the average proportion of administrative costs for the two non-profits for which we have financial data, we estimate that the County could save up to approximately \$1.5 million on administrative costs under the Contract Model.

The JPA and the alternative County placement options scored moderately on administrative costs (2 out of 3), as they would each require the hiring of some new administrative staff for Animal Services or allocation of these other County departments' administrative costs to Animal Services, but we estimate these new administrative costs would still be less than the DHS and County administrative overhead fees incurred by Animal Services under the status quo. The status quo is the least best fit due to DHS's substantial administrative costs and their allocation method (described below), giving it the lowest score for cost. However, DHS's methods for allocating their administrative costs to Animal Services could potentially be amended to reduce administrative costs to Animal Services though that would mean those costs would need to be reallocated to the other DHS functions.

If the Animal Services function was transferred to the Sheriff's Office, it could likely use that Office's administrative functions in lieu of hiring new administrative staff. We estimate that

⁵ Two animal services non-profit organizations in the County appear to have lower administrative costs compared to the status quo. The Humane Society of Sonoma County reported in 2018 that 7.5 percent of their budget supported administrative functions, and we estimate that 17.3 percent of North Bay Animal Services' budget (as of May 2018) supported administrative functions, compared to 30.7 percent under the status quo location in the County's DHS. The average percentage of total expenses spent on administrative costs for the two non-profits is 12.4 percent. We note that administrative costs may be calculated differently between the three organizations, and the exact percentages may not be directly comparable. However, they indicate that the contracting placement option would have lower administrative costs compared to other models.

administrative costs would be lower in the Sheriff's Office compared to DHS based on the budgeted overhead charged to one of the Sheriff's Office's contract cities.⁶

While DHS and the Sheriff's Office have existing administrative staff that would support Animal Services,⁷ the other alternative County placement options or a JPA would need to hire new administrative staff, but we estimate these costs would be between \$265,000 and \$500,888 less than DHS administrative charges, as shown in Exhibit 2.6. Each of these alternative placement options assume that Animal Services would add an appropriate administrative position to coordinate its annual budget request, manage procurement and contracts, and provide support on personnel issues and other fiscal and administrative tasks, and increase use of other County internal support departments, such as the County Information Systems Department for a total of \$260,000 in new administrative costs. In addition, a standalone department and a JPA would require an executive manager position, which could be accomplished by substituting the existing Operations and Outreach Manager position with a Department Director position for additional annual salary and benefits costs of \$125,000. Finally, a JPA and a standalone department would also need to hire additional staff to support the JPA governance board or animal services commission (which could provide additional oversight to a standalone department), including coordinating calendars, preparing documents and reports, and providing general administrative support, for additional costs of \$110,000. However, these new administrative costs should be substantially less than DHS's administrative charges as shown below. Two existing supervisor positions would be retained; one for the shelter and one for field services.

⁶ Approximately 19.5% of FY 2018-19 budgeted expenses for the Town of Windsor contract with the Sheriff's Office for law enforcement services supported the Sheriff's administration and County overhead. As of May 2018, the total estimated budget of \$7,364,209, included estimated overhead of \$1,438,635.

⁷ This is our conclusion based on a review of funded positions. The Sheriff's Office stated in an interview that it does not have capacity to manage the additional administrative tasks that would be required if it absorbed Animal Services.

Exhibit 2.6: Additional Administrative Resources Required for Five Alternative Placement Options*

	Placement Option				
Estimated Cost ^a	CAO	Agriculture	Regional Parks	Standalone	JPA
Administrative Services Officer I	\$160,000	\$160,000	\$160,000	\$160,000	\$160,000
Additional Administrative Support	100,000	100,000	100,000	100,000	100,000
Upward Substitution of Operations Manager Position to Department Director (additional costs) ^b				125,000	125,000
Governance Support ^c				110,000	110,000
Total Additional Administrative Support Required	\$260,000	\$260,000	\$260,000	\$495,000	\$495,000
<i>Less DHS Admin Charge (FY 2019-20)</i>	<i>760,888</i>	<i>760,888</i>	<i>760,888</i>	<i>760,888</i>	<i>760,888</i>
Estimated Savings (DHS Admin Charge Less Additional Support)	\$500,888	\$500,888	\$500,888	\$265,888	\$265,888

Sources: HMR review of County Job Descriptions & Salary Information

^a Estimated costs for positions include salaries and fringe benefits (equal to approximately 60% of salary)

^b Estimate based on review of Director salaries of other similarly sized County departments

^c Salary and benefit costs for 1.0 Administrative Aide

* Note: Analysis not relevant for contracting placement option.

DHS Allocation Method

DHS allocates most of its administrative costs except for fiscal services costs to the Animal Services Unit (and DHS's other operating divisions) on the basis of FTE count; fiscal services costs are allocated on the basis of gross expenditures. However, some DHS administrative functions charge the Animal Services Unit directly based on service usage. According to the Government Finance Officers Association's (GFOA) best practices, internal service costs should be allocated based on usage or causal factors relating to the costs incurred by the service provider. DHS could increase use of direct charging based on service usage and alter their allocation method for other costs that may not be direct charged and do not have a causal link to FTE count. As of July 2019, DHS reported that they were still rolling-out direct charging, but it does not appear to be consistently used by all administrative units.

The Animal Services Unit may be over- or under- charged for administrative services if their use of these services is less or more than their overall share of FTEs relative to other DHS operating functions. If overcharged, this results in reduced resources available for Animal Services' operating needs such as staffing and facility maintenance. While a small portion of the Animal Services Unit's budget was based on their usage of administrative services (one percent of FY 2019-20 budgeted administrative costs), the majority of administrative costs are allocated to Animal Services based on their FTE count. In some cases, the causal link is clear between the

service type and allocation method. For example, DHS's Human Resources costs are allocated on the basis of FTE count, which is a reasonable measure for personnel services, and fiscal services costs are allocated based on gross expenditures, which is also a reasonable means of allocating fiscal services costs, and through direct charges of some costs. However, the causal link is less clear for other administrative services. For example, DHS Information Technology, which could be allocated based on number of calls to the help desk or direct labor hours, and DHS Facilities Maintenance, which could be allocated based on facility attributes that impact service use, like square footage, are both allocated on the basis of FTE count. Exhibit 2.7 below shows the budgeted DHS administrative and County costs charged to Animal Services for FY 2017-18 through FY 2019-20. DHS and County budgeted charges totaled \$2,048,588 in FY 2018-19, or 30.1 percent of the Animal Services Unit budget, as shown below. Of this amount, \$641,985 consisted of DHS budgeted administrative charges, though actual charges were lower than budgeted amounts in both FYs 2017-18 and 2018-19 as shown in Exhibit 2.7. Any variance between budgeted and actual DHS administrative charges for the Animal Services Unit for FY 2019-20 was not available at the time this report was prepared. Budgeted DHS administrative costs charged to the Animal Services Unit for FY 2019-20 was \$760,888.

Exhibit 2.7: DHS and County Administrative Charges to the Animal Services Unit, FY 2017-18 – FY 2019-20

Cost	Allocation Basis	FY 2017-18 Budget	FY 2018-19 Budget	FY 2019-20 Budget
<i>DHS Administrative Charges</i>				
Administration	FTE	\$30,329	\$65,765	a
Facilities	FTE	24,945	27,851	a
Fiscal	Gross Expenditures	99,701	127,664	a
Info Tech	FTE	71,198	97,721	a
Privacy	FTE	17,827	37,977	a
Contracts & Board Items	FTE	62,933	24,529	a
Human Resources	FTE	98,994	146,482	a
Compliance	FTE	48,758	48,055	a
Direct Charges (Fiscal and others)	n/a	10,031	115,940	7,510
Total Budgeted DHS Administrative Charges		\$464,716	\$641,985^b	\$760,888
<i>Direct Charges, % of Total DHS Charges</i>		2.2%	18.1%	1.0%
Actual DHS Administrative Charges		\$361,165	\$340,348	
Variance from Budget		\$103,551	\$301,637	

DHS and County Charges Summary

DHS Administrative Charges	\$464,716	\$641,985	\$760,888
County Cost Plan ^c	561,516	954,026	a
Other County Charges ^d	529,361	452,547	a
Total DHS and County Charges	\$1,555,593	\$2,048,558	a
Total Unit Budget	\$6,485,226	\$6,675,974	a
Total DHS and County Charges, % of Budget	24.0%	30.7%	

Sources: DHS Distribution of Administration Costs and Animal Services budget for each fiscal year

^a FY 2019-20 budget was not broken down by cost type; Animal Services FY 2019-20 budget data not available.

^b Itemized DHS administrative charges provided totaled \$691,984, which is \$49,999 more than the total budgeted amount (\$641,985).

^c Animal Services receives a General Fund off-set to cover the County Cost Plan budget.

^d Includes direct charges for County services, such as information technology, and other indirect charges, such as telecommunication services, that are not covered by the County Cost Plan.

As shown above, DHS administrative charges increased significantly in FY 2018-19 and FY 2019-20, by 38.1 percent and 18.5 percent, respectively, over prior year charges. In addition, actual administrative charges may vary substantially from what is budgeted. For example, administrative charges were \$361,165, or \$103,551 (22.3 percent) below the \$464,716 budgeted amount in FY 2017-18 and \$340,348, or \$301,637 (47.0 percent) below the \$641,985 budgeted amount in FY 2018-19. However, as a result of the higher amounts being budgeted, the Animal Services Unit was unable to put these excess funds towards operating needs, even though they were not needed to pay for actual administrative costs. DHS explained the differences between

budgeted and actual administrative charges as being due to changes in the Department's planned activities.

As mentioned above, DHS has administrative needs and costs unique to its size and the provision of health care services that are less relevant for animal services. For example, Animal Services was budgeted to pay \$110,561 in FY 2018-19 for privacy, compliance, and contract and board items functions, most of which are irrelevant to Animal Services.

If the Animal Services Unit no longer utilized DHS's administrative services or paid fees to DHS, additional costs would be allocated to DHS's other operating divisions to make up for lost revenue from Animal Services. While this would likely supplant other public health and behavioral health spending, it would reduce General Fund spending on DHS's administration because most of DHS's funding (excluding Animal Services) is non-General Fund.

Performance

We evaluated performance of each placement option on two criteria: program outcomes and facility location and attributes, each of which is discussed below. As shown in Exhibit 2.8 below, the total performance score is the same for the status quo, alternative County placement, and JPA placement options.

The contracted function option scores best for program outcomes, based on better (relative to the County) performance metrics of two Sonoma County-based nonprofit animal welfare providers and the potential of these organizations to achieve higher staffing levels due to their lower labor costs (discussed above). Given existing intakes and shelter capacity within the County and the cost of building a new facility, the existing facility most likely will need to continue to be used for sheltering animals, so all placement options have the same Facility Attributes rating.

Exhibit 2.8: Performance Criteria for Alternative Animal Services Arrangements (1 = least fit; 3 = best fit)

Criteria	Performance		
Placement Option	Program Outcomes	Facility Attributes	Total Score
Contract Function	3	2	5
Joint Powers Authority	2	2	4
CAO	2	2	4
Sheriff	2	2	4
Standalone	2	2	4
Regional Parks	2	2	4
Agriculture	2	2	4
Status Quo	2	2	4

Source: HMR analysis

Program Outcomes

Exhibit 2.9 below summarizes performance metrics for Sonoma County Animal Services, the Humane Society of Sonoma County, and North Bay Animal Services' (NBAS) Petaluma operation, two Sonoma-based non-profits that have expressed interest in contracting with the County.

Exhibit 2.9: Comparative Animal Services Performance Metrics for County and Private Animal Services Organizations

Performance	County	Humane Society	NBAS*
Live Release Rate	88.6%	98%	97.3%
Volunteer Hours per intake	7.1	21.4	unknown
Animal Control FTEs per 100,000 residents	3.39	n/a	3.21
Low Cost Medical Procedures per 100 intakes	8.25	66.7	unknown
Est. Licensing Compliance	38.8%	n/a	unknown

Source: Animal Services (FY 2018-19 for shelter, CY 2018 for volunteer hours and dog training); Humane Society of Sonoma County (CY 2018), North Bay Animal Services (live release rate for NBAS is only for the last five months of CY 2018) and refers to Petaluma only.

*North Bay Animal Services

As shown above, both non-profits have higher live release rates than the County, though this is likely driven, in part, by the ability of the non-profits to screen and refuse animals at intake whereas the County must take all animals. The responsibility to take all stray domestic animals would be transferred to the non-profit contractor if it assumed all sheltering functions for the County. The Humane Society reported approximately 48,516 volunteer hours in 2018, or 21.4 hours per shelter animal intake (based on 2,263 intakes in 2018), while the County reported

18,778 volunteer hours in the same period, or 7.1 hours per shelter animal intake (2,653 intakes in FY 2018-19). This indicates that, with their cadre of volunteers, the Humane Society of Sonoma County has more resources available to serve the animals and public than the County.

The County has only slightly higher Animal Control FTEs per 10,000 residents to provide field services than those reported for North Bay Animal Services' Petaluma contract (the Humane Society of Sonoma County does not provide animal control field services operations) though North Bay Animal Services serves a smaller area (the City of Petaluma) than the County and thus would have a substantially lower rate of Animal Control FTEs per square mile than the County's Animal Services Unit. The Humane Society performed more low cost spay and neuter procedures: 1,509 in 2018 compared to the County's 219 in FY 2018-19.

Facility Location & Attributes

As noted in the Introduction, a new facility would be required to fully address the deficiencies in the existing County facility used for Animal Services. The most recent cost estimate for building a new facility, from 2009, was \$11.2 million. The current cost of building a new facility would presumably be higher, given the escalation in land, materials, and labor prices between 2009 and 2019. Based on estimated and known intake and capacity of the County's shelter and the non-profits from which we have information, we conclude that the County's facility would continue to need to be used for animal shelter purposes for years to come, regardless of where the Animal Services function is ultimately placed. Exhibit 2.10 below shows the intake and shelter capacity of the three entities. Of note also is that County's and NBAS' Petaluma total weekly hours they are open to the public are virtually the same though the Humane Society's weekly hours are almost twice that much.

Exhibit 2.10: Annual shelter intake, capacity, and public hours for County and private animal services organizations

Facility	Annual Intake	Shelter Capacity	Public Hours per Week
County Animal Services	2,653	520	27.5
Humane Society of Sonoma County	2,263	200	51
NBAS Petaluma	960	unknown	26

Sources: County Animal Services (dogs, cats, & rabbits, FY 2018-19 intakes); Humane Society of Sonoma County (CY 2018 intakes), North Bay Animal Services – Petaluma (intake derived by last five months of CY 2018 intake, which was 400).

Note: Public Hours per Week refers to total weekly hours the shelter is open to the public.

As shown above, the County has the most intakes and greatest shelter capacity, as compared to the Humane Society and North Bay Animal Services' Petaluma operation. In addition, because the County is responsible for sheltering livestock and animals whose guardians face certain criminal charges, they have longer average lengths of stay in the shelter, reducing the available shelter capacity on any given day. Given the capacities and intakes of the County and Humane

Society shelters, it is unlikely that the County would be able to give up use of its facility in the contracting placement option. Therefore, the facility element is scored the same across all placement models.

Governance

Due to high mission alignment and expertise and a moderate oversight mechanism, the County standalone department and the JPA models scored the highest on Governance. Maintaining the status quo and moving the Animal Services Unit to the Sheriff's Office scored moderately on both mission alignment and expertise and oversight. The contracting placement option, with a high score on mission alignment and expertise but a higher risk of poor oversight compared to the other placement options (giving it a low score on oversight) attained the same score on Governance. Finally, a division overseen by the CAO, Regional Parks, or Agriculture/Weights and Measures attained the lowest scores on Governance due to low mission alignment and expertise on animal services in these departments. Results are shown in Exhibit 2.11 and detailed below.

Exhibit 2.11: Governance Criteria Scores (1 = least fit; 3 = best fit)

Criteria	Governance		
Placement	Oversight	Mission Alignment & Expertise	Total Score
Standalone	2	3	5
JPA	2	3	5
Status Quo	2	2	4
Sheriff	2	2	4
Contract Function	1	3	4
CAO	2	1	3
Regional Parks	2	1	3
Agriculture	2	1	3

Source: HMR Analysis

Oversight

The status quo, the alternative County placements, and the JPA placement options all scored moderately (2 out of 3) on oversight because the County would maintain oversight authority under each. The contracting placement option scored the lowest (1 out of 3) on oversight because without strong contract administration, the County would lose some control over outcomes, making the risk of poor oversight higher compared to the other placement options.

The Board of Supervisors oversees most County departments, including DHS, the Sheriff's Office, Regional Parks, Agriculture/Weights and Measures, and the County Administrator's Office, and annually approves their budgets. Regardless of placement within the County, the Board of

Supervisors ultimately has oversight authority over animal services operations and employees. In the event that a member of the public has a complaint or other form of feedback regarding animal services, they may direct their feedback to the Board of Supervisors. If the Board is dissatisfied with performance or policy, it may instruct Animal Services to make adjustments or take action to increase or decrease their budget. For additional oversight, the Board of Supervisors could create a commission for Animal Services, which could hold public meetings to receive community input, provide guidance to Animal Service management, and make budget and policy recommendations to the Board of Supervisors.

Though not having the same accountability as an elected body, under the JPA model, a JPA board, composed of representatives from each of the participating jurisdictions, would have oversight authority over Animal Services. Thus, a public entity would still maintain oversight and the County would still have influence over operations. Public input would be directed to the JPA board directly, rather than the Board of Supervisors.

Under the contracting placement option, the non-profit organization, selected through a competitive request for proposals, would oversee animal services operations and the County could potentially lose some control over outcomes. While the non-profit organization would have its own oversight mechanism through its board of directors, public input, if received by the County, would be directed to the contractor via its board or executive officer. If the Board of Supervisors or other County officials were dissatisfied with performance or policy, it would still have recourse but their effectiveness would only be as good as the terms of the contract and the contractor's willingness to make changes. Ultimately, the County could choose to terminate the contract, but it would take time to find other arrangements particularly if the County no longer owns a shelter facility (in the future) and other potential contractors do not have sufficient capacity.

The risk of poor contractor performance could be mitigated through effective contractor management and monitoring. According to the National Association of State Procurement Officials best practices on contract administration, government agencies should determine the following before awarding a contract:

- Roles and responsibilities of the contractor, the government agency, and any other involved parties;
- How performance will be evaluated, including performance measures;
- Monitoring methods (e.g., audits);
- Reporting tools and processes; and
- Process for resolving disputes and claims.

Mission Alignment & Expertise

The standalone department, JPA, and the contracting placement option scored the highest (3 out of 3) on mission alignment and expertise because each organization would be focused solely on animal services. A division overseen by DHS or the Sheriff's Office scored moderately on mission

alignment (2 out of 3) because of alignment with either public health or law enforcement (but not both), and a division overseen by the CAO, Regional Parks, or Agriculture/Weights and Measures scored the lowest (1 out of 3).

Mission alignment and expertise would vary depending on which Animal Services placement option within the County is selected. Due to the County's mandate to control the spread of rabies for domestic animals, there is some mission alignment as well as public-health expertise under DHS, but the animal control law enforcement activities do not align well with DHS's mission and expertise. Conversely, the Sheriff's Office does not have mission alignment or expertise regarding Animal Services' health activities but, as a law enforcement agency, it does have mission-alignment and expertise particularly for animal control field services. A standalone department, a JPA, or a non-profit organization would have better mission alignment and expertise than the status quo or other alternative County placement options because it would be focused solely on animal services and would not have the competing priorities of a County department charged with performing various, unrelated duties.

The CAO, Regional Parks, and Agriculture/Weights and Measures are the least fit placement options, in terms of mission alignment and expertise regarding animal services because they do not have a health, law enforcement, or animal focus. Regional Parks has park rangers who patrol and maintain park facilities, but law enforcement is not the Department's core mission, and the Department does not have law enforcement expertise comparable to the Sheriff's Office. In addition, Agriculture/Weights and Measures has some duties related to regulating livestock, but these duties are limited, and the Department does not have an explicit animal focus.

Feasibility of Alternative Placement Options

To assess the feasibility of the placement options for Animal Services, we conducted interviews with DHS and Animal Services staff, staff from the Sonoma County departments considered for possible placement of Animal Services, staff from the two cities that contract with Sonoma County for Animal Services (Santa Rosa and Windsor), and with the non-profit Humane Society of Sonoma County and North Bay Animal Services. A representative of the County Administrator's Office was part of the County's oversight team for this performance review.

Exhibit 2.12 below summarizes our feasibility analysis findings. As can be seen, the timeline for all placement options that transfer Animal Services to another County department are the same because administrative process to establish a new department or transfer the functions to a different department, which will also include meetings with labor, would be required for these placement options. The quickest option of keeping the Animal Services Unit in the Department of Health Services, would require no substantial action except revising the Department's administrative chargeback model to better align service costs and service benefits to Animal Services. Forming a Joint Power Authority or contracting with non-profit providers would require extensive effort, including preparing suitable contracts and meeting all procedural obligations to

labor organizations, though we assume contracting with non-profits would take the longest of the placement options because of the change to a non-government service provider.

Exhibit 2.12: Feasibility of Alternative Placement Options (1 = least fit; 3 = best fit)

Feasibility Considerations						
Rank	Placement	Timeline Score	Willingness	Willingness Score	Total Placement Score (Ex 2.3)	Total Feasibility Score
1	Contract Function	1	Yes	3	15	19
2	Standalone	2	Yes	3	12	17
3	Status Quo	3	Yes	3	10	16
4	JPA	1	No	1	12	14
5	Sheriff	2	No	1	11	14
6	Agriculture	2	No	1	10	13
6	CAO	2	No	1	10	13
6	Regional Parks	2	No	1	10	13

Source: HMR analysis

As discussed earlier in this analysis, a joint powers authority and contracting the Animal Services function were among the highest scores in our placement option alternatives analysis. However, the City of Santa Rosa and the Town of Windsor, the two jurisdictions that currently contract with DHS for Animal Services, reported no interest in forming a joint powers authority for Animal Services, rendering that option less feasible. Other County departments, stated that they do not believe they have the capacity or ability to assume responsibility for any Animal Service functions and that there is limited mission alignment with their existing mandates, reducing the feasibility of those options. On the other hand, Animal Services management has stated in interviews that it would be willing to function as a standalone department.

The Humane Society of Sonoma County and North Bay Animal Services both expressed interest in contracting with the County, though the Humane Society indicated it would not be willing to take on the field services function.⁸ Both potential vendors indicated it would likely take up to one year to design and finalize a contract with the County for Animal Services, during which the County will have to meet and confer with implicated labor unions and attempt to mitigate employee layoffs and/or employee transfers to the nonprofit organizations or other County

⁸ North Bay Animal Services, like the Peninsula Humane Society, provide contracted animal control services to local government clients. Those vendors' Animal Control Officers must complete Peace Officer Standards and Training coursework as specified in California Penal Code Section 832. Per California Penal Code Section 830.9, Animal Control Officers who have completed such coursework have powers of arrest, can serve warrants, and may carry firearms.

agencies. According to interviews with DHS and County human resources staff, any transfer of functions outside the County, whether to a JPA or to a contractor, requires meeting with labor unions, and if positions are being eliminated, meeting and conferring with labor. It is difficult to estimate a timeline for these processes, however, if there are any significant employee layoffs that would make the process even longer.

We conclude that contracting out is the most feasible option for the County even though it will take a year or more to fully implement and it will be the most impactful on the existing Animal Services staff. The second most feasible option for the County would be to move the Animal Services Unit out of DHS and have it function as a standalone agency, possibly with an oversight commission to be established by and reporting to the Board of Supervisors. County officials may place greater value on one criterion (e.g., governance) over others (e.g., cost), which would change the outcome of the placement analysis.

Conclusion

As noted above, when considering expected changes to cost, performance, and governance of each potential Animal Services Unit placement option, the willingness of the potential placement partner, and the timeline associated with completing the transfer of functions, the top three placements for Animal Services are: (1) contracting with non-profit animal welfare provider organizations to perform some or all of the County's Animal Services functions, (2) transferring the Animal Service functions out of the Department of Health Service to form a standalone County department that is solely responsible for Animal Services, and (3) remaining within the Department of Health Services. The major considerations for each of these placement options are discussed below.

Contracting

The primary benefits of contracting for Animal Services functions are: (a) the lower cost of staff, which could reduce the total fiscal burden of the County's Animal Services or allow for the restoration of the previously deleted or other new needed positions using the savings accrued from contracting, and (b) achieving better mission alignment and program outcomes through contract non-profit providers, particularly a greater number of staff and volunteers for services, and more low cost medical procedures. The County could contract some or all of its Animal Services functions (including shelter, field services, and licensing) to a non-profit provider. However, there is currently only one non-profit provider in Sonoma County that provides contract animal control field services functions and it provides these services to the relatively smaller cities of Healdsburg, Petaluma, Cloverdale, and Calistoga which may make it more difficult for the County to find a suitable contractor prepared to achieve the scale of field services operations needed for the County as compared to finding a contractor for shelter services or licensing services.

Regardless of the extent to which the County elects to contract for its Animal Services functions, the County's animal shelter facility would very likely have to remain in use, given the total flow of animals through the County and non-profit care facilities and the total shelter capacity of the entire system. The facility would be staffed by shelter staff from the organization, County or otherwise, that is ultimately selected by the County to perform these functions.

In addition, the County would have to retain some subject-matter expertise of Animal Services functions in order to effectively manage its contract with the service providers. At present, contract management would be best carried out by the Animal Services manager/director of the Animal Services Unit with assistance from an administrative or analyst position to attend to compliance and billing tasks, depending on how many Animal Services staff remain County employees. Depending on the placement option and configuration selected by the County, the Animal Services Operations Manager could be part-time or full-time. A full-time position would be appropriate if the shelter function is contracted out, but field services remains within a County department. If the entire animal services function is contracted out, the position could be part-time as less active management would be required. Other duties could be assigned to the position if the County chooses to keep the position full-time.

Pursuing the contract placement option for Animal Services would require: a meet and confer process with the implicated labor unions to meet and confer on the impacts of deleted or transferred positions, development and evaluation of a request for proposals, and development of a mutually agreeable contract between the County and the non-profit provider(s). These activities would likely take at least one year to complete and require the attention and time of staff in Health Services, the County Administrator, and Human Resources departments to complete the procurement process, address the concerns and obligations to current employees, as well as manage the transition to a new service provider for the County's contract cities, Santa Rosa and Windsor, and the wider community of animal welfare stakeholders. The Board of Supervisors would have to approve the final contract proposed by the County Administrator.

Remaining in the County

If the County's policy makers decide that Animal Services functions are best carried out by County staff in a County department, two common placements in other counties are health services organizations, as is the current placement in Sonoma County, and law enforcement organizations. Although the Sheriff's Office has a law enforcement mission with a 24/7 enforcement operation, it lacks expertise in animal welfare and disease control. In addition, as of this writing, the Sheriff does not wish to take over responsibility for Animal Services. As noted above, according to our feasibility analysis, the top placement options for remaining within the County are making Animal Services a standalone County department or remaining in the Department of Health Services. Remaining in the County would reduce the transition to a new placement option such as contracting or a JPA considerably, since it would not require any requests for proposals, procurement, or extended labor negotiations. The other placement options within the County considered for this performance review: the CAO's Office, the Regional Parks Department, and the Department of Agriculture/Weights and Measures, are not recommended as they scored less well on our assessment tool.

Standalone Department

Animal Services management has stated its willingness to transition its functions out of the Department of Health Services and into a standalone County department with an oversight commission. The benefits of doing so include not competing for resources and management attention within a larger department structure as well as lower administrative costs relative to current administrative cost billing practices of the Department of Health Services. The timeline for moving the function would be determined by the time it would take for the County to administratively "stand up" a new department and the length of the meet and confer process, though we assume there would be fewer concerns raised by current employees about transferring to a new County department compared to the contract placement option. Therefore, the process should resolve more quickly and amicably. In order to properly function as a standalone department, the Board of Supervisors should consider a more appropriate classification befitting a department director, and ensuring the department has the appropriate administrative management positions to manage functions currently handled by DHS, and creating a position to coordinate the affairs of the recommended animal services oversight commission.

Remaining in the Department of Health Services

The third highest scoring placement option in our analysis was keeping Animal Services within the Department of Health Services. This option is the least disruptive of all the placement options considered. However, our analysis identified the increasing costs over time of paying the DHS charges for administrative services, many of which do not benefit Animal Services at all or are not commensurate with the actual benefits to Animal Services, and which have contributed to reductions in Animal Services staffing. If DHS were to reform its administrative cost recovery

model to better align charges and benefits to Animal Services, then the function could remain within DHS and redirect its administrative cost savings to enhancements to Animal Services, including restoration of previously deleted positions. No action by the Board of Supervisors is necessary for the Animal Service function to remain in Health Services, except for considering any restoration or upgrades of Animal Service positions.

Recommendations

2.1 Because contracting with a non-profit service provider received the highest placement score relative to other placement options when assessed on cost, performance, and governance and because contracting such services is a feasible option for the County, we recommend that that the County pursue contracting some or all of its Animal Services functions with qualified organizations by, first, engaging them in discussions about the feasibility of such a change and, second, if those talks advance satisfactorily, preparing a Request for Proposal to initiate the process and preparing for a meet and confer process to address issues such as the terms and conditions of transfers of existing employees within the County or potentially to a selected contract organization.

2.2 If contracting opportunities do not advance, the County should move the Animal Services Unit out of DHS but within the County enterprise as a stand-alone department. The Board of Supervisors should consider creating an animal services oversight commission for this new department, upgrading the Animal Service Operations Manager to a more appropriate classification for a department head, creating a position to manage administrative functions currently handled by DHS support staff, and creating a position to manage the affairs of the animal services oversight commission, all of which would result in lower costs than maintaining the status quo.

2.3 If it is determined that Animal Services will remain within the Department of Health Services, that Department should adjust its administrative cost recovery methodology to ensure that Animal Services only pays for services in direct proportion to their benefits. Keeping animal care and control functions in the Department of Health Services had the third-highest feasibility score after the contract placement option.