**TO:** Redmond City Council

**FROM:** John Marchione, Mayor

**DATE:** May 4, 2010

SUBJECT: MOTION EXPRESSING COUNCIL'S PREFERENCE FOR THE

PROVISION OF ANIMAL SERVICES WITH THE CITY OF REDMOND

**AFTER JUNE 30, 2010** 

### I. RECOMMENDED ACTION:

The City Council expresses an interest in participating in the proposed regional model for animal services.

### II. DEPARTMENT CONTACT:

Nina Rivkin, Chief Policy Advisor (425) 556-2103

## III. DESCRIPTION:

King County provides animal services to cities pursuant to an Interlocal Agreement that has been terminated effective July 1, 2010. To continue to receive services from the County, cities must enter full-cost recovery contracts. A regional model providing full-cost recovery for animal services has been developed by a County/Cities Work Group. King County has requested cities indicate their interest in participating in the regional model by May 5. Concurrent with this work, staff has been developing an alternative proposal of a sub-regional model for services.

Council was provided a detailed staff report on the proposed regional model for animal services and draft sub-regional model and discussed these options at a study session on April 27, 2010. Key city considerations in regards to the proposed regional model for animal services were the proposed cost allocation and cities choosing to continue to participate in the regional model.

# Regional Model Cost Allocation - Proposed and Revised

The Work Group explored several cost allocation models, including allocation based on use, population and a combination of use and population. The use model resulted in lower costs for many east cities, due to their low use of services and higher costs for south cities due to their high use of services. The population model resulted in larger cities paying a higher amount even if a city was a low user of services (and population has no nexus with need for/use of services). Ultimately a majority of the Work Group selected a model combining use and population.

The proposed regional model allocates costs based 50% on use and 50% on population. This cost allocation model negatively impacts some east cities, including Redmond, as these cities are

low users of services but would pay more than under a use-based allocation. The King County Executive's Office has been working with staff to limit the financial impact to cities negatively impacted by the proposed model.

A revised regional model has been proposed, whereby a cap on costs would be imposed so that a city would pay no more than 120% of what that city would pay based on a use cost allocation. A city whose costs exceed 120% using a use cost allocation will be eligible for a credit so long as the net costs are over \$5,000. The amount of the credit will remain the same throughout the contract and will not be re-calculated each year. Half of the credit amount will be applied in 2010 (as this contract will be in effect for half of the year, from July – December) and the full amount of the credit will be applied to a city's costs in both 2011 and 2012.

# City of Redmond Costs Under Revised Regional Model

Under the revised regional model, the City's estimated net annual costs, or the difference between costs and revenue, are -\$17,361; this amount includes a credit of \$36,903 to limit the City's costs to 120% of a use-based allocation. Under the original proposed regional model, the City's estimated net costs would have been -\$54,264.

## Cities Interest in Participating in Regional Model

Cities in King County have been reviewing the proposed regional model and providing feedback on interest in participation. Cities that have indicated they will not participate in the regional model are Algona, Bothell, Burien, and Pacific; however Bothell is re-evaluating their options and decision to not participate.

On May 3 Bellevue indicated interest in participating in the regional model, though the Council directed staff to continue to work with neighboring cities on a sub-regional option for potential future consideration upon conclusion of the contract with King County. Mercer Island will participate in the regional model and the Kirkland Council is scheduled to discuss May 4. It is assumed east cities will participate in the regional model or pursue a sub-regional model if a sufficient number of cities choose this option (required for this option to be financially viable).

### Sub-Regional Model - Revised Services and Costs

The draft sub-regional model consists of field services that would be provided by the City of Bellevue, shelter services provided by Seattle Humane Society, and licensing services provided by a private vendor that provides animal licensing for municipalities across the country. Staff from the City of Bellevue refined their cost estimates and field services to include the following:

- o <u>Potential Partner Cities</u>: Bellevue, Redmond, Kirkland, Clyde Hill, Mercer Island, Yarrow Point and Newcastle (the latter two cities have been added to the model)
- o <u>3 Staff</u>: 2 animal control officers and 1 records clerk/call taker/administrator (a clerk has been added)
- o <u>Other Costs</u>: Emergency veterinarian/hospital services and marketing costs have been added (a partner city does not have to include these costs)
- o <u>Administrative Fee</u>: Partner cities would pay a fee of 5% for administration of the field services program (administrative fee has been added to the costs)
- o <u>Contingency</u>: 10% contingency on all costs (field, shelter, licensing) has been included to address potential unknown costs (a partner city does not have to include this cost)

- o <u>2011-2012 Services</u>: Bellevue would provide field services to partner cities beginning in 2011; potential for Bellevue to begin providing these services 4<sup>th</sup> quarter 2010
- o <u>2011 Costs</u>: Include 2010 one-time start-up costs
- o Revenue: Conservative estimates, assume no increase in revenue

# City of Redmond Costs Under Revised Sub-Regional Model

The sub-regional model is less expensive overall for participating cities than under the regional model; however the viability of this option is contingent on other cities' participation. Net costs for the City under the revised service model/cost estimates are -\$21,284 in 2011; these costs include one-time start-up costs of \$20,675 as well as conservative cost estimating to address potential unknown costs. Net costs for 2012 are estimated to be \$1,487. Additional information about costs for services would be known in 2011, after services have been provided for a time, and the cost model can be refined to reflect increased or decreased costs and revenue.

# Next Steps

The County has requested that cities indicate their interest in participating in the regional model by May 5. The County will re-calculate costs after they know which cities are interested in participating in the regional model. If the Council expresses interest in participating in the regional model, staff will update Council if there is a material change in the estimated costs for the City. A contract for animal services is currently being developed and reviewed by cities; a final contract will be distributed end of May for Council review and approval by the end of June.

### IV. OPTIONS FOR SERVICE DELIVERY

Staff recommends the City participate in the regional model for animal services. The key city considerations of cost allocation and cities choosing to continue to participate in the regional service delivery model have been addressed. The King County Executive's Office has revised the original proposed regional model with a cap to limit city costs to 120% of a use-based allocation; a credit will be provided to cities to offset costs (though the credit amount will remain the same and will not be re-calculated each year).

Neighboring cities have decided to participate in the regional model; these cities would need to join in the sub-regional model for it to be financially viable. The proposed duration for a new contract for animal services is 2 ½ years, with the potential to extend for 2 years. During the contract period, a Joint City/County Committee will review service issues and make recommendations for efficiencies and improvements. If services and/or costs do not meet City expectations, staff will revisit the sub-regional model as an option for City and sub-regional consideration.

APPROVED FOR COUNCIL AGENDA:		
/s/	5/4/2010	
John Marchione, Mayor	Date	_