



PETS IN NEED
DRAFT TERM SHEET
2023-2027

MARCH 27, 2023

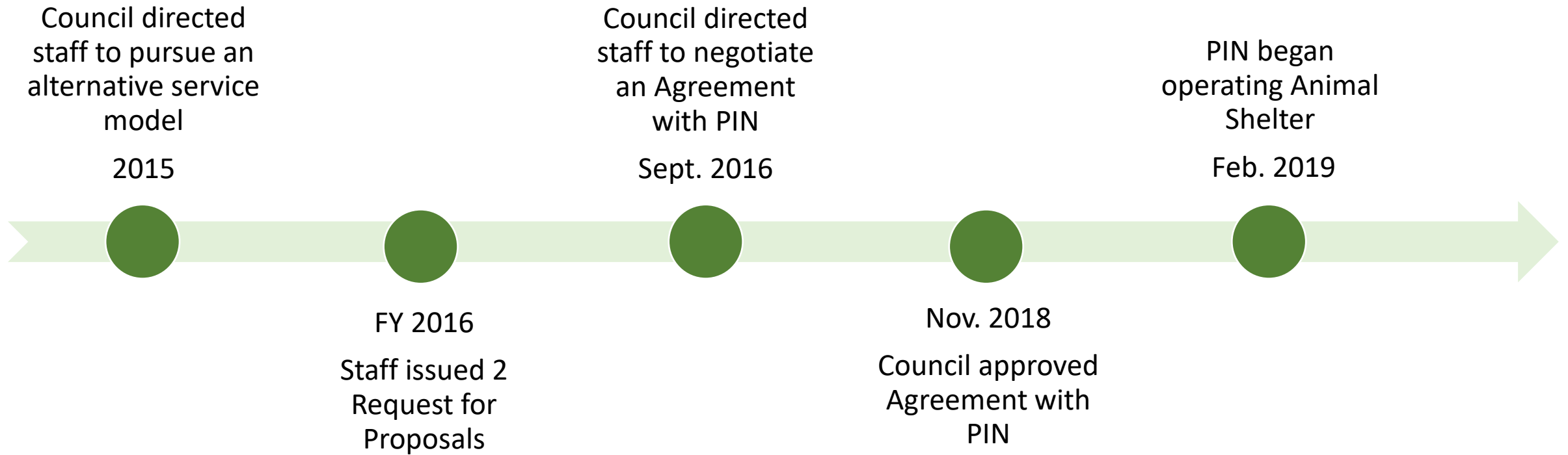
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PETS IN NEED DRAFT TERM SHEET

Staff recommends that City Council provide feedback on a draft term sheet with Pets in Need for operation of the Palo Alto Animal Shelter

- Background
- Current agreement
- 2022 Council direction
- Key terms for 2023-2027
- Other service delivery models
- Next Steps
- Pets in Need

BACKGROUND



CURRENT AGREEMENT WITH PIN

TERM

- 5-year term (January 2019 -January 2024)
- Early termination notice on November 15, 2021
- Termination notice extended to May 15, 2023

COMPENSATION

- \$3.4M over the five-year term
- \$60k fund for renovation delays

CAPITAL IMPROVEMENTS TO BE COMPLETED BY CITY

- Minor improvements to existing kennels *Completed*
- Modular building *Completed*
- Medical suite *Completed*
- New kennel building with 16 new kennels *Design completed, not constructed*



FEBRUARY 14, 2022 COUNCIL DIRECTION

The Council passed the following motion unanimously:

- A. That as a condition for continuing good faith negotiations, that Pets in Need would agree to extend the notice of termination six months beyond the current date;
- B. Proceed with negotiations with Pets in Need for a long-term contract agreement for animal services in Palo Alto;
- C. Evaluate the necessary kennel size for community partners that we serve;
- D. Include some form of trap and neuter program;
- E. Include a small animal area in the renovation plans;
- F. Assure that the contract agrees upon hours of operation and services provided;
- G. That the parties agree to pursue a fundraising program to supplement existing capital commitments for the shelter; and
- H. Explore the transition to a new database.

KEY TERMS 2023-2027

- Five-year term with option to extend five years
- Scope of services remain the same except for:
 - After hours emergency vet care
 - Post-mortem evaluations
 - Off-site crime scene investigations
- Annual compensation of \$1.37M for Year 1 with annual increase
- City to allocate \$2.5M in FY2024 for capital improvements
- PIN can fund additional improvements with City review/approval
- Trap/Neuter/Return policy
- Animal welfare policies
- Corrective Action Plan in lieu of penalties



TERM SHEET COMPARISON TO EXISTING

	2019-2023 Agreement	2023-2027 Proposed	Increased cost to City (Revenue indicated in parentheses)
Scope of Work			
After hours veterinary care for stray hold animals	Included in scope	Not in scope	\$15,000
Veterinary services for cruelty investigations	Included in scope	PIN has discretion	\$10,000
Licensing	Included in scope	Not in scope. Add 0.5 FTE City staff	\$40,000
Licensing revenue	To PIN	To City	(\$130,000)
Feral cats	No release in PA or Partner Cities	Trap/Neuter/Return Policy	Staff time for analysis and community engagement

TERM SHEET COMPARISON TO EXISTING

	2019-2023 Agreement	2023-2027 Proposed	Increased cost to City (Revenue indicated in parentheses)
Compensation			
Shelter services and 60 spay/neuter surgeries per month	\$703,580	\$1,373,400	\$669,820/year
Annual escalator	2%	Minimum of the annual CPI rate	To be negotiated
Capital Improvements			
City investment	\$3.4M (~\$1M remaining)	\$2.5M	\$1.5M one time investment
Limit on PIN investment in additional projects	Up to \$10k	No limit but must follow prevailing wage and other laws and obtain City approval	\$0 Staff time to review and approve
Renovation Delays	\$60k	\$0	\$0

SUMMARY

- Operating costs will increase by \$554,820 in Fiscal Year 2024 and annually thereafter
- Capital one-time additional investment of \$1.5M for total City investment of \$4.3M.
 - Several funding sources could be considered, but need further investigation and come with trade-offs
 - Infrastructure Reserve
 - Budget Stabilization Reserve
 - Impact Fee Fund
 - Stanford University Medical Center Funds

ALTERNATE SERVICE DELIVERY MODELS

- Issue a new RFP
 - Shelter services outside of Palo Alto
 - Shelter services at Palo Alto Animal Shelter (current model)
- Return to an in-house model for Shelter services
 - \$1.03M in staffing costs (5-6 FT and 3-4 PT staff)
 - \$270,000 in non-personnel expenses
 - \$425,000 in revenue
 - No additional capital investment



TIMELINE AND NEXT STEPS

- With early termination, PIN contract expires May 2023.
- Staff to proceed based on Council feedback and return with the appropriate recommendation.





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