



# Agenda

## FINANCE COMMITTEE

December 16, 2019

2:00 P.M.

651 Pine Street, Room 101, Martinez

Supervisor Karen Mitchoff, Chair  
Supervisor John Gioia, Vice Chair

### Agenda Items:

Items may be taken out of order based on the business of the day and preference of the Committee

1. Introductions
2. Public comment on any item under the jurisdiction of the Committee and not on this agenda (speakers may be limited to three minutes).
3. CONSIDER approving the Record of Action for the November 4, 2019, Finance Committee meeting (Lisa Driscoll, County Finance Director)
4. CONSIDER recommending to the Board of Supervisors refunding of the County's 2010 Lease Revenue Bonds Series A and B for cost savings and take related actions. (Timothy Ewell, Chief Assistant County Administrator)
5. ACCEPT an informational report from the Animal Services Department on a study of the contracted city services and fees for animal control; and DIRECT the Animal Services Department to discuss proposed changes to contract fees with the cities and prepare a new contract and fee schedule for contract cities for consideration by the Board of Supervisors at a noted public hearing. (Eric Angstadt, Chief Assistant County Administrator)
6. Adjourn

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*The Finance Committee will provide reasonable accommodations for persons with disabilities planning to attend Finance Committee meetings. Contact the staff person listed below at least 72 hours before the meeting.*

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*Any disclosable public records related to an open session item on a regular meeting agenda and distributed by the County to a majority of members of the Finance Committee less than 96 hours prior to that meeting are available for public inspection at 651 Pine Street, 10th floor, during normal business hours.*

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*Public comment may be submitted via electronic mail on agenda items at least one full work day prior to the published meeting time.*

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For Additional Information Contact:

Lisa Driscoll, Committee Staff  
Phone (925) 335-1021, Fax (925) 646-1353  
[lisa.driscoll@cao.cccounty.us](mailto:lisa.driscoll@cao.cccounty.us)



# Contra Costa County Board of Supervisors

## Subcommittee Report

### FINANCE COMMITTEE

3.

**Meeting Date:** 12/16/2019

**Subject:** Record of Action for November 4, 2019 Finance Committee Meeting

**Submitted For:** FINANCE COMMITTEE,

**Department:** County Administrator

**Referral No.:** N/A

**Referral Name:** Record of Action

**Presenter:** Lisa Driscoll, County Finance Director **Contact:** Lisa Driscoll (925) 335-1023

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#### **Referral History:**

County Ordinance requires that each County body keep a record of its meetings. Though the record need not be verbatim, it must accurately reflect the agenda and the discussions made in the meetings.

#### **Referral Update:**

Attached for the Committee's consideration is the Record of Action for its November 4, 2019 meeting.

#### **Recommendation(s)/Next Step(s):**

Staff recommends approval of the Record of Action for the November 4, 2019 meeting.

#### **Fiscal Impact (if any):**

No fiscal impact.

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#### **Attachments**

Draft Record of Action November 4, 2019

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# DRAFT



## FINANCE COMMITTEE

RECORD OF ACTION FOR  
November 4, 2019

Supervisor Karen Mitchoff, Chair  
Supervisor John Gioia, Vice Chair

Present: Chair Karen Mitchoff  
Vice Chair John Gioia

Staff Present: Lisa Driscoll, Finance Director; Timothy Ewell, Chief Assistant County Administrator; Eric Angstadt, Chief Assistant County Administrator; Paul Reyes, Sr. Deputy County Administrator; Chris Wikler, BOS District IV; Gabriel Lemus, DCD; Kristin Sherk, DCD; Tim Jensen, Public Works; Allison Knapp, Public Works; Michele Marcuso, Public Works; Mitch Avalon, Clean Water

Attendees: Mariana Moore, Ensuring Opportunity; Andrea Crider, Bay Area Legal Aid

1. Introductions
2. Public comment on any item under the jurisdiction of the Committee and not on this agenda (speakers may be limited to three minutes).

*There were no comments from the Public.*

3. Staff recommends approval of the Record of Action for the October 7, 2019 meeting.

*The Record of Action for the October 7, 2019 meeting was approved as recommended.*

AYE: Chair Karen Mitchoff, Vice Chair John Gioia

4. CONSIDER accepting Department of Conservation and Development's attached Draft 2020-2025 Consolidated Plan Priorities.

*Kristin Sherk provided the report and recommendations for CDBG 2020-2025 Consolidated Plan Priorities. The four main priorities have not changed from the last five year report. Staff provided a handout "Contra Costa HOME/CDBG Consortium Needs Assessment for Contra Costa County", which is attached. The Committee accepted the report and directed staff to place their recommendation on the November 19, 2019 Board of Supervisors' agenda as a "consent" item.*

AYE: Chair Karen Mitchoff, Vice Chair John Gioia

5. DIRECT staff to develop options for additional funding sources and bring the options back to the Committee in February 2020 for consideration.

*Tim Jensen with Public Works provided a staff report and recommendations regarding funding gaps with the Municipal Regional Permit program requirements. The Committee expressed concerns regarding increasing fees. Staff was directed to develop options for additional funding sources to comply with the program and bring the options back to the Finance Committee in February 2020 for consideration.*

AYE: Chair Karen Mitchoff, Vice Chair John Gioia

6. Consider a status update regarding a formation of an Ad Hoc Committee.

*The Committee discussed formation of the Potential Sales Tax Measure Ad Hoc Committee (Ad Hoc Committee) and considered input from staff and Mariana Moore regarding implementation. Supervisors discussed their concern regarding lack of turnout at the Finance Committee meeting, visions for the Ad Hoc Committee, working group, needs assessment, polling, amount of potential tax, and facilitation. Mariana Moore indicated that there was both excitement and confusion regarding the new ad hoc committee and volunteered to take a larger role regarding disseminating the meeting information. The Finance Committee directed that the task of the Ad Hoc Committee will be to work with the larger working group to develop a needs assessment. The working group for the tax measure will be self identified. All willing participants are invited to attend and participate. At this point it is assumed that the tax will be a one-half cent sales tax. The actual amount will be tested in a poll later in the process.*

*Staff was directed to create a Brown Act compliant agenda for the first meeting. The mailing list is to include those groups identified by the Board of Supervisors on October 22, all labor organizations, and additional organizations whose contact will be provided by Ms. Moore. A mass email will be sent out to invite participants to self-subscribe for meeting notification/agendas. The first meeting of the Ad Hoc Committee will be Monday, November 18, 2019 at 2:00 at 651 Pine Street, Martinez, in room 101. Staff was directed to request a County Counsel attorney be present for the meeting.*

*Participants are asked to bring their calendars to the meeting of November 18 so that future meetings can be scheduled.*

AYE: Chair Karen Mitchoff, Vice Chair John Gioia

7. Consider hiring a facilitator to work with the Potential Sales Tax Measure Ad Hoc Committee.

*Committee agreed to hold this item for now. The issue of hiring a facilitator will be raised again, if necessary, during the Potential Sales Tax Measure Ad Hoc Committee process.*

AYE: Chair Karen Mitchoff, Vice Chair John Gioia

8. CONSIDER accepting update and staff recommendation regarding employee recognition programs.

*Committee accepted update on employee recognition programs, directed staff to continue current countywide program (Administrative Bulletin 410), and work with labor during negotiations to make policies consistent department to department.*

AYE: Chair Karen Mitchoff, Vice Chair John Gioia

9. The next meeting is currently scheduled for December 23, 2019.

*The next meeting of the Finance Committee has been rescheduled to December 16, 2019 at 2:00.*

10. Adjourn

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For Additional Information Contact:

Lisa Driscoll, County Finance Director  
Phone (925) 335-1021, Fax (925) 646-1353  
lisa.driscoll@cao.cccounty.us



# Contra Costa County Board of Supervisors

## Subcommittee Report

4.

### FINANCE COMMITTEE

**Meeting Date:** 12/16/2019  
**Subject:** 2020 LEASE REVENUE BOND REFUNDING  
**Submitted For:** David Twa, County Administrator  
**Department:** County Administrator  
**Referral No.:** N/A  
**Referral Name:** 2020 LEASE REVENUE BOND REFUNDING  
**Presenter:** Timothy M. Ewell  
**Contact:** Timothy M. Ewell

### Referral History:

#### Issuance of 2010 Lease Revenue Bonds

On October 12, 2010 the Board of Supervisors authorized the issuance and sale of \$58,055,000 million in lease revenue bonds to fund a portion of the construction and acquisition costs of the West County Health Center and refunding bonds issued in prior years for a cost savings. The bonds were issued using a combination of traditional tax-exempt and taxable financing, including Build America Bonds (BABs) and Recovery Zone Economic Development Bonds (RZEDBs) (together the "2010 Bonds") with a true interest cost ("TIC") of 4.15% and 3.84% for the Series A and Series B bonds, respectively.

The BAB and RZEDB portions of the 2010 Bonds were special financing vehicles authorized by the American Recovery and Reinvestment Act ("ARRA"), signed by President Obama in February 2009, which offered a direct subsidy for interest payments made on taxable bonds in the amounts of 35% and 45%, respectively. The direct subsidy payments are paid on a semi-annual basis upon claim by the County to the Internal Revenue Service (IRS). This was to incentivize state and local governments to invest in infrastructure as a means of stimulating the local economy and creating jobs while the country continued to battle the effects of the Great Recession. Taxable bonds typically demand a higher interest rate by investors compared to tax-exempt bonds because investors are required to pay taxes on the interest earnings that accrue from owning taxable bonds. This is the reason for the County's Series A TIC being 4.15% compared to the Series B TIC being 3.84% as outlined above; however, the higher interest rate is mitigated by the direct subsidies received from by IRS.

A summary of the 2010 Bonds, including principal, interest, anticipated direct subsidy receipts and total debt service by series is included in the table below for reference:

Summary - 2010 Lease Revenue Bonds			
	Series A West County Clinic	Series B Refunding	Total
Principal	40,620,000	17,435,000	58,055,000
Interest	51,120,739	6,193,751	57,314,490
Subsidy	(20,885,639)	-	(20,885,639)
<b>Total</b>	<b>70,855,100</b>	<b>23,628,751</b>	<b>94,483,851</b>

### Sequestration

The Budget Control Act of 2011 (Public Law 112-25) (the "Act") included anticipated budget caps (usually referred to as "Sequestration") on discretionary spending through federal FY 2021. Each year the Congressional Budget Office (CBO) produces a report identifying the impact to certain discretionary federal programs by sequestration. The BAB and RZEDB direct subsidy bond programs are considered discretionary have been impacted by sequestration since the passage of the Act, including those revenue receipts anticipated by the County to mitigate the costs of taxable interest payments described above. A summary of the County's negative impact from reduced subsidies, including anticipated impacts for CY 2020 is included below for reference:

**Contra Costa County BABs and Recovery Zone Lease Revenue Bonds Subsidies  
2010 Series A-2 (BABs) and 2010 Series A-3 (Recovery Zone Bonds)**

<b>Period Ending</b>	<b>Total Subsidy Before Sequestration</b>	<b>Sequestration %</b>	<b>Total Amount of Subsidy Reduction</b>
6/1/2013	471,368.93	8.70%	41,009.10
12/1/2013	471,368.93	8.70%	41,009.10
6/1/2014	471,368.93	7.20%	33,938.56
12/1/2014	471,368.93	7.20%	33,938.56
6/1/2015	471,368.93	7.30%	34,409.93
12/1/2015	471,368.93	7.30%	34,409.93
6/1/2016	471,368.93	6.80%	32,053.09
12/1/2016	471,368.93	6.80%	32,053.09
6/1/2017	471,368.93	6.90%	32,524.46
12/1/2017	471,368.93	6.90%	32,524.46
6/1/2018	471,368.93	6.60%	31,110.35
12/1/2018	471,368.93	6.60%	31,110.35
6/1/2019	471,368.93	6.20%	29,224.87
12/1/2019	471,368.93	6.20%	29,224.87
6/1/2020	471,368.93	5.90%	27,810.77
12/1/2020	471,368.93	5.90%	27,810.77
<b>Total</b>	<b>7,541,902.88</b>		<b>524,162.25</b>

Although the impacts of sequestration are relatively small annually, over time these impacts will have accreted to approximately \$524,162 by the end of CY 2020. This impact was not anticipated in the original plan of finance in 2010.

**Referral Update:**

In May 2019, the County Administrator released a Request for Proposals (RFP) to the County's underwriter pool seeking proposals to refund (or refinance) the 2010 Bonds. The 2010 Bonds are eligible for current refunding on June 1, 2020 because at the time of issuance, the County purchased a 10-year call option. A call option is a financial instrument that allows the County to repay the principal amount of a bond plus any accrued interest to the bondholder prior to the scheduled maturity date. This allows for flexibility during the life of the bonds to restructure a debt portfolio, refund the bonds for cost savings or address other structural issues related to the bonds. Federal regulations allow the County to price refunding bonds 90 days prior to the call date making March 2020 the earliest possible time to bring a current refunding of the 2010 Bonds to the market.

**May 2019 RFP Results**

The County received six responses from underwriters, which all resulted in a net present value (NPV) savings to the County from refunding of the 2010 Bonds. NPV savings reflects the amount of money saved in current year dollars and is the preferred measure to assist in the determination whether or not to move forward with a bond refunding. The County's Debt Management Policy (Resolution No. 2019/37) stipulates that initiation of a refunding for cost savings must result in a minimum 4% savings overall. This is measured by the applying the estimated NPV of a refunding to the NPV of the current stream of debt service payments with any resulting savings at or above 4% triggering staff to review the feasibility of refunding the debt.

Each of the six RFP responses anticipated NPV savings greater than 4% and most suggested the use of a forward delivery contract as part of the refunding. A forward delivery contract allows for bonds to be issued in advance of the call date by paying a forward delivery premium on the bonds for the additional interest rate risk that the bondholder takes on by issuing the bonds early. In return, the County is able to lock in current market rates (plus the premium). This premium is measured in basis points (bps), which are equivalent to 1/100th of a percent. For example, 1 bps = 0.01%. The average premium quoted by underwriters was 5-6 bps per month leading up to the pricing date in March 2020 (in advance of the call date of June 1, 2020).

**Review by the Debt Affordability Advisory Committee**

The Debt Affordability Advisory Committee (DAAC) composed of the County Treasurer-Tax Collector, the Auditor-Controller, the County Finance Director and the Director of Conservation and Development reviewed the results of the May 2019 RFP at their June 4, 2019 meeting. At that time, the DAAC determined that it would be best to wait until the Fall to review proposals further for two reasons: 1) Market forecasts projected further interest rate reductions in the municipal bond market; and 2) by waiting, the County would not have to pay a forward premium on the bonds.

**October 2019 RFP Results**

On October 2, 2019, the County Administrator released a second RFP to respondents from the May 2019 RFP, requesting updated financial projections to reflect current market conditions. The recommendation of the DAAC to hold off on pursuing a refunding of the bonds was correct based on market analysis of rates as of June 3, 2019 and September 30, 2019. In summary, rates had fallen by 25-29 bps (or 0.25%-0.29%). The chart below shows this change in market conditions between that timeframe for a 15-20 year maturity:



**Montague DeRose and Associates**  
Weekly Market Update  
Monday, June 03, 2019

Market Yield Curves							Yield Curve Relationships			Short Term Rates				
Maturity	UST	State of CA Aa3/AA-/AA-	Natl Revenue A/A	CA COPs	AAA MMD Benchmark	SIFMA Swap	AAA MMD as % of UST	CA GO Spread to MMD	A/A Rev Sprd to MMD	Rate	Current	% 1M Lib	12 Month Average	Avg % 1M Lib
1	2.22%	1.26%	1.50%	1.28%	1.38%	1.37%	62%	-0.12%	0.12%	CA Weekly	1.22%	50%	1.38%	58%
5	1.93%	1.36%	1.71%	1.44%	1.42%	1.28%	73%	-0.06%	0.29%	SIFMA	1.42%	58%	1.53%	65%
10	2.14%	1.65%	1.98%	1.77%	1.65%	1.53%	77%	0.00%	0.33%	1M LIBOR	2.44%		2.36%	
15	2.36%	2.00%	2.34%	2.12%	1.94%	1.70%	82%	0.06%	0.40%	3M LIBOR	2.52%		2.57%	
20	2.47%	2.23%	2.54%	2.36%	2.14%	1.79%	87%	0.09%	0.40%	SOFR	2.49%		2.26%	
25	n/a	2.38%	2.67%	2.51%	2.27%	1.84%	n/a	0.11%	0.40%	CA 6M MIG 1	1.37%			
30	2.57%	2.43%	2.72%	2.56%	2.32%	1.88%	90%	0.11%	0.40%	CA 12M MIG 1	1.39%			

**Montague DeRose and Associates**  
Weekly Market Update  
Monday, September 30, 2019

Market Yield Curves							Yield Curve Relationships			Short Term Rates				
Maturity	UST	State of CA Aa3/AA-/AA-	Natl Revenue A/A	CA COPs	AAA MMD Benchmark	SIFMA Swap	AAA MMD as % of UST	CA GO Spread to MMD	A/A Rev Sprd to MMD	Rate	Current	% 1M Lib	12 Month Average	Avg % 1M Lib
1	1.76%	1.18%	1.35%	1.20%	1.26%	1.21%	72%	-0.08%	0.09%	CA Weekly	1.32%	65%	1.40%	58%
5	1.56%	1.21%	1.50%	1.30%	1.23%	1.04%	79%	-0.02%	0.27%	SIFMA	1.47%	72%	1.56%	65%
10	1.68%	1.48%	1.72%	1.63%	1.42%	1.19%	85%	0.06%	0.30%	1M LIBOR	2.04%		2.40%	
15	1.90%	1.72%	2.00%	1.87%	1.63%	1.32%	86%	0.09%	0.37%	3M LIBOR	2.13%		2.54%	
20	2.02%	1.92%	2.20%	2.07%	1.83%	1.39%	91%	0.09%	0.37%	SOFR	1.95%		2.37%	
25	n/a	2.05%	2.33%	2.20%	1.96%	1.44%	n/a	0.09%	0.37%	CA 6M MIG 1	1.18%			
30	2.13%	2.10%	2.38%	2.25%	2.01%	1.47%	94%	0.09%	0.37%	CA 12M MIG 1	1.18%			

The DAAC met on November 8, 2019 to review the updated RFP responses. After reviewing proposals received with the assistance of the County's independent registered municipal advisor (IRMA), Montague DeRose Associates, the DAAC determined the proposal from Barclays was the most advantageous to the County. Barclays proposed the lowest takedown rate of all respondents at \$1.50 per bond. The takedown rate is similar to a commission and reflects the amount paid to the underwriter for services assisting with bringing bonds to the market. In addition, Barclays provided a favorable marketing approach for the bonds, including ideas to assist the County with a retail sales pilot project. Retail outreach in municipal bond transactions is a way to enlist interest from a jurisdiction's own residents to invest in local infrastructure through investment in bonds. The County included a section in the October 2019 RFP soliciting feedback on how to structure a retail engagement strategy as part of the 2020 refunding bonds.

Barclays' proposal resulted in an estimated NPV savings to the County of \$6,174,390, or 14.97% with a TIC of 2.42%. The NPV savings is well above the minimum included in the County Debt Management Policy. A summary of the estimated refunding results is included below for reference:

**SUMMARY OF REFUNDING RESULTS**

**Contra Costa County**  
**Lease Revenue Bonds, Series 2020**  
**(Barclays' Recommended Scenario: Refund All Callable Maturities of 2010 Series A-2, A-3 and B)**

Dated Date	03/03/2020
Delivery Date	03/03/2020
Arbitrage yield	1.549590%
Escrow yield	1.698315%
Bond Par Amount	31,345,000.00
True Interest Cost	2.425091%
Net Interest Cost	2.827069%
Average Coupon	4.992474%
Average Life	10.450
Weighted Average Maturity	10.749
Par amount of refunded bonds	41,255,000.00
Average coupon of refunded bonds	6.736825%
Average life of refunded bonds	10.470
Remaining weighted average maturity of refunded bonds	10.470
PV of prior debt to 03/03/2020 @ 1.549590%	61,925,237.68
Net PV Savings	6,174,390.44
Percentage savings of refunded bonds	14.966405%

**Conclusion**

Ultimately, the DAAC directed staff to recommend the following: 1) proceed with a current refunding of the 2010 Bonds; 2) select Barclays to serve as senior managing underwriter of the bonds; and 3) authorize a retail sales pilot project as part of this bond transaction.

**Recommendation(s)/Next Step(s):**

1. PROCEED with a current refunding of the 2010 Bonds;
2. SELECT Barclays to serve as senior managing underwriter of the bonds; and
3. AUTHORIZE a retail sales pilot project as part of this bond transaction.

**Attachments**

*No file(s) attached.*



# Contra Costa County Board of Supervisors

## Subcommittee Report

### FINANCE COMMITTEE

5.

**Meeting Date:** 12/16/2019

**Subject:** Animal Services City Fees

**Submitted For:** FINANCE COMMITTEE,

**Department:** County Administrator

**Referral No.:** 6/18/19 C.120

**Referral Name:** Animal Services City Fees

**Presenter:** Eric Angstadt, Chief Deputy County  
Administrator

**Contact:** Beth Ward (925)  
608-8470

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### **Referral History:**

On June 18, 2019, the Board of Supervisors referred a review of city contract fees for Animal Services to the Finance Committee.

### **Referral Update:**

#### **Purpose: Department Services Cost Analysis**

In the fall of 2017, Contra Costa Animal Services (CCAS) hired the firm City Gate Associates, LLC. (City Gate) to perform a cost analysis of the County's animal services operations for animal control services to contracted cities. The County's primary purpose in conducting this analysis was to develop a factual and analytical study upon which the Department could make critical decisions for financial sustainability. The analysis was necessary to identify and begin financial recovery steps and processes for the Department, strengthen its operational and financial foundation to position itself for success, both short and long-term, and enhance its services for the future to adequately serve our community residents and care for our animals.

The report of the analysis was provided in early 2018 and action steps were already in place to address operational efficiencies and to create clear and realistic budget recommendations for FY 2018/19. The efforts to strengthen core financial and operational activities included working with the County Administrator's Office (CAO) on our budget and forecasting, updating the current Department fee schedule, developing Standard Operating Procedures (SOP's), increasing staff training, evaluating key programs to improve efficiencies (examples: phone services, customer wait times, field service response times, etc), and filling funded vacant positions.

The next phase was to address the impacts of population growth in Contra Costa County and the service demands of the residents we serve. Contra Costa County population has increased by nearly 10% since 2010 in the contracted cities and unincorporated areas that we serve. The analysis contained research and comparison of services provided by other similar animal control agencies by assessing these agencies' costs and revenues, including, but not limited to, personnel,

operations, and service delivery models. Bay area traffic has grown over 80% since 2010, which has created more challenges for Animal Service Officers to respond to calls in a timely manner for dangerous, sick and injured animals and for members of the public trying to reach our shelters to search for their lost animals, bring in strays and use our services. Another key factor impacting the cost of providing field and shelter services is the state mandate to accept stray animals and the community's desire to have a place to safely surrender a pet that they no longer have the ability keep. This resulted in the Department receiving many challenging animals that are impounded into Contra Costa County shelters. These animals can require extensive resources to get them to an adoptable state as defined by the California Food and Agricultural Code 17005 (established in 1998) which reads:

*“Adoptable animals include only those animals eight weeks of age or older that, at or subsequent to the time the animal is impounded or otherwise taken back into possession, have manifested no sign of a behavioral or temperamental defect that could pose a health or safety risk or otherwise make the animal unsuitable for placement as a pet, and have manifested no signs of disease, injury, or congenital or hereditary condition that adversely affects the health of the animal or that is likely to adversely affect the animal's health in the future.”*

Other key factors included the need of the community to retrieve stray animals, responding to injured animals, picking up deceased animals, supporting families who may have been at risk due to a biting animal, investigating animal cruelty, etc.

Our current contract fee structure does not allow CCAS to keep up with the services the residents we serve desire to have available. Based on the Department's current staffing levels and response times to our communities, CCAS needs to increase the levels of staffing to appropriately care for the animals and to serve our community in a timely manner. As described in the City Gate report, the County has the authority to charge user fees for animal control services, such as those services provided by CCAS to the 18 contracted cities and unincorporated County areas per capita based on the population of each jurisdiction. The fees charged by the County must not be more than the estimated cost that the County incurs to provide the services for which the fees are charged. The main cost the County incurs providing animal control, husbandry and veterinary care and services is the cost of County staff time.

## **Summary of Key Findings**

CCAS city contracts were established in 1985. The contract stipulates services for mandated programs and the enforcement of all animal related laws. The fees were based on Department costs at that time and on a city's population (per capita). In May of 2005, the Board of Supervisors granted approval for the Animal Services Department to increase city contracts each fiscal year based on the municipality's population growth and the Consumer Price Index (CPI) percentage. There was no adjustment for the drastic increase in costs for providing services as a baseline. These annual increases at approximately 3.5% per year have not generated sufficient revenue allocations to cover the increased expenses for providing animal control services throughout Contra Costa County. Personnel costs account for over 72% of the Department's budget. City Contract revenues remained flat from FY2010/11 to FY2014/15 due to the Board waiving the annual CPI increases during the economic downturn, while operational and personnel expenses continued to rise.

In the City Gate, LLC. report, it highlights in Section 1.2.2 “Post-Great-Recession Rebuild” that the Department has suffered a significant turnover in leadership, budget cuts, and had difficulty

with personnel retention and recruitment. In parallel, the demand from the public and animal advocates around the “No Kill” movement increased the Department’s expectations to provide a higher level of veterinary care, which increased the operational cost for medical services for shelter animals. The City Gate report indicates the public expectation has become that shelters can achieve a goal of saving 90% of all sheltered dogs and cats. In FY 2015/16, the Department began to assess its cost for services to the contract cities. The internal financial analysis determined that the cost for services are far greater to provide contracted animal control services to the 18 Cities, which is discussed in the City Gate report in Section 4.2.2.

In FY 2017/18, the Department implemented strong financial strategies with the support of the County Administrator’s Office that were discussed in Section 5 of the City Gate, LLC. Report. The action items that were implemented have provided the Department a financial baseline on what the personnel, operational and community service levels are, and what they must be to provide adequate care for our animals and the staffing levels needed to provide public safety for our community members.

### **Recommendations**

In order for the Department to sustain current services levels, along with the County’s population growth, the Department recommends the formula for city contract fees would be current per capita fee (\$6.38) multiplied by the Bay Area CPI, which is estimated at 3.5% plus \$1.00 for five (5) years as a method for spreading the fee increase out over time to ease the impact on the contract cities:

FY 20/21	\$7.60
FY 21/22	\$8.87
FY 22/23	\$10.18
FY 23/24	\$11.54
FY 24/25	\$12.94

### **Consequence of Negative Action:**

If these actions are not implemented the Department will not have the adequate resources to sustain its current service levels. The gap between the Department’s budget revenues and actual expenses will negatively impact the communities and animals in Contra Costa County.

The immediate impact if the Department recommendations are not approved will be:

1. Minimize public shelter service hours
2. After hours Field Operation Services will need to be eliminated
3. Eliminate deceased animal pickups, which would have to become the responsibility of each City and the County’s Public Works Departments.
4. The population of sheltered animals would have to be controlled significantly through euthanasia for animals with treatable conditions outside of the Department’s veterinary scope of services and financial resources.

Additionally, if cities decline to agree to new contracts and fee structures then CCAS would stop providing services other than those required by State statute to those cities. The cities who may choose not to contract with the County would then be responsible for enforcement of their own

animal control ordinances, management of stray animals in their jurisdictions similar to how the City of Antioch currently operates independent of the County.

**Recommendation(s)/Next Step(s):**

1. ACCEPT an informational report from the Animal Services Department on a study of the contracted city services and fees for animal control.
2. DIRECT the Animal Services Department to discuss proposed changes to contract fees with the cities and prepare a new contract and fee schedule for contract cities for consideration by the Board of Supervisors at a noted public hearing on a date to be determined.

**Fiscal Impact (if any):**

No fiscal impact at this time. If additional department revenues are not secured from contracted cities service levels to contract cities will be reduced.

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**Attachments**

City Revenue Increase Allocation Details

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# CONTRA COSTA ANIMAL SERVICES FY 2020/21 CITY CONTRACTS PROPOSAL



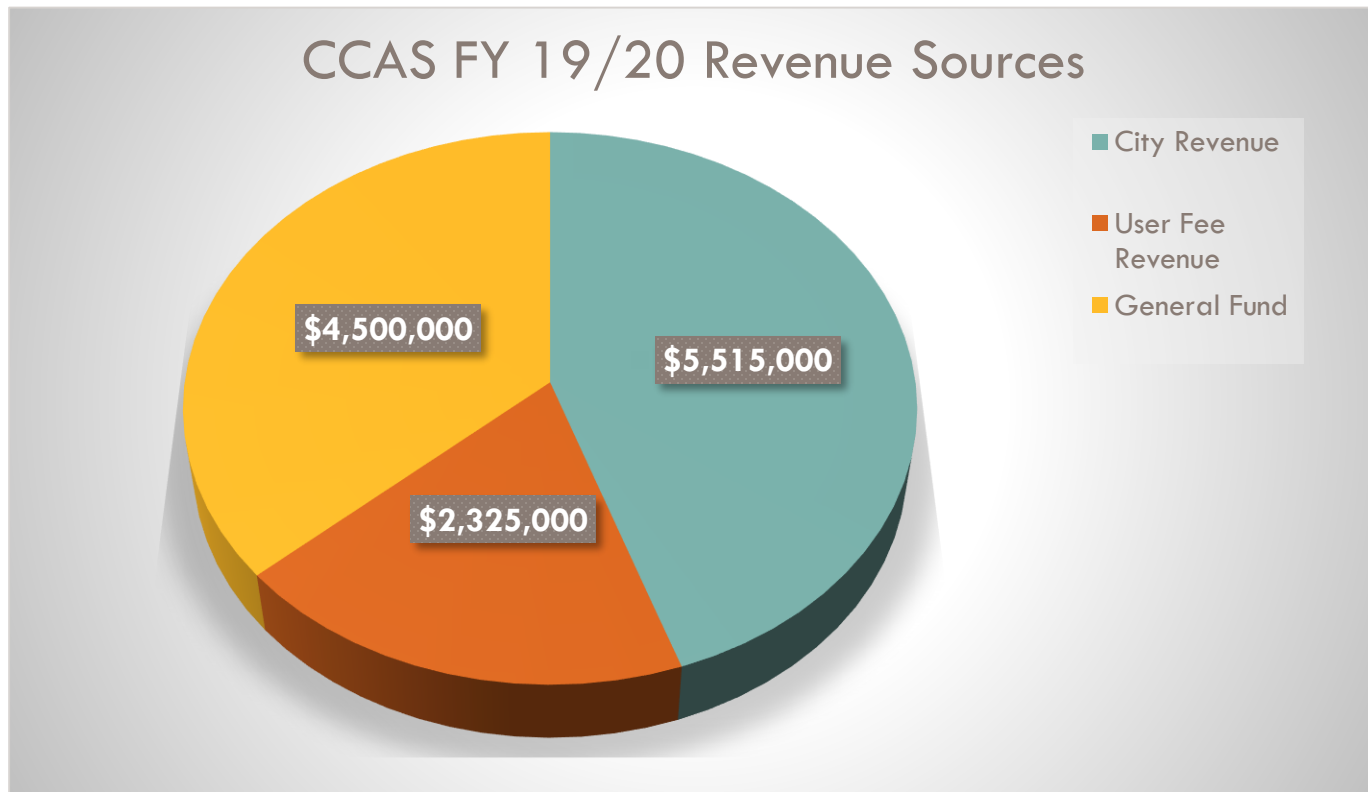
NOVEMBER 4, 2019

# City Contract History

- CCAS city contracts were established in 1985. The contracts stipulate services for mandated programs and the enforcement of all animal related laws. The fees were based on Department costs at that time and on a city's population (per capita).
- In May of 2005, the Board of Supervisors granted approval, and the Cities agreed, that Animal Services Department would increase city contract fees each fiscal year based on the municipality's population growth and the Consumer Price Index (CPI) percentage.

# CCAS Department Revenues

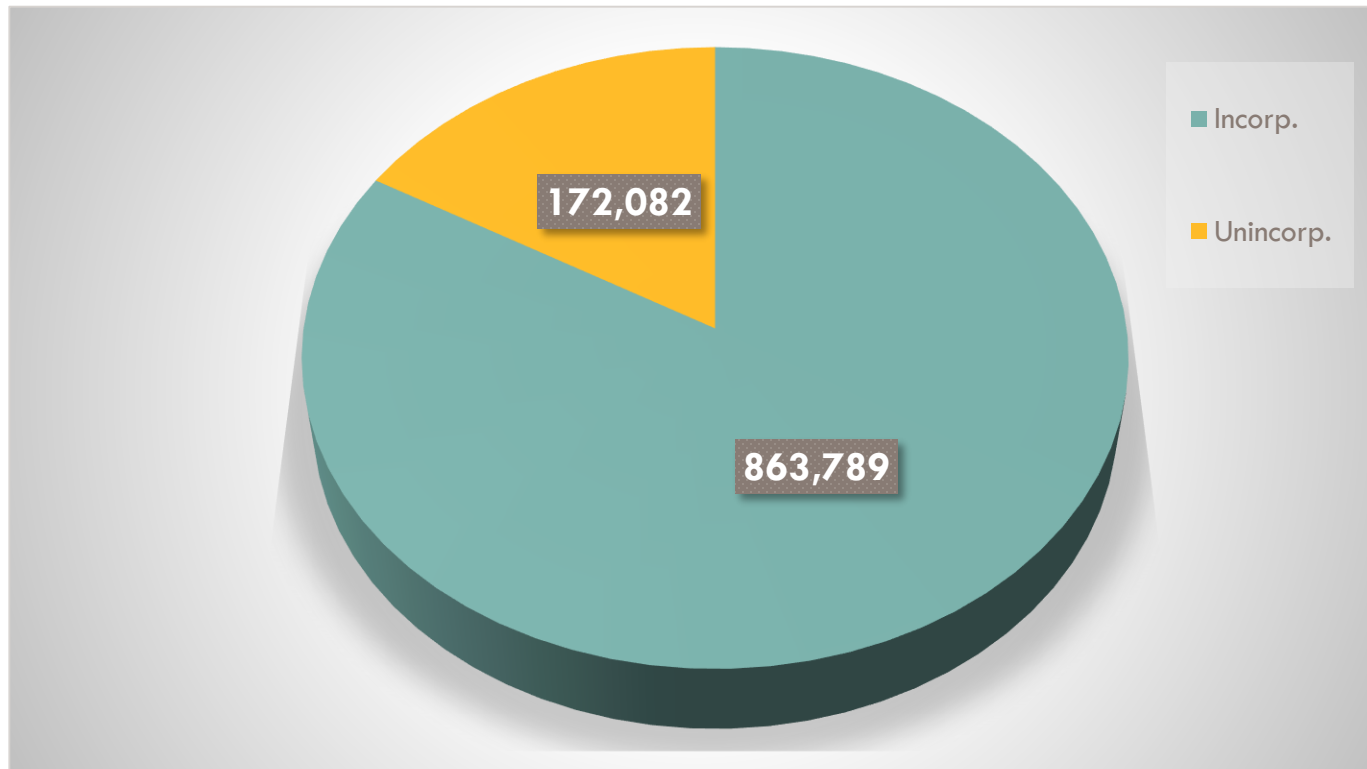
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# 2018 Contra Costa County Incorporated (excluding the City of Antioch) & Unincorporated Population

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# City Contract Challenges

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- Beginning in FY 2014/15 to present the annual CPI increases have averaged 3.5%, which have not generated sufficient revenue allocations to cover operational expenses, which have increased on averaged at just under 7% per year for providing animal control services throughout Contra Costa County.
- Contra Costa population has increased by nearly 10% since 2010 in the contracted cities that the department serves.
- Since 2010 Bay Area traffic has grown over 80%, which has created more challenges for Animal Services Officers to respond to calls in a timely manner for dangerous, sick and injured animals.

# CCAS Operational & Personnel Expenses

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	FY 2014/15	FY 2015/16	FY 2016/17	FY 2017/18	FY 2018/19
<i><b>Personnel</b></i>	\$7,234,652	\$7,405,941	\$7,096,075	\$7,856,106	\$7,950,358
<i><b>Operations</b></i>	\$3,242,056	\$3,902,953	\$4,298,537	\$4,279,836	\$3,585,519
<b>Total:</b>	<b>\$10,476,708</b>	<b>\$11,308,894</b>	<b>\$11,394,613</b>	<b>\$12,135,942</b>	<b>\$11,535,877</b>

# CCAS Personnel & Operations

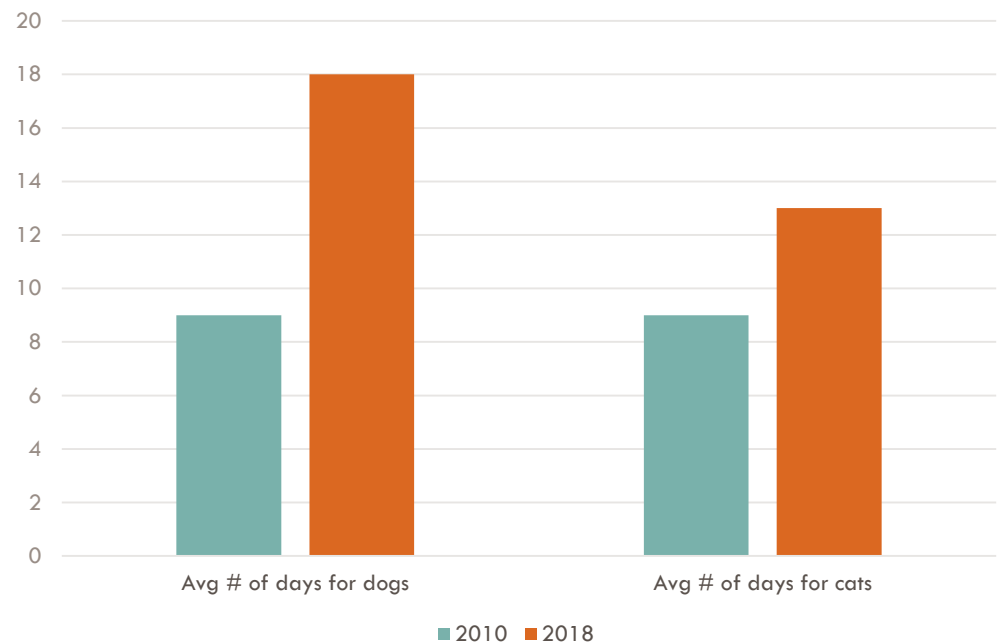
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- ❑ Along with operational expenses, the other major increase for the Department each fiscal year are personnel costs, which account for over 72% of the Department's budget.
- ❑ This has significantly affect the Department's operational expenses and services levels, which has required the Department to eliminate positions.
- ❑ The Animal Services Department's past budget practices have affected the Department's ability to prepare for and assess its financial sustainability per the City Gate Associates, LLC report. The following charts, provide an overview on how the Department utilized personnel cost savings (not filling vacancies) to support its rising operational expenses, which have significantly increased over the past five years.
- ❑ For FY 2017/18, the Department instituted new financial controls to better manage its operation expenses, although the Department has not been able to recover from these past budget practices.

# Length of Stay (LOS)

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- ❑ 44% increase in LOS for cats from 2010 to 2018
- ❑ 100% increase in LOS for dogs from 2010 to 2018
- ❑ In 2010 the Live Release Rate was 59% for dogs and cats
- ❑ In 2018 the Live Release Rate was 88% for dogs and cats



# City Contract Fees & Revenues

- First Animal Services Agreement 9/2/1969  
- No costs to cities.
- June 1981 Contra Costa County adopted a Comprehensive Animal Services Ordinance at no cost to cities.

**NOTE:**

\* FY 85/86 First contract with 18 Cities to begin reimbursement for services provided.

\*\* Per Capita plus CPI added

\*\*\* Spring 2005 Board approved recommendation of increases on top of CPI to close the gap of cost of services for the new Martinez and Pinole animal shelters and programs.

	Per Capita Fee	CPI
FY 85/86 *	\$1.25	n/a
FY 86/87	\$1.22	n/a
FY 87/88	\$1.25	n/a
FY 88/89 **	\$1.31	5.00%
FY 89/90	\$1.37	4.40%
FY 90/91	\$1.42	3.90%
FY 91/92	\$1.51	6.06%
FY 92/93	\$1.56	3.47%
FY 93/94	\$1.61	3.23%
FY 94/95	\$1.64	1.90%
FY 95/96	\$1.67	1.70%
FY 96/97	\$1.70	1.70%
FY 97/98	\$1.74	2.54%
FY 98/99	\$1.81	4.20%
FY 99/00	\$1.86	2.94%
FY 00/01	\$1.94	4.30%
FY 01/02	\$2.05	5.46%
FY 02/03	\$2.11	3.57%
FY 03/04	\$2.14	1.35%
FY 04/05	\$2.16	0.93%
FY05/06 ***	\$2.46	2.13%

# City Contract Fees & Revenues (continued)

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\*\*\*\* FY 10/11 to FY 14/15,  
no CPI increases only per capita.

FY 06/07 ****	\$3.61	CPI dropped to reach actual cost for expenses					
FY 07/08	\$4.20	.59 increase					
FY 08/09	\$4.76	.56 increase					
FY 09/10	\$5.26	.50 increase					
FY 10/11	\$5.31	.05 increase					
FY 11/12	\$5.31	no increase					
FY 12/13	\$5.31	no increase					
FY 13/14	\$5.31	no increase					
FY 14/15	\$5.31	no increase					
FY 15/16	\$5.56	.25 increase since no increase due to economy down turn since FY 10/11					
FY 16/17	\$5.74	CPI reinstituted, CPI at 3.2%					
FY 17/18	\$5.94	CPI at 3.5%					
FY 18/19	\$6.11	CPI at 2.9%					
FY 19/20	\$6.38	CPI at 4.5%					

## **NOTE:**

The fees for services have increased by \$5.13 within the last 34 years at an average \$.15 cents per year.

# Animal Care Agency Comparisons

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- ❑ In comparison to other municipal shelters, Contra Costa Animal Services ranks low on cost per capita.
- ❑ The City of Antioch will be proposing a 19% increase for their animal services rates for FY 2020/21, which will bring them to **\$15.77** per capita.

Municipal Shelter:	FY 19/20 Rate Per Capita
City of Antioch	\$13.30
City of Oakland	\$10.82
Solano County	\$11.81
Sacramento County	\$14.57
<i>Contra Costa County</i>	<i>\$6.38</i>



# CCAS Mandated Personnel & Services Levels

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In July 1999, the State of California passed SB 1785 known as the Hayden Bill. This legislation significantly increased the cost of animal services throughout the State. No additional funding was provided to local jurisdictions to sustain the new mandates.

CCAS Department Budget Projections			
	FY 1998/99 Prior SB 1785	FY 2019/20	To meet current Service/Care Guidelines
CCAS Personnel:			
Field Services	30	26	38
Center Operations Shelter Services	9	16	22
Center Operations Medical Services	4	13	18
Administration	24	20	27
Community Services	2	2	4
Total # of Positions:	69	77	109
Total Personnel Expenses:	\$3,630,000	\$8,872,475	\$11,755,048
Total Operations Expenses:	\$476,550	\$2,973,760	\$4,241,338
Department Budget:	\$4,106,550	\$11,846,235	\$15,996,386

# Recommendations:

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In order for the Department to meet expected services levels, along with the County's population growth, the Department recommends the following:

1. Formula for city contract fees would be current per capita fee (\$6.38) multiplied by the Bay Area CPI, which is estimated at 3.5% plus \$1.00 for five (5) years):

<b><i>FY 20/21</i></b>	<b>\$7.60</b>
<b><i>FY 21/22</i></b>	<b>\$8.87</b>
<b><i>FY 22/23</i></b>	<b>\$10.18</b>
<b><i>FY 23/24</i></b>	<b>\$11.54</b>
<b><i>FY 24/25</i></b>	<b>\$12.94</b>

# Consequence of Negative Action

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The immediate impact if the Department recommendations are not approved will be:

1. Minimize public shelter service hours
2. Afterhours Field Operation Services will need to be eliminated
3. Eliminate deceased animal pickups, which would have to become the responsibility of each City and the County's Public Works Departments.
4. The population of sheltered animals would have to be controlled significantly through euthanasia for animals with treatable conditions outside of the Department's veterinary scope of services and financial resources.

# Questions & Answers