



Council Agenda Report

From: Thomas Frutchey, City Manager

Subject: The Future of Animal Shelter Services for Paso Robles; an Amendment to the Current Animal Services Memorandum of Agreement between the County and the Cities

Date: June 19, 2018

Facts

1. On February 21, 2017, the City Council considered a memorandum of agreement (MOA) with the County of San Luis Obispo to jointly finance and construct a replacement animal services shelter (see Attachment 2). Under the proposal, the City's costs for animal control services, including both field services and shelter services, would increase by approximately \$200 thousand per year. The City would be responsible for approximately \$175 thousand in capital costs (over the 20-year financing period for the new shelter, along with \$310 thousand in annual operating costs, which have been increasing by more than the CPI for many years.
2. The Council was concerned with the projected costs of such services but, having no concrete, fully fleshed out options, approved the agreement and directed the City Manager to execute the agreement.
3. The Council also appointed Councilmember Reed to represent the City on the County's construction oversight committee.
4. Simultaneously, along with similar efforts by the City of Atascadero, the City initiated the exploration of other options. This exploration included reaching out to other cities, initiating discussions with experts, and visiting other shelters.
5. As a result, the two cities explored the option of contracting with an experienced not-for-provider of animal shelter services to construct and operate an animal shelter for the use of the north County.
6. The analysis of that option showed that a north County shelter held significant advantages, including substantially lower operating costs, and a projected reduction in the increases of those costs over time. The withdrawal of the two north county cities from the MOA, however, would lead to increased construction and operating costs apportioned to the County and the other five cities.
7. As a result, the County Board of Supervisors requested time to engage in discussions before the two north County cities proceeded with the north county option. A series of discussions, involving Supervisors Peschong and Arnold, Mayors Martin and O'Malley, and Mayors Pro Tem Gregory and Fonzi, was convened over the past several months.
8. Those discussions led to a revised proposal from the County. Among the major changes, the County has committed to:
 - reduce the one-time project costs to be charged to the cities by \$1 million;
 - work to achieve reductions in animal intakes and animal nights at the shelter, of such magnitude that they would achieve reductions in cost averaging 5% per year for the first five years of operation, after controlling for other factors that would also increase costs;
 - share governance of the shelter, such that the cities will function as partners, not customers.
9. The revisions are included in an amendment to the originally approved MOA (see Exhibit A to Attachment 1). This amendment reflects our spirit of regionalism and working together to solve problems.
10. Importantly, it has the ability to result in the Animal Shelter moving forward with all of the partners participating.
11. County Staff is taking the proposed amendments to the MOA to the Board of Supervisors for consideration on June 19. Staff will update the Council on the Board's action at the Council meeting.

12. Atascadero intends to schedule the amendment for its Council's consideration on July 10.
13. The other cities are intending to agendaize this for their last meetings in July. By taking this sequenced approach, all can be assured that they are considering an agreement that Atascadero, Paso Robles, and the County have already committed to.

Options

1. Take no action;
2. Approve a resolution approving the proposed amendment to the Animal Services MOA;
3. Provide alternative direction to staff.

Analysis and Conclusions

The eight major criteria used to analyze the options in September, 2017 appear to still be determinative (in no particular order):

1. Cost—The initial capital costs apportioned to Paso Robles, assuming the \$1 million reduction in one-time project costs, are roughly equivalent to those of a north county shelter. The County's commitment to pursue operating cost savings of 5% per year over the first five years (for a target of a 27% cost reduction by year 5) would greatly reduce the differences in operating costs, once achieved. These reductions would match what was able to be achieved in Petaluma, when a not-for-profit assumed responsibility for operation of the City's shelter.
2. Control—Attitudes towards the best approaches to animal services vary among areas of the County. For example, a majority of residents in some areas believe that unclaimed dogs should be sheltered locally as long as it takes to be adopted; others are willing to follow other practices, many of which can reduce costs to the community. Paso Robles and Atascadero appear to have reasonably similar practices, such that the operation of a north-County shelter could meet the specific preferences of the two communities. By offering joint governance, the County shelter can achieve some of these same advantages.
3. Convenience to residents—The County shelter is located on Highway 1, west of San Luis Obispo, and approximately 32 miles from downtown Paso Robles. When a pet is taken to the shelter and the owner contacted, he or she must provide or otherwise secure transportation to the shelter to recover the animal. This and all other interactions require an investment of time and difficulty of access that would not be the case with a north county shelter.
4. Flexibility—A smaller facility, operated for just the two cities, can be more nimble and flexible in its approach, operation, and policies. Thus, as changes become necessary or desirable, they could be accomplished more quickly and cost-effectively.
5. Publicly owned and operated vs. Public-private partnership model—The County shelter is managed and operated by County staff; it is a County operation. The north-County approach would be community-based, operated by a not-for-profit or a for-profit entity, and utilizing volunteers and community fund-raising to augment public resources. Only one such not-for-profit entity that has been successful and would be interested in operating a north county shelter has been located.
6. Risk—Although there is good evidence that the north County could operate animal control services at least as cost-effectively as can be achieved under the revised County proposal, this is not a sure thing. There is certainly some risk that costs will be the same or higher. The County also has more extensive support resources, and a Doctor of Veterinary Medicine manages the County shelter. Thus, if changes in state law or other complexities arise, the County can devote more resources to the solution of any problems.
7. Impact on the other five cities in the County and on the County—The other cities in the County and the County itself are relying on the economies of scale that follow from the participation of all jurisdictions, to lower the costs that each faces. Atascadero and Paso Robles together account for more than a third of all of the animal-nights incurred at the County shelter. Thus, without the participation of the two north-County cities, and the immediately surrounding

unincorporated areas, the annual costs to the other jurisdictions continuing to participate in the County shelter would increase significantly.

8. Impact on the Police Department and other City operations—Other than paying the bills and providing periodic management oversight, staff from neither Atascadero nor Paso Robles are required currently to devote significant time to animal control services. This would definitely change with the development and operation of a north County shelter. The additional responsibilities and workload would diffuse time and energy now devoted to other, higher-priority programs.

Fiscal Impact

The projected life cycle costs of the two options are essentially the same, assuming the many necessary assumptions are proven correct by events. Reducing shelter costs by an average of 5% per year for five years is essentially the same cost reduction the Petaluma not-for-profit was able to achieve in its first five years of operation.

Recommendation (Option 2)

Approve Resolution #18-XXX approving Amendment #1 to the Animal Services MOA

Attachments

1. Resolution approving Amendment #1 to the Animal Shelter MOA
 - a. Exhibit A: Proposed Amendment to the MOA
2. MOA

RESOLUTION NO. 18-XXX

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF EL PASO DE ROBLES
APPROVING AMENDMENT #1 TO A MEMORANDUM OF AGREEMENT WITH THE
COUNTY OF SAN LUIS OBISPO TO JOINTLY FINANCE AND CONSTRUCT A
REPLACEMENT ANIMAL SERVICES SHELTER

WHEREAS, under state law, each incorporated City has the option of contracting with the County or providing their own animal services consistent with the standards outlined under state law; and

WHEREAS, all seven cities in the County have, in turn contracted with the County for those services. Under this service contract, all seven cities and the County share the cost of animal services based on a formula that factors the agencies' proportionate use of field services and shelter services. These services include animal control field and sheltering services; and

WHEREAS, the City of Paso Robles approved a three-year contract for field services and shelter services at its June 21, 2016 meeting. Capital costs for the replacement of the shelter are not included in the costs charged to Cities for field services or shelter services; and

WHEREAS, the County Animal Services Division operates a single animal shelter to house and care for stray and owner relinquished animals. This shelter, located at 885 Oklahoma Avenue in San Luis Obispo, is the County's only open intake animal shelter and receives approximately 4,500 animals annually. Dogs and cats account for roughly 92% of the animals handled at the shelter with the remainder comprised of a wide variety of animals ranging from rabbits, alligators, and emus to guinea pigs, monkeys, and snakes; and

WHEREAS, the Animal Services shelter was constructed in approximately 1975 on a site, which had formerly been a landfill, utilized in the 1940s by the US Army and Camp San Luis Obispo. As initially designed, the structure totaled 6,600 square feet and was intended primarily for the kenneling of dogs, with less than 38 square feet dedicated to the care and housing of cats; no accommodations were made for other types of animals. Since then, additional building modifications were constructed to accommodate dog runs adjacent to the kennels, corrals for ranch animals, a small structure for cats, night drop-off kennels, an expansion for staff administration, and renovation for the public lobby; and

WHEREAS, current industry standards and public expectations of animal shelters have shifted substantially and many of the shelter's original design features and characteristics are now outdated or inconsistent with the current understanding of humane animal sheltering. The consequences of these design issues relative to their impact on humane animal care are further compounded by the effects of deferred maintenance, healthy utilization, and harsh environmental conditions. Over time, roofing leaks have developed, walls and doorframes have begun to deteriorate, and the capacity of electrical and drainage systems have been overloaded. The lack of heating, poor ventilation, and general facility layout promotes stress, illness, and behavioral problems in sheltered animals. The austere and unwelcoming environment often discourages the general public from visiting and is believed to have an adverse impact on adoption and stray reclaim rates; and

WHEREAS, in 2010, the County contracted with Ravatt Albrecht & Associates to develop design plans for Phase I of the remodel. Quickly, it became apparent that the scope of this project exceeded the available funding and the dog kennel remodel component of the remodel was dropped. The ability to design a remodel that could be constructed within budget was further complicated by soil stability and potential methane off-gassing issues resulting from the shelter's location on an abandoned landfill. During the

environmental permitting process, it was determined that a permit was required through CalRecycle, adding additional time and cost to the development process. Since then, the project received a post landfill closure permit through CalRecycle, and a permit from the Air and Water Quality Control Boards; and

WHEREAS, in November 2013, the County received five construction bids from contractors for the Animal Services Cattery and Lobby Expansion project. Bids ranged between \$1,245,200 and \$1,382,000. The lowest bid received exceeded the estimated construction cost or budget by \$350,250, which was 39% above the engineer's estimated construction cost. In January 2014, staff recommended and the Board of Supervisors rejected all bids for the Animal Services Cattery and Lobby Expansion project. In light of the significant disparities between the project budget, operational needs, and projected construction costs, the project was reassessed and an effort was made to identify design modifications and alternative operational measures that might bring construction costs within budget. During this reassessment, the identification of additional structural problems, including the development of a large sinkhole directly adjacent to the building, caused concern that further investment and attempts to rehabilitate the facility would be fiscally irresponsible; and

WHEREAS, the County explored a potential partnership with Woods Humane Society to build and operate a replacement facility. The County concluded that it was infeasible due to a number of factors, the primary one being that Woods was not amendable to managing an expansion of services that they provided to the community. In April 2015, the County Board of Supervisors concluded based on the totality of factors that remodeling the existing facility would be imprudent, partnerships unlikely and therefore directed staff to pursue the development of a replacement facility; and

WHEREAS, the Board of Supervisors directed staff to pursue the construction of a new 15,000 square foot facility (approximate) to fully address the facility needs and implement many of the recommendations contained in the Humane Society of the United States and (HSUS) and SPA report. Further programming was required to define the proper size for the facility and ultimately landed on the program description that is generally outlined in Exhibit A to the approved Memorandum of Agreement; and

WHEREAS, the Memorandum of Agreement, which was approved by all seven cities and the County, provides a mechanism to: 1) share costs based on proportionate use, 2) clarifies service and shelter governance, and 3) contains mechanisms to control construction costs and is a most efficient way to construct a shelter consistent with state law and local service preferences and standards; and

WHEREAS, the cities of Atascadero and Paso Robles had continuing concerns with the approved MOA, focusing on cost and governance. In discussions with the County, those concerns were addressed, leading to the proposed amendment to the MOA; and

WHEREAS, many of the other parties to the MOA have not yet considered the amendment. When they do so, they may have suggestions for improving the amendment. The City Manager can address appropriately minor changes that are in conformance with the Council's stated wishes. Any major changes shall, however, be brought back to the Council.

NOW, THEREFORE, BE IT RESOLVED that the City Council for the City of El Paso de Robles does hereby resolve, determine, and find as follows:

Section 1. The City Council finds all of the above recitals are true and correct and incorporated herein by reference.

Section 2. The City Council hereby authorizes the City Manager to execute an amendment to the approved memorandum of agreement in substantial conformance with the attached version, with the

County of San Luis Obispo, and the Cities of Arroyo Grande, Atascadero, Grover Beach, Morro Bay, Pismo Beach, and San Luis Obispo to jointly finance, construct, operate, and govern the replacement of an animal services shelter.

APPROVED by the City Council of the City of El Paso de Robles this 19th day of June, 2018, by the following vote:

AYES:

NOES:

ABSTAIN:

ABSENT:

Steve Martin, Mayor

ATTEST:

Kristen L. Buxkemper, Deputy City Clerk

Exhibits

A. MOA Amendment #1

AMENDMENT NUMBER 1 TO THE
AGREEMENT FOR ALLOCATION OF CONSTRUCTION AND FINANCING COSTS FOR AN
ANIMAL SERVICES SHELTER AT 865 OKLAHOMA AVENUE IN SAN LUIS OBISPO,
CALIFORNIA, BETWEEN THE CITIES OF ATASCADERO, ARROYO GRANDE, GROVER
BEACH, MORRO BAY, PASO ROBLES, PISMO BEACH, AND SAN LUIS OBISPO AND THE
COUNTY OF SAN LUIS OBISPO

THIS AMENDMENT (“Amendment”), dated for reference as of June 5, 2018, to the Agreement (defined below), is entered into by and between the COUNTY OF SAN LUIS OBISPO (the “County”), and the cities of ATASCADERO, ARROYO GRANDE, GROVER BEACH, MORRO BAY, PASO ROBLES, PISMO BEACH, AND SAN LUIS OBISPO (each, a “City,” and collectively, the “Cities,” and, together with the County, the “Parties”, or individually “Party”).

RECITALS

The County and each of the Cities previously entered into an Agreement (“Agreement”) for allocation of construction and financing costs for a new Animal Service Shelter at 865 Oklahoma Avenue in San Luis Obispo, California (“Shelter” or “Project”). The Agreement was dated as of February 1, 2017.

The Parties acknowledge the benefit of collaborative and joint efforts in constructing, financing, and managing the Shelter.

The Parties enter into this Amendment to memorialize changes regarding the Parties’ participation and corresponding obligations with regard to the management and allocation of construction and financing costs for the Shelter.

This Amendment memorializes the Parties’ joint commitment to collaboratively address and resolve the issue of rising costs for animal services. The Parties recognize that the operating philosophy and operating model by which the shelter has been operated is not the model that will best serve the Parties going forward.

The model going forward views all parties as partners, and is based on the needs of all Parties, with all Parties being incentivized to find creative ways to reduce the costs of those services. The model going forward also demonstrates the County’s commitment to seeking opportunities to be more nimble, and open to change.

The Agreement and this Amendment represent the entire agreement between the Parties.

NOW, THEREFORE, the Parties agree as follows:

1. Recitals.

The above Recitals are true and correct.

2. Capital and Financing Costs

a) The Project construction costs to be shared by the Parties were estimated at the time the Agreement was signed to be Thirteen Million One Hundred Seventy Six Thousand Five Hundred Dollars (\$13,176,500). Pursuant to this Amendment, the County shall reduce the costs allocated to the Cities as follows:

i. The County will solely pay the first one million dollars (\$1,000,000) of the project, moving \$1,000,000 in shared Estimated Project Construction Costs in Exhibit D to County-Only Costs.

- ii. The shared Estimated Project Construction Costs will thereby be reduced to Twelve Million One Hundred Seventy Six Thousand Five Hundred Dollars (\$12,176,500).
 - b) The County further agrees to pass through any financing costs to the Cities with no additional points, administrative fees, or charges.
 - c) After all construction and related financing costs are retired, the Parties then participating in the Shelter program may continue their joint use of the Shelter for the life of the building, at no additional capital or financing costs.
- 3. Animal Shelter Operations
 - a) Shared Governance. The Parties agree that further clarification of the intended shared governance model is appropriate. The intent of the Operations Committee and the Executive Board created by the Agreement is to ensure all Shelter policies and operations reflect the needs of all Parties and equitably benefit all Parties. The Operations Committee and the Executive Board are authorized to ensure the policies and operations of field services policies and operations also reflect the needs of all Parties and equitably benefit all Parties. Any conflicts that cannot be successfully resolved by the Operations Committee or the Executive Board will be addressed by a 5-person ad hoc committee, comprised of County Supervisors and City Mayors.
 - b) Targeted Reductions in Operation Costs. The County agrees to adopt goals and take action steps to reduce animal intakes and total animal nights by an average of five percent (5%) per year for the next five (5) years. The resulting cost savings will be shared by all parties in accordance with the Animal Care and Control Services contract in place at the time. The targeted reductions are to be accomplished primarily by reducing the need for services and the costs of those services, not by reducing or denying needed services. Steps undertaken may include, but are not limited to:
 - i. Targeted education campaigns
 - ii. Pro-active and targeted programs such as catch, spay/neuter, and release programs
 - iii. Pro-active licensing and licensing enforcement
 - iv. Community-based approaches that involve the community in activities and donations
 - v. Active pursuit of grants and donations
 - vi. User fees set at a strategic level to minimize subsidy from general taxes.
 - c) Cost Benefit Analysis. The County agrees to undertake a cost/benefit analysis related to services and operations of the Shelter and present the findings to the Operations Committee. The County will also propose needed actions to the Operations Committee and, as necessary, the Executive Board, and implement changes identified and agreed to by the Parties to achieve reductions in operating costs.
- 4. Client Services Approach
 - a) Working collaboratively with the Operations Committee and Executive Board, the County agrees to adopt a client-oriented services approach for Shelter operations. Elements of this approach may include, but are not limited to:
 - i. Mobile spay/neuter programs
 - ii. Pet owner education programs
 - iii. Outreach to constituents
 - iv. Offering micro-chipping
- 5. Kennel Permits
 - a) The County will not issue kennel permits inside city limits without written approval of that city.
- 6. In the event of a conflict between the terms of the Agreement and the Amendment, the terms of this Amendment shall prevail.

IN WITNESS WHEREOF, by their execution below, the Parties agree to be bound by the provisions of this Amendment, and the Board of Supervisors of the COUNTY OF SAN LUIS OBISPO has authorized and directed the Chairperson of the Board of Supervisors to execute this Agreement for and on behalf of the County, and the Cities of ATASCADERO, ARROYO GRANDE, GROVER BEACH, MORRO BAY, PASO ROBLES, PISMO BEACH, AND SAN LUIS OBISPO have caused this Agreement to be subscribed by each of their duly authorized officers and attested by their Clerks.

Dated: _____

COUNTY OF SAN LUIS OBISPO

Clerk of the Board

Dated: _____

CITY OF ATASCADERO

City Clerk

By:

Dated: _____

CITY OF ARROYO GRANDE

City Clerk

By:

Dated: _____

CITY OF GROVER BEACH

City Clerk

By:

Dated: _____

CITY OF MORRO BAY

City Clerk

By:

Dated: _____

CITY OF PASO ROBLES

City Clerk

By:

Dated: _____

CITY OF PISMO BEACH

City Clerk

By:

Dated: _____

CITY OF SAN LUIS OBISPO

City Clerk

By:

AGREEMENT FOR ALLOCATION OF CONSTRUCTION AND FINANCING COSTS FOR AN ANIMAL SERVICES SHELTER AT 865 OKLAHOMA AVENUE IN SAN LUIS OBISPO, CALIFORNIA, BETWEEN THE CITIES OF ATASCADERO, ARROYO GRANDE, GROVER BEACH, MORRO BAY, PASO ROBLES, PISMO BEACH, AND SAN LUIS OBISPO AND THE COUNTY OF SAN LUIS OBISPO

THIS AGREEMENT, dated for reference as of February 1, 2017 (the “Agreement”), is entered into by and between the COUNTY OF SAN LUIS OBISPO (the “County”), and the cities of ATASCADERO, ARROYO GRANDE, GROVER BEACH, MORRO BAY, PASO ROBLES, PISMO BEACH, AND SAN LUIS OBISPO (each, a “City,” and collectively, the “Cities,” and, together with the County, the “Parties”, or individually “Party”).

RECITALS

The County and each of the Cities are parties to a separate but similar Contract for Animal Care and Control Services (“Services Contract”) effective as of July 1, 2016 and expiring, unless sooner terminated, on June 30, 2019, pursuant to which the County provides animal control services throughout San Luis Obispo County, including within the jurisdictional boundaries of each of the Cities.

In conjunction with and pursuant to the Services Contract, the County operates an existing Animal Services Shelter located at 885 Oklahoma Avenue in San Luis Obispo, California. Owing to the obsolescence of the existing shelter, it is necessary to construct a new Animal Services Shelter (“Shelter” or “Project”) as generally described in Exhibit A, at an address preliminarily identified as 865 Oklahoma Avenue, and as generally depicted in Exhibit B (“Shelter Property”).

The Parties acknowledge the benefit of collaborative and joint efforts in constructing the Shelter.

The Parties enter into this Agreement to memorialize their participation and corresponding obligations with regards to the allocation and repayment of the construction and financing costs for the Shelter.

NOW, THEREFORE, the Parties agree as follows:

1. Recitals.

The above Recitals are true and correct.

2. Estimated Project Construction Costs.

- a) The Project construction costs, excluding the portion of the Oklahoma Ave./Utility Extension costs to be borne solely by the County, and excluding the County-only costs of the remaining depreciation value of the existing facility, demolition of the existing facility, and land costs, and excluding costs to be shared proportionally only by the Cities, for the Shelter are estimated at this time to be Thirteen Million One Hundred Seventy Six Thousand Five Hundred Dollars (\$13,176,500) as shown in Exhibit D (the “Estimated Project Construction Costs”). The Estimated Project Construction Costs include expenses for soft costs, such as architectural and engineering services; County costs for administration, project management service, environmental review, planning and building fees, and inspections; and hard costs, such as actual construction costs.
- b) The Estimated Project Construction Costs shall only include those expenses and costs generally described above, which are incurred by the County specifically for the Shelter construction project. Notwithstanding anything to the contrary below, the total Project Costs, as defined in Paragraph 5(a) below shall not exceed Fourteen Million Five Hundred Thousand Dollars (\$14,500,000) without a written amendment to this agreement signed by all Parties.

- c) The Project will be managed as a “Design / Build” project, as approved by the County of San Luis Obispo Board of Supervisors on April 12, 2016.

3. Excess Construction Costs

- a) Prior to Authorization for Construction to Begin (“Construction Contract”).
 - (i) If the County receives information in the design or bidding process indicating that the Estimated Project Construction Costs for the Shelter will exceed \$13,176,500 by less than ten percent (10%), the County shall provide written notice to each member of the Executive Board (as defined in Section 9(b) below) of the revised estimated construction costs within a reasonable period of time before such additional construction costs are incurred. The Executive Board shall either approve or disapprove the additional construction costs, if any, by written notice to the County, delivered within ninety (90) days after receipt of the County’s notice of the revised construction costs. If any Executive Board member fails to timely approve in writing, the Executive Board shall be deemed to have not approved and the County shall promptly confer with all Cities regarding the additional construction costs and any means by which such additional construction costs may be minimized.
 - (ii) If the County receives information as part of the design or bidding process indicating that the Estimated Project Construction Costs for the Shelter will exceed \$14,500,000, the County shall immediately provide written notice to each City of the revised estimated construction costs (“Excess Construction Costs”) and confer with the Cities as to whether to authorize the Construction Contract or reject all bids. Each City shall either approve or disapprove the Excess Construction Costs resulting in Estimated Project Construction Costs exceeding \$14,500,000 by written amendment delivered to the County within ninety (90) days after receipt of the County’s written amendment. If the decision is to authorize the contract, the County shall prepare and deliver to the Cities a written amendment to this Agreement amending Section 2(b) to increase the not-to-exceed amount. If any City fails to timely approve in writing, the City shall be deemed to have disapproved. Should a City(ies) disapprove the Excess Construction Costs, the County will immediately confer with all Cities in an attempt to reconcile the disagreement. Should the Parties be unable to reach agreement, the measures shall be taken to reduce the costs below \$14,500,000 and in no such event shall the Parties be liable for Excess Construction Costs absent a written amendment to this agreement.
 - (iii) If a City chooses to not participate in the shelter construction at that time, the City is allowed to withdraw from this agreement and pay its proportionate share of all costs incurred as of the date of withdrawal. The date of withdrawal shall be defined as the date that written notice is received by the County of the City’s desire to withdraw due to Excess Construction Costs beyond amounts previously agreed. The County will recalculate future payments of the remaining Parties using revised percentages of shelter use with the methodology in Section 6(a).
- b) Authorization for Construction to Begin
 - (i) Upon County’s authorization for Construction to begin, total costs for the Project including any incurred or future hard costs, soft costs, contingencies, and other miscellaneous costs related to Shelter construction will be added to the estimated final construction costs (“Estimated Final Construction Costs”). The Estimated Final Construction Costs will not exceed the Estimated Project Construction Costs (or Excess Construction Costs), unless agreed to in writing by all of the Parties in a written amendment to this Agreement. Should the Parties be unable to reach agreement, measures shall be taken to reduce the costs below \$14,500,000 and in no such event

shall the Parties be liable for Excess Construction Costs absent a written amendment to this agreement.

(ii) If a City chooses to not participate in the shelter construction at that time, the City is allowed to withdraw from this agreement and pay its proportionate share of all costs incurred as of the date of withdrawal. The date of withdrawal shall be defined as the date that written notice is received by the County of the City's desire to withdraw due to Excess Construction Costs beyond amounts previously agreed. The County will recalculate future payments of the remaining Parties using revised percentages of shelter use with the methodology in Section 6(a).

c) After Authorization for Construction to Begin

(i) If the County becomes aware, after its authorization for Construction to begin, that the costs of construction will exceed the Estimated Final Construction Costs due to unforeseen or other conditions, the County shall provide written notice, to each City of the revised estimated construction costs within a reasonable period of time before such additional construction costs are incurred. Each City shall either approve or disapprove the additional construction costs, if any, by written notice to the County, delivered within ninety (90) days after receipt of the County's notice of the revised construction costs. If any City fails to timely approve in writing, the City shall be deemed to have not approved and the County shall promptly confer with all Cities regarding the additional construction costs and any means by which such additional construction costs may be minimized. No additional construction costs shall be incurred that exceed \$14,500,000 without a written amendment signed by all the Parties. Should the Parties be unable to reach agreement, measures shall be taken to reduce the costs below \$14,500,000 and in no such event shall the Parties be liable for Excess Construction Costs absent a written amendment to this agreement.

(ii) If a City chooses to not participate in the shelter construction at that time, the City is allowed to withdraw from this agreement and pay its proportionate share of all costs incurred as of the date of withdrawal. The date of withdrawal shall be defined as the date that written notice is received by the County of the City's desire to withdraw due to Excess Construction Costs beyond amounts previously agreed. The County will recalculate future payments of the remaining Parties using revised percentages of shelter use with the methodology in Section 6(a).

4. Financing

a) County Advance of Funds. The County shall advance funds required to pay for the costs of construction of the Shelter. The County intends to finance the funds it advances, including County in house soft costs.

i) County Sole Discretion as to Financing Terms. The County, at its sole discretion, shall determine financing terms based on market rates and terms available at the time of financing. The anticipated financing interest rate is estimated to be between 3.5%-5%, based on a 25-year term, see Exhibit D. The County may finance the Estimated Final Construction Costs (hard, soft, design, etc.) for the Shelter in addition to customary out of pocket costs to obtain financing, if any. The County may choose to provide in-house financing, provided the interest rate charged to the Cities does not exceed commercially available rates for like projects and terms of financing are equal to or more favorable to Cities than terms otherwise available to the County.

(1) The County will provide notification to the Shelter Executive Board of its intentions regarding external or in-house financing at least 30 days prior to taking action on

financing. Said notification will include final estimates of financing costs and anticipated interest rates.

- (2) Should the Cities desire to have costs identified as “Costs Shared Proportionally by Cities Only” in Exhibit D included in any financing, the Cities shall provide written notification to the County by October 31, 2017. Should all Cities fail to provide written notice, the “Costs Shared Proportionally by Cities Only” will be proportionally allocated to each of the Cities as shown in Exhibit C and billed accordingly, with a payment due date of January 1, 2018.
 - ii) Estimated Project Financing Costs. The financing costs are estimated to range from \$7,556,392 to \$11,618,328, as shown in Exhibit D, depending on the applicable interest rate and whether there are out of pocket costs to obtain financing (collectively “Estimated Project Financing Costs”). If the actual interest rate is higher or lower than that estimated on Exhibit D, the actual financing costs will vary.
5. Total Estimated Project Costs/Total Project Costs.
- a) The Estimated Final Construction Costs and the Estimated Project Financing Costs are jointly referred to as the Total Estimated Project Costs. Once the Shelter has been constructed and financed, the County will prepare a final cost summary of the actual construction and financing costs incurred by County in connection with the Shelter, excluding any costs that this Agreement expressly provides shall be excluded from the calculation, to establish the total project costs and annual repayment schedule based on the financing. Upon request, a City may review back up material for the summary. After review and adjustment (if any) of the final cost summary by all Parties, the approved final cost summary shall be known as the Total Project Costs. No City shall unreasonably delay or disapprove the Total Project Costs.
6. Allocation of Total Project Costs.
- (a) Allocation Based on Percentage of Shelter Use. Each Party shall pay its share of the Total Project Costs, based on the annual repayment schedule associated with the financing. Each Party’s share shall be based upon that individual Party’s percentage of shelter use. Shelter use is defined as the number of shelter services (impounds, quarantines, animal surrenders, confiscations, euthanasia requests, etc.) originating from, or requested by, an individual Party’s jurisdiction and/or its residents. Each Party’s share shall be determined annually by the County as part of their normal record keeping processes. The individual Party’s shelter use percentage shall be calculated using the total number of shelter services allocated to an individual Party over the preceding three full fiscal year periods, divided by the total number of all shelter services provided to all Parties over the same preceding three full fiscal year periods.

$$\%Shelter\ Use = \frac{(Party\#\Shelter\ Services_{Year1} + Party\#\Shelter\ Services_{Year2} + Party\#\Shelter\ Services_{Year3})}{(Total\#\Shelter\ Services_{Year1} + Total\#\Shelter\ Services_{Year2} + Total\#\Shelter\ Services_{Year3})}$$

Exhibit C indicates the percentage of each Party's actual use of the existing Animal Services shelter for the Fiscal Years 2013-14, 2014-15, and 2015-16. Adjustments to each Party’s annual allocation of Total Project Costs shall be adjusted annually based on the previous 3-year trailing average of the percentages of shelter use.

- b) Reallocation in the Event of Withdrawal or Termination. In the event that a Party withdraws or terminates under Section 8 below, the allocation of each Party’s share of Total Project Costs shall be adjusted upward for the remaining parties for the subsequent calendar year. The annual calculation and any associated adjustments shall be made by December 31st of each year and shall be due on July 1st of the next fiscal year.

7. Use of Shelter
 - a) The Shelter shall only be used as an Animal Services facility. No other County department or agency or other person or entity shall use any portion of the Shelter without the prior written consent of the Operations Committee (as defined in Section 9 (a) below). Such use shall be accompanied by the payment of an appropriate rental charge.

8. Termination and Withdrawal
 - a) Withdrawal Prior to Authorization of Construction/Payment of Allocation of Soft Costs.
 - i) Any Party may withdraw from this Agreement prior to County's authorization of the Construction to begin by giving a minimum of one (1) year's written notice to all Parties and by payment of its share, based on the allocation set forth in Section 6, above, of costs incurred by County prior to date of receipt of notice of withdrawal. Notice shall be deemed received on the date of personal delivery, or if mailed by U.S. mail, five (5) days after date of mailing. Such costs shall be reasonably determined by County and a majority of the Parties of the Executive Board, excluding any Party(ies) electing to withdraw. Any withdrawing Party shall pay its share by the effective date of its withdrawal. A withdrawing Party who withdraws prior to October 31, 2017 shall not be required to pay any portion of financing costs, regardless of whether outside financing or in-house County financing is ultimately provided. Any payment of soft or hard costs by a withdrawing Party shall be deleted from the amount to be financed. The County will recalculate future payments of the remaining Parties using revised percentages of shelter use with the methodology in Section 6(a).
 - b) Withdrawal After Construction Begins /Payment of Allocation.
 - i) Any Party may withdraw from this Agreement after the County's authorization of construction begin, by providing a minimum of one (1) year's written notice to all of the other Parties and prepaying its entire allocation of the Total Project Costs by the effective date of its withdrawal. If a Party withdraws from this Agreement prior to October 31, 2017, any estimated financing costs shall be deducted from the Total Project Costs before calculating the withdrawing Party's Total Project Costs share. If County provides in-house financing, any finance or interest charge accruing or payable after the withdrawal shall be deducted from the Total Project Costs before calculating the withdrawing Party's share of the Total Project Costs. Withdrawal from the Agreement shall be effective as of December 31 of the year stated in the written notice. The County will recalculate future payments of the remaining Parties using revised percentages of shelter use with the methodology in Section 6(a).
 - c) The County shall not terminate a City's access to or use of the Shelter if the City is not in default of its payment obligations. For the purposes of this Agreement, a City shall be deemed to be in default if said City is sixty (60) calendar days or more in arrears on any payment required under this Agreement.
 - (i) Should the County desire to terminate a City's access or use of the Shelter for default of its payment obligations, the County shall include any non-defaulted Cities, at the non-defaulted Cities' sole discretion, in negotiations with the defaulted City, prior to their termination.
 - (ii) The County shall retain final decision authority to terminate any City's access to or use of the Shelter for default of said City's payment obligations.

9. Animal Shelter Operations
 - a) An Operations Committee comprised of the County's Health Agency Director or his/her designee and a subset of City Managers or their designees shall be formed. At their sole discretion, all Parties may be represented on the Operations Committee.

- b) An Executive Board composed of the County Administrative Officer (CAO) and a subset of the City Managers (2-3) for each of the Cities, or their designees, shall consider significant policy or budget changes and make recommendations prior to policy implementation or budget adoption for the Shelter.
- c) The Executive Board meetings shall be held as needed and in conjunction with the existing monthly City Manager/CAO meeting. At a minimum, “*Animal Services*” shall be a standing item that is considered twice in a calendar year. While any Party may request that “*Animal Services*” be added to the agenda of any City Manager/CAO monthly meeting, it will be the responsibility of the chair of the meeting to ensure *Animal Services* is placed on the agenda and satisfies the minimum number of meetings required by this Agreement.
- d) If the City Managers’ recommendation is different from that of the CAO on budget or policy matters, the County shall include the City Managers’ recommendation in any related staff report to the Board of Supervisors and provide a summary of the nature of any disagreement.
- e) Final policy and budgetary authority for Shelter operations reside with the County Board of Supervisors.
- f) Future Services Contracts shall be for 3-year terms.
- g) If a City chooses to provide its own field services, it must provide to all Parties, a one (1) year’s written notice of its intent to provide its own services and to terminate, or (if applicable) not to renew, its Services Contract with the County, except as otherwise expressly provided in its Services Contract with the County,
- h) Service Contracts shall be separate from the Parties’ obligations to finance and pay their proportional and allocated shares of Total Project Costs for the Shelter.
- i) The County’s repayment obligation of its share of the Total Project Costs shall not be included in the calculation of the Shelter’s operating costs. The County shall charge no rent for the Shelter or Shelter Property or otherwise attempt to obtain compensation from the Cities for those items identified in Appendix D as “County Only Costs”.
- j) Any City shall have the ability to provide its own separate field services. The costs for accessing the Shelter shall be reasonably determined by the County after consulting with the Executive Board and shall only be for the fair share reasonable operating costs for Shelter operations.
- k) Any City that elects to not participate in Shelter Total Project Costs shall immediately cease as a Party to this Agreement and the County shall not be required to provide any animal services to such City. Such City shall be required to provide its own animal services and shelter, in accordance with all applicable laws and statutes, effective on a date mutually agreed to by the City and the County. If the City and the County are unable to mutually agree to a date, termination will be effective upon the expiration of the City’s existing Service Contract or the date a Certificate of Occupancy is issued for the new Shelter, whichever occurs first.

10. Animal Shelter Planning

- a) The Parties agree to form an ad-hoc value engineering team consisting of up to three (3) City representatives and a minimum of two (2) County representatives. City representatives shall fully participate with the County to assist with investigating and identifying the most effective and efficient methods to construct a Shelter that meets all Parties’ existing and future animal service’s needs. The value engineering team shall meet as needed and provide input with architects, designers, construction managers, and engineers during the development of plans and specifications for the Shelter.
- b) Prior to the authorization of the Construction Contract, the Executive Board shall be presented project plans and estimated budgets, and provide a recommendation that will be included in the CAO staff report to approve the contract by the Board of Supervisors.

11. Effective Date

- a) Except as set forth above, this Agreement shall be effective for the period from January 5, 2017 until each Party has made the last payment required under Section 6 or, if applicable, Section 8, of this Agreement

12. Entire Agreement

- a) This is the entire agreement among the Parties with respect to the Project and supersedes any prior written or oral agreements with respect to the Project. In the event of a conflict between the terms of this Agreement and the Services Contract, the terms of this Agreement shall prevail.

13. Assignability

- a) Except as otherwise expressly provided for herein, no Party shall assign any of its obligations or rights hereunder without the written consent of all Parties.

14. Notices

- a) Any notices required to be given pursuant to this Agreement shall be given in writing and shall be mailed to all Parties to the Agreement, directed to the County Administrative Officer and County Counsel, and to the City Manager or City Administrative Officer and City Attorney of each City.

15. Audit

- a) The Cities may inspect and/or audit all records and other written materials used by County in preparing the Total Project Costs and annual invoices to each City.

16. Good Faith Efforts

- a) The Parties shall each act in good faith in performing their respective obligations as set forth in this Agreement and shall work diligently to maintain their longstanding cooperative relationships.

17. Amendment

- a) This Agreement may only be amended in writing, signed by all Parties.

IN WITNESS WHEREOF, by their execution below, the Parties agree to be bound to the obligations stated herein, and the Board of Supervisors of the COUNTY OF SAN LUIS OBISPO has authorized and directed the Chairperson of the Board of Supervisors to execute this Agreement for and on behalf of the County, and the Cities of ATASCADERO, ARROYO GRANDE, GROVER BEACH, MORRO BAY, PASO ROBLES, PISMO BEACH, AND SAN LUIS OBISPO have caused this Agreement to be subscribed by each of their duly authorized officers and attested by their Clerks.

Dated: _____

COUNTY OF SAN LUIS OBISPO

Clerk of the Board

Dated: _____

CITY OF ATASCADERO

City Clerk

By:

Dated: _____

CITY OF ARROYO GRANDE

City Clerk

By:

Dated: _____

CITY OF GROVER BEACH

City Clerk

By:

Dated: _____

CITY OF MORRO BAY

City Clerk

By:

Dated: _____

CITY OF PASO ROBLES

City Clerk

By:

Dated: _____

CITY OF PISMO BEACH

City Clerk

By:

Dated: _____

CITY OF SAN LUIS OBISPO

City Clerk

By:

EXHIBIT A

Animal Services Facility

The quantities listed below were derived from a review of the existing Animal Services facility, the 2010 "Needs Assessment, Feasibility, and Building Program Study" by Shelter Planners of America, and meetings with Animal Services Manager Eric Anderson.

Building Floor Area:	16,000 square feet
Outdoor Runs:	3,000
Incinerator, Cold Storage:	2,000
Sally Port, Truck Wash, Truck Parking (8 trucks):	4,200
Disaster Response Equipment:	1,200
Visitor Parking (15 spaces):	5,300
Staff Parking (20 spaces):	7,000
Large Animal Pens:	27,000
Subtotal:	65,700
Additional 20% for Circulation, Landscaping:	13,140
TOTAL:	78,840 square feet

EXHIBIT B



LEGEND
----- SITE BOUNDARY

**SAN LUIS OBISPO COUNTY OPERATIONS CENTER
PHASE I MASTER PLAN**

EXHIBIT C

Cities	City Name	(Number of Shelter Service Provided)						Total	Percent
		2013-14		2014-15		2015-16			
		Full Yr.		Full Yr.		Full Yr.			
1	Arroyo Grande	286	7%	427	11%	291	8%	1,004	8.39%
2	Atascadero	476	12%	600	15%	643	17%	1,719	14.37%
3	Grover Beach	167	4%	142	4%	135	4%	444	3.71%
4	Morro Bay	126	3%	143	4%	118	3%	387	3.23%
5	Paso Robles	724	18%	734	18%	792	21%	2,250	18.81%
6	Pismo Beach	57	1%	61	2%	54	1%	172	1.44%
	San Luis								
7	Obispo	482	12%	486	12%	479	12%	1,447	12.09%
99	Unincorporated	1,745	43%	1,464	36%	1,332	35%	4,541	37.96%
		4,063		4,057		3,844		11,964	100.00%

EXHIBIT D

	Initial Estimate (a)	County-Only Costs (b)	Estimated Costs after County-Only costs (a-b)	Costs Shared Proportionally by Cities Only (c)	"Estimated Project Construction Costs" (a-b-c)
BUILDING & SITE HARD COSTS					
Construction (Building & Site Improvements)	\$ 7,840,000		\$ 7,840,000		\$ 7,840,000
Construction Contingency	836,500		836,500		836,500
Oklahoma Ave./ Utility Extension	525,000	348,967	176,033	176,033	
BLDG & SITE HARD COSTS SUBTOTAL:	9,201,500	348,967	8,852,533	176,033	8,676,500
INTERIOR HARD COSTS					
Fixtures, Furniture & Equipment	400,000		400,000		400,000
Telephone/Data/Security	160,000		160,000		160,000
INTERIOR HARD COSTS SUBTOTAL:	560,000		560,000		560,000
HARD COSTS SUBTOTAL:	9,761,500	348,967	9,412,533	176,033	9,236,500
SOFT COSTS					
ADMINISTRATION					
County Administration & Project Management	500,000		500,000		500,000
PROFESSIONAL SERVICES					
Architectural/Engineering Design Consultants	920,000		920,000		920,000
Construction Management	450,000		450,000		450,000
Testing & Inspection	310,000		310,000		310,000
Surveys, Geotech., Env. Mitigation	250,000		250,000		250,000
Permits & Fees	105,000		105,000		105,000
Storm Water Pollution Prevention Plan	170,000		170,000		170,000
MISCELLANEOUS					
Project Development Contingency	650,000		650,000		650,000
Escalation	585,000		585,000		585,000
SOFT COSTS SUBTOTAL:	3,940,000		3,940,000		3,940,000
OTHER COSTS					
Remaining depreciation value of existing facility	168,800	168,800			
Demolition of existing facility	200,000	200,000			
Land Cost (2 acres)	737,500	737,500			
OTHER COSTS SUBTOTAL:	1,106,300	1,106,300			
	\$ 14,807,800	\$ 1,455,267	\$ 13,352,533	\$ 176,033	\$ 13,176,500
Financing Costs- Low end estimate					
Estimated Project Construction Costs					\$ 13,176,500
Estimated Project Financing Costs @ 3.5%					\$ 7,556,392
Annual Debt Service					\$ 829,316
Financing Costs- High end estimate					
Estimated Project Construction Costs plus 10%					\$ 14,494,150
Estimated Project Financing Costs @ 5.0%					\$ 11,618,328
Annual Debt Service					\$ 1,044,499