

June 1, 2010

The Honorable Bob Ferguson  
Chair, King County Council  
Room 1200  
COURTHOUSE

Dear Councilmember Ferguson:

I am pleased to transmit to the council a legislative package that would implement a new regional model for animal services in King County. The development of this new regional model reflects the principles of partnership, service excellence, performance and accountability, and financial sustainability that are a central focus of my reform agenda and the Countywide Strategic Plan that I have proposed to the council. The new regional model is also built upon the foundation of work on animal services that the county council has led over the past few years. I appreciate the collaboration and partnership of the county council, the many cities in the county, our employees, and the volunteers and private animal welfare organizations who have contributed to the development of this model.

### **Recent Background**

On November 9, 2009, the council adopted Motion 13092, directing the county executive to end the provision of animal shelter services by King County no later than January 31, 2010. The motion also directed the executive to enter into new full cost recovery contracts with cities for animal control and pet licensing services no later than June 30, 2010. In adopting the motion, the council also articulated some of the long-term objectives that I share: protection of public health and safety, a commitment to animal welfare that is respected by the community, strengthening of partnerships between the county and cities by providing for a smooth transition to new service delivery, and financial sustainability.

One of my first actions as Executive was to charge my Director of Strategic Initiatives with developing a path forward for animal services that does not compromise these shared objectives. Because embarking on this work was to require negotiation with cities, labor, and

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private animal welfare organizations, in January I met with councilmembers individually to share the outline of our path forward in order to ensure that the county was united in its position before entering into intensive negotiations with other entities.

A key fact that I communicated in my meetings with councilmembers is that there is currently not enough animal sheltering capacity in the region to close the county's Kent animal shelter, as envisioned by Motion 13092. In late January, the council adopted Ordinance 16750, extending staffing authority for animal sheltering services through June 30, 2010. This extension of staffing authority provided a common deadline for the county to work with cities on a new regional model for animal services, inclusive of animal sheltering, animal control, and pet licensing functions.

In January 2010, my staff began negotiation through a Joint Cities-County Work Group for Animal Services on new contracts between the county and the cities for animal services. In February 2010, in response to a proviso in the 2010 adopted budget, I transmitted to the council an implementation plan for entering into new contracts with cities. The transmitted implementation plan included a proposed outline for a new regional model for animal services as well as three documents developed by the Work Group: working principles, a common interests statement, and a purpose and scope statement outlining specific timelines and deliverables for entering into new contracts by the end of June. The implementation plan also documented the work and outreach with our employees, our volunteers and private organizations in the region.

In accordance with the implementation plan, I have terminated all existing animal services contracts with cities, effective July 1, 2010.

### **A New Regional Model for Animal Services**

The Joint Cities-County Work Group for Animal Services has accomplished a tremendous amount of work in a short time. The Work Group met weekly to develop an agreement in principle by the end of March, supported by detailed background and financial information. I want to extend my thanks to the cities of Shoreline, Lake Forest Park, Redmond, Bellevue, Sammamish, SeaTac, Tukwila, and Kent for the participation and dedication of their staff in this effort.

Members of the Work Group shared the agreement and supporting materials with all cities, the county council, and the public in early April through presentations to the City Managers/Administrators meeting, the Suburban Cities' Association Public Issues Committee, the county council's Regional Policy Committee, numerous city council meetings and with individual county councilmembers and county council staff. Earlier this month, the agreement and supporting materials were presented at the council's Government Accountability & Oversight Committee.

The result of the Work Group's effort is that 27 cities have twice submitted statements of interest in participating in the new regional model. Together, these cities contribute nearly \$1

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million in additional revenues to the County in the first year of the contract. Over this next month, cities will formally consider adoption of new contracts with the county for animal services, to be effective July 1, 2010. The package I am transmitting today provides the mechanism for the county to also enter into these contracts and to implement this new regional model. The transmittal package includes:

- Roadmap to Reform: Attached to this letter is a document outlining a roadmap to reform for the County's provision of animal services. This roadmap was developed by our new management team, including our new County Administrative Officer, our new interim manager of Records and Licensing Services and our new Manager of Regional Animal Services, Ken Nakatsu. In developing this roadmap, the management team drew heavily upon past reports and studies that have been conducted under the leadership of the county council. The management team also benefited greatly from the ideas of our employees, volunteers, and private parties who have been involved in the council's efforts in this area over the years. The roadmap documents some of the significant reforms already undertaken, some of the reforms incorporated in the interlocal agreement negotiated with the cities, and a set of reforms that are now underway or will be undertaken in the future. These reforms are critical to the county's ability to deliver effective, accountable services that are respected by the community, fiscally responsible, and work to achieve innovative partnerships that will reduce costs in future years.
- A proposed ordinance authorizing the executive to enter into interlocal agreements for animal services with cities in King County. The interlocal agreement negotiated with cities appears as Attachment A to the proposed ordinance. It has undergone legal review through both the Prosecuting Attorney's Office and cities' legal counsel and is under consideration by 27 cities who have twice affirmed their interest in participating in the new regional model. The interlocal agreement defines services, expenditures, cost allocation methodologies and establishes a city-county committee to pursue innovative service improvements and cost reductions. The transmittal package includes the following supporting documents:

Background/Introduction on Agreement in Principle: A narrative document describing the historic contracting relationship between cities and the county and summarizing the Joint Cities-County Work Group process.

Outline of Terms for Agreement in Principle: A summary of the key elements of the Work Group's agreement in principle for regional animal services that is the basis for the negotiated interlocal agreement.

Animal Service Interlocal Agreement Summary of Terms: A summary, by section, of the key provisions of the interlocal agreement.

- A proposed ordinance amending King County Code related to animal services. The ordinance proposes a variety of code changes that support the new regional model and the roadmap to reform including: changes and simplifications to fees related to animal

services; code changes that support revenue generation and innovative partnerships; and elimination of obsolete provisions of the code including fees and sections of the code that are now addressed by recently adopted provisions of the Board of Health code. The transmittal package includes the following supporting documents:

Summary of Proposed Code and Fee Amendments: A summary of proposed amendments to Title 11 of the King County Code, including a table of fees.

- A proposed ordinance making a 2010 supplemental appropriation of \$3.2 million, backed by \$2.5 million in revenue. The ordinance would provide supplemental appropriation authority for: the King County Animal Shelter for February through June; implementation of the regional model in the second half of the year; enhanced service contracts for animal control; expenditure of animal bequest (donated) funds; and one-time costs and strategic investments in the roadmap to reform. The transmittal package includes the following supporting documents:

Fiscal Note: A summary of the expenditure and revenue categories for 2010 through 2014 that support the new regional model and the roadmap to reform. To be fiscally prudent, the fiscal note does not include estimates of revenue increases or cost reductions that may result from the strategic investments that support the roadmap to reform.

Budget Detail for Animal Sheltering, Animal Control and Pet Licensing: Line item budget detail for the three lines of business that are included in the new regional model for animal services and are allocated to cities.

Budget Crosswalk: A table showing the relationship between current appropriations and revenues, proposed expenditures and revenues supporting the new regional model and the roadmap to reform, and the expenditures and revenues that are allocated to cities in the new regional model.

### **Financial Sustainability**

As I have indicated in previous transmittals to the council, a regional model for animal services is the only reasonable path to achieving the public health, safety, and animal welfare outcomes that are important to our residents. At the same time, a regional model is the only approach that will lead to significant and lasting cost reductions and financial sustainability for these services. The new regional model and roadmap to reform that I am proposing with transmittal of this legislative package supports financial sustainability through the following mechanisms:

- Properly Aligned Financial Incentives: The new regional model establishes properly aligned financial incentives for both contract cities and the county that support desired outcomes and increase revenue over time. The model allocates costs to cities based on both their population and use of the system. This cost allocation model acknowledges the common value to all of a regional model (the population component) while also encouraging cities and the county to work with their residents to undertake initiatives that

will reduce use of the system (the use component). On the revenue side, pet licensing revenue is allocated back to jurisdictions, creating a financial incentive for cities to partner with the county to increase pet licensing. Code and fee changes are also proposed to incent behavior that will reduce system use and cost.

- New and Increasing Source of County Revenue. In the new regional model, contracting cities must pay to the county the difference between their cost allocation and their pet licensing revenue. Together, the cities are estimated to contribute nearly \$1 million in revenue, on top of pet licensing revenue, to support services in the first year of the model. These revenues are estimated to increase in each year of the model, as transitional support provided to cities declines. This new revenue is a stable source of funding because if licensing revenues for a city decrease, then city net payments increase a commensurate amount. As a result, the county's estimated general fund contribution under the new regional model is less in the second half of 2010 and in 2011 than it has been in recent years and is significantly less in out years.
- Economies of Scale. The new regional model preserves significant economies of scale in the provision of quality, coordinated animal services, fully utilizing the county's existing infrastructure for these services. These economies of scale provide for better service delivery at a lower cost for cities and, significantly, for the county's unincorporated area.
- Strategic Investments and Reductions. The Joint Cities-County Work Group analyzed the budgets for the new regional model in-depth, reallocating the budget to support continued cost reduction and revenue generation over time. A significant reduction in the regional model is the move to four service districts for control with five-day per week service, reduced from daily service. At the same time, the regional model includes increased support in other areas, based on recommendations from past reports and studies. An increase for veterinary services (in part funded through bequest funds) will improve animal care and reduce costs through reducing disease outbreak and supporting the transfer of animals to other organizations. A new dedicated volunteer coordinator will increase volunteer participation and encourage the transfer of animals into foster care.

The county would fund a select and strategic set of reforms recommended in several past reports and studies that are expected to improve accountability and generate the largest service improvements and cost reductions. These reforms include: upgrading and moving our data systems off the aged mainframe, external reviews to ensure accountability and identify system improvements, and the addition of a position to support innovative organizational partnerships and a long-term solution to the aging Kent shelter facility. In addition, the county would assume financial responsibility for some one-time costs associated with transition to the new regional model such as for the Crossroads facility lease and consulting associated with development of the interlocal agreement.

- Stability and Partnership to Focus on Reform. Finally, the two and one-half year interlocal agreement creates a stable environment to allow sufficient time for true system improvement and reform. The interlocal agreement also establishes a committee of county

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and city representatives to work in partnership on collaborative initiatives, such as innovative organizational partnerships and spay/neuter campaigns, to reduce cost and improve service.

The new regional model includes transition funding for cities with high per capita costs, one-time marketing efforts for cities with low licensing rates, and credits for cities whose use is low relative to population. In the first year of the new regional model, this county support totals \$1 million and declines each year thereafter. While a significant expense to the county, this support was necessary to reach consensus across jurisdictions that vary significantly regarding use and revenue generation as well as the value they place on animal welfare. This support also establishes a smooth transition for cities in difficult financial times – a principle articulated in the council’s adopted motion. This county support enables a regional solution that will achieve better outcomes and greater cost efficiencies for the county and cities in years to come.

Again, I want to thank the council, cities, and our employees, volunteers, donors, and private partners for their support and ideas that have influenced this new regional model for animal services. We could not have reached this milestone without their support, dedication and flexibility during this time of significant challenge and change. I look forward to their continued involvement and collaboration as we undertake the challenge of launching the new model and continuing along the roadmap to reform.

If you have any questions regarding the new regional model for animal services and the legislative package that would implement it, please contact Carrie S. Cihak, Director of Strategic Initiatives, at (206) 263-9634.

I certify that funds are available.

Sincerely,

Dow Constantine  
King County Executive

Enclosures

cc: King County Councilmembers  
ATTN: Tom Bristow, Chief of Staff  
Anne Noris, Clerk of the Council  
Fred Jarrett, Deputy County Executive, King County Executive Office (KCEO)  
Rhonda Berry, Assistant Deputy County Executive, KCEO  
Frank Abe, Director of Communications, KCEO  
Carrie S. Cihak, Director of Strategic Initiatives, KCEO  
Patti Cole-Tindall, Labor Relations Manager, KCEO

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Dwight Dively, Director, Office of Management and Budget

Lorrie McKay, Customer Service Director, KCEO

Sung Yang, Government Relations Director, KCEO

Caroline Whalen, County Administrative Officer

Lorraine Patterson, Interim Director, Records and Licensing Division

Ken Nakatsu, Manager, Regional Animal Services