



**City of Kingston
Report to Council
Report Number 19-087**

To: Mayor and Members of Council
From: Lanie Hurdle, Acting Chief Administrative Officer
Resource Staff: Paige Agnew, Director, Planning, Building & Licensing Services
Date of Meeting: March 19, 2019
Subject: City Animal Pound Services Contract

Executive Summary:

On June 26, 2018, a Request for Proposals (RFP) for Animal Pound Services was released. One (1) submission was received, from the incumbent, the Kingston Humane Society (KHS). In accordance with the City's Purchasing By-Law, where there have been less than three vendor responses to an RFP, staff is required to present a recommendation to City Council for its approval to award a contract.

Staff conducted an evaluation of the KHS submission and identified that the estimated annual cost for Pound Services, based on the variable fee pricing submitted, exceeded the maximum amount that Council was allowed to approve while Council was in "lame duck" status preceding and immediately following the October 2018 municipal election. Since the contract for Animal Pound Services expired on August 31, 2018, staff exercised the option available under Section 2.14(i) of Purchasing By-Law Number 2000-134 to extend the contract from August 31, 2018 to September 5, 2018 to allow Council the opportunity to consider a 5 month interim contract, from September 5, 2018 to January 31, 2019. The purpose of the interim contract was to provide for the continuation of Animal Pound Services until a date when Council was no longer in "lame duck" status and would be able to consider a staff recommendation for an award of a contract for a five-year term.

The incumbent, the KHS, advised that their estimated monthly cost to provide Pound Services to the City was \$28,848; however, they agreed to continue to provide Pound Services under the 5 month interim contract, conditional on the City's acceptance of an increase in fees for service during the interim contract, representing a lump sum payment in the amount of \$20,000 per month, plus the actual cost per month of emergency veterinary care for impounded animals during the interim period, at an average monthly cost of \$1,000. This total monthly fee of approximately \$21,000 for Pound Services during the interim contract period represented, on

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average, an additional \$8,917 more per month, a seventy-four percent (74%) increase over the \$12,083 budgeted per month for Pound Services in 2018.

At its regular meeting on September 4, 2018, Council approved a 5 month interim contract ([Report Number 18-341](#)) and also directed staff to commission a service and cost assessment report of the Animal Pound Services and report its findings to Council as part of any recommendation for the awarding of a multi-year Pound Services contract.

Staff commissioned KPMG to conduct the services and cost assessment of the delivery of Pound Services. On January 31, 2019, again utilizing Section 2.14(i) of Purchasing By-Law, the interim contract was extended a further two months, until March 31, 2019 to allow for the completion of the service and cost assessment report and, based on its findings, for contract discussions to be conducted between the City and the KHS.

Based on the findings and recommendations contained in the service and cost assessment report (attached as Exhibit A to Report Number 19-087), and after negotiations with the KHS, staff are recommending that Council approve a five year contract with the Kingston Humane Society for the provision of Animal Pound Services based on an all-inclusive fixed fee (lump sum) funding model, billed monthly in the amount of \$24,000.

Recommendation:

That Council authorize the Mayor and Clerk to execute a five (5) year contract with the Kingston Humane Society for the provision of Animal Pound Services for a term commencing April 1, 2019 and expiring at midnight on March 31, 2024, based on a monthly all-inclusive fixed fee of \$24,000, in a form satisfactory to the Director of Legal Services; and

That increases shall be applied for each year of the contract from Year 2 through Year 5 by the Consumer Price Core Index of the third quarter of the prior year.

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Authorizing Signatures:

Lanie Hurdle, Acting Chief Administrative Officer

Consultation with the following Members of the Corporate Management Team:

Gary Dyke, Commissioner, Corporate & Emergency Services

Peter Huigenbos, Acting Commissioner, Community Services

Jim Keech, President & CEO, Utilities Kingston

Desirée Kennedy, Chief Financial Officer & City Treasurer

Not required

Not required

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Options/Discussion:

On June 26, 2018, an RFP for Animal Pound Services was released. One (1) submission was received, from the incumbent, the KHS. In accordance with the City's Purchasing By-Law, where there have been less than three vendor responses to an RFP, staff is required to present a recommendation to City Council for its approval to award a contract.

Staff conducted an evaluation of the KHS submission and identified that the pricing submitted exceeded the maximum amount that Council was allowed to approve while Council was in "lame duck" status preceding and immediately following the October 2018 municipal election. Since the contract for Animal Pound Services expired August 31, 2018, staff exercised the option available under Section 2.14(i) of Purchasing By-Law Number 2000-134 to extend the contract from August 31, 2018 to September 5, 2018 to allow Council the opportunity to consider a 5 month interim contract, from September 5, 2018 to January 31, 2019. The purpose of the interim contract was to provide for the continuation of Animal Pound Services until a date when Council was no longer in "lame duck" status and would be able to consider a staff recommendation for an award of a contract for a five-year term.

The incumbent, the KHS, agreed to continue to provide Pound Services under the 5 month interim contract, conditional on the City's acceptance of an increase in fees for service during the interim contract, representing a lump sum payment in the amount of \$20,000 per month, plus the actual cost per month of emergency veterinary care for impounded animals during the interim period, at an average monthly cost of \$1,000. This total monthly fee of approximately \$21,000 for Pound Services during the interim contract period represented, on average, an additional \$8,917 more per month, a seventy-four percent (74%) increase over the \$12,083 budgeted per month for Pound Services in 2018.

At its regular meeting on September 4, 2019, Council approved a 5 month interim contract at the \$20,000 per month rate, plus the actual cost of emergency veterinary care and also directed staff to commission a service and cost assessment of the Animal Pound Services and report its findings to Council as part of any recommendation for the awarding of a multi-year Pound Services contract.

The City subsequently commissioned KPMG to conduct a service and cost assessment of the delivery of Animal Pound Services. On January 31, 2019, again utilizing Section 2.14(i) of the Purchasing By-Law, the interim contract was extended a further two months, until March 31, 2019 to allow for the completion of the service and cost assessment and, based on its findings, for contract discussions to be conducted between the City and the KHS.

Findings and Recommendations of Service and Cost Assessment Report

The service and cost assessment (titled City of Kingston Pound Services Business Model Review) provides the following recommendations as to the most appropriate funding model and to a monthly cost to deliver Pound Services:

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Move to a Fixed Fee Funding Model

The KPMG report advised that, based on a review of the unaudited costs supplied by the KHS as well as 2017 animal intake numbers, the expected monthly fee range is between \$21,000 and \$28,000. Benchmarking against the comparator municipalities, KPMG estimates a mid-range fee for Kingston Pound Services of \$24,000/month. This fixed fee amount represents, on average, an additional \$11,927 more per month, an increase of approximately 100 percent over the \$12,083 budgeted per month for Pound Services under the previous contract ending August 31, 2018.

The following charts show how the recommended \$24,000/month fixed fee for Pound Services for 2019 compares with three other municipalities surveyed by KPMG as part of their review. The municipalities were compared using two indices: “fee per animal intake” and “cost per resident per year” for Pound Services.

Table 1 below provides calculations based on a proposed \$24,000 fee per month for Kingston. The 2017 City of Kingston contract had a fee per animal intake of \$125. This was much lower than any of the other comparable municipalities. The proposed 2019 contract is considering more than doubling the fee per intake but this amount is still much lower than some comparable municipalities. Kingston has had a fairly high number of animal intakes and staff have been working on various initiatives such as the Responsible Pet Ownership Program (RPOP) to reduce the overall number of animal intakes.

Table 1 - Calculations Based on Proposed 2019 Contract

	Ottawa	Kingston	Oakville	Barrie
Intake numbers	4,300	859	550	200
Cost per 12 months	\$1,075,000	\$288,000	\$499,500	\$260,000
Fee per animal intake	\$255	\$335	\$910	\$1,300

Table 2 below provides the contract cost per resident based on the 2019 proposed contract. As per the KPMG report, the 2017 City of Kingston contract numbers were equivalent to a cost of \$0.86 per resident which was much lower than any of the other comparable municipalities. The cost per resident will be increasing substantially with the proposed 2019 contract.

Table 2 – Cost Per Resident Based on Proposed 2019 Contract

	Ottawa	Barrie	Kingston	Oakville
Cost per resident (per year)	\$1.14	\$1.84	\$2.33	\$2.58

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The report recommends that a base template, outlining all the cost envelopes and intake thresholds should be developed, similar to the structure outlined in the City of Ottawa's Pound Services contract with the Ottawa Humane Society.

Based on the findings and recommendations contained in the service and cost assessment report (Exhibit A) and after negotiations with the KHS, staff are recommending that Council approve a five year contract with the KHS for the provision of Animal Pound Services based on an all-inclusive fixed fee (lump sum) funding model, billed monthly in the amount of \$24,000.

Staff further recommend that, prior to the beginning of Year 2 of the contract, in conjunction with the KHS, a standardized formula be developed that would be used for future contract negotiations. If the City continues to be successful in its efforts and work through the RPOP and in partnership with Kingston Advocates for Responsible Pet Ownership (KARPO) and also through the Trap/Neuter/Vaccinate/Return (TNVR) program, this could result in a reduction in Pound intake numbers, which in turn could result in a decrease in the monthly fee for Pound Services in future contracts.

Existing Policy/By-Law:

By-Law Number 2004-144 A By-Law to Regulate Animals

By-Law Number 2000-134 A By-Law to Establish Purchasing Policies and Procedures

Notice Provisions:

The Animal Pound Services RFP was posted to Biddingo between June 26 and July 4, 2018.

Accessibility Considerations:

Not applicable

Financial Considerations:

The cost of Animal Pound Services has been budgeted for 2019 based on the interim contract fee amount of \$20,000 per month, plus an average of \$1,000 per month for emergency veterinary care for impounded animals. The recommended contract is \$3,000 more per month (\$36,000 per year) than the approved budget for this service. For 2019, the contract amount will be \$27,000 more than budgeted. City staff will work to reduce expenditures in other areas to ensure that overall, Planning, Building & Licensing Department operates within budget.

Contacts:

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Greg McLean, Policy and Program Coordinator 613-546-4291 extension 1336

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Other City of Kingston Staff Consulted:

Alan McLeod, Acting Director of Legal Services & City Solicitor

Exhibits Attached:

Exhibit A City of Kingston Pound Services Business Model Review

City of Kingston Pound Services Business Model Review

Financials

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Disclaimer

This report is based on information and documentation that was made available to KPMG at the date of this report. KPMG has not audited nor otherwise attempted to independently verify the information provided unless otherwise indicated. Should additional information be provided to KPMG after the issuance of this report, KPMG reserves the right (but will be under no obligation) to review this information and adjust its comments accordingly.

Pursuant to the terms of our engagement, it is understood and agreed that all decisions in connection with the implementation of advice and recommendations as provided by KPMG during the course of this engagement shall be the responsibility of, and made by, the City of Kingston. KPMG has not and will not perform management functions or make management decisions for the City of Kingston.

This report may include or make reference to future oriented financial information. Readers are cautioned that since these financial projections are based on assumptions regarding future events, actual results will vary from the information presented even if the hypotheses occur, and the variations may be material.

Comments in this report are not intended, nor should they be interpreted, to be legal advice or opinion.

KPMG has no present or contemplated interest in the City of Kingston. Accordingly, we believe we are independent of the City of Kingston and are acting objectively.

Introduction

KPMG was engaged by the City of Kingston (“the City”) to conduct a business model review of its pound services to help ensure a fair and transparent funding model with their third party service provider, the Kingston Humane Society (“KHS”). The overall goal of the business model review was to gain an understanding of the available funding models, reporting requirements and costs associated with the City’s pound services. Completing this review will contribute towards establishing a mutually beneficial relationship towards the effective and efficient delivery of pound services.

This report was prepared to present observations and evidence to form support on the available funding options arising from the consulting team’s research and engagement with the City and KHS. This report will provide our recommendations to improve the overall effectiveness and efficiency of the current service business model for pound services.

Setting the Stage

The City regulates domestic dogs and cats within its jurisdiction under *By-law 2004-144 - A By-Law to Regulate Animals* (“the Bylaw”). In support of the By-law, the City has deemed it appropriate to provide pound services for dogs and cats. Pursuant to this, the City invited proposals from proponents looking to provide pound services under contract under the terms and conditions contained with the request for proposal F31-CS-PBL-2018-01 for City Animal Pound Services. The City received only one response to the request for proposal, the incumbent pound services provider, KHS.

Prior to the issuance of the RFP, KHS provided pound services under a separate contract originating in 2013 and finishing in 2018. The 2013 contract changed the long-standing fixed fee pricing structure and introduced a variable fee pricing structure. The 2018 RFP retained this variable fee pricing structure. The bid submitted by KHS was a significant increase in pricing for pound services. As a result of the price increase compared to the approved budget, the City decided to conduct a due diligence review of the submitted KHS bid, as well as, review the processes in place to ensure accurate data tracking. Accordingly, the City engaged KPMG to conduct a comprehensive review of the Pound Services business model.

Project Objectives and Drivers

Project Objectives

KPMG is engaged by the City of Kingston to undertake a review of the business model for pound services. The overall goal of the review is to assess and recommend a funding model for pound services that is sustainable to both parties while providing a transparent costing model and reporting structure. It is expected that the recommendations arising from this review will ensure an efficient and effective service delivery model for pound services to the citizens of Kingston.

Specific project objectives include:

- Conduct the necessary due diligence on the costing methods applied
- Review and assess the processes in place to track intake and other statistical data
- Assist in the determination of an appropriate funding model for the pound services contract
- Share our findings with the management of the City of Kingston as required

Project Drivers

As with all municipal and other orders of government, the City of Kingston is balancing service expectations and financial constraints. Carrying out business model reviews is one of the strategies to ensure that the City continues to provide the best value to the community and to help ensure the City is considering all opportunities to enhance efficiency and effectiveness of its services taking into account fiscal and service impacts.

Project Scope and Deliverables

- **Phase One: Project Initiation and Planning**
 - Kick Off Meeting with Project Team
 - Project Charter
 - Project Schedule
- **Phase Two: Environmental Scan**
 - Collect and review documentation
 - Develop interview guides and validate with project manager
 - Conduct interviews with comparator municipalities (3)
 - Stakeholder consultation (9 forty-five minute interviews)
 - Analyze interview findings and group into themes for Interim Report
- **Phase Three: Analysis and Assessment**
 - Review key processes associated with the delivery of pound services
 - Review the costing models applied in the delivery of pound services
 - Conduct data analysis on number of animals impounded
 - Prepare and present Interim Report
- **Phase Four: Final Report and Presentation**
 - Finalized recommendations
 - A final report (in PowerPoint format) consolidating the different phases of the Review
 - Presentation to the Project Team and appropriate Committee of Council (if requested)

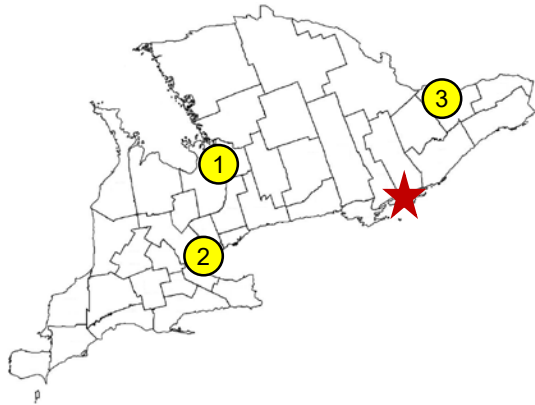
Comparator Review

City of Kingston Pound Services Business Model Review
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Comparative Analysis - Why Compare to Other Communities

In support of the business model review for pound services, three comparator municipalities were chosen to inform a high level comparison across multiple aspects of their pound services and animal control functions. These municipalities were chosen by the City of Kingston for direct comparability and information was collected through phone interviews, requests for information, and publicly available information.



Municipality	Population*	Area Square KM*
1. Barrie	141,434	99
2. Oakville	193,832	139
3. Ottawa	964,743	2,778
<i>Kingston</i>	<i>123,798</i>	<i>451</i>

**based on 2016 census (single-tier)*

The primary purpose of the comparative analysis is to understand the performance of comparator municipalities and to identify opportunities to change how the City’s organization is aligned to deliver municipal services.

- Cities with similar financial benchmarks/service levels – insight into operating efficiencies
- Cities with different financial benchmarks/service levels – opportunities to change existing organizational structure/processes to reflect common service levels

Comparing financial performance and service delivery has both benefits and risks, including:

- Provides insight into affordability issues; what a peer municipality can achieve with the same resources
- Assumes that all variables are the same (assessment base, non-taxation revenues)
- Assumes that taxation and service levels in other communities are ‘right’

Comparator Analysis

Pound Services Structure

Comparator municipalities were asked to consider the current state of their pound service delivery and the funding model with the current service provider:

Question	City of Barrie	Town of Oakville	City of Ottawa
1. Who is the service provider for pound services?	<ul style="list-style-type: none"> Barrie SPCA 	<ul style="list-style-type: none"> Oakville/Milton Humane Society Single municipality served for pound services 	<ul style="list-style-type: none"> Ottawa Humane Society Single municipality served for pound services
2. Are shelter services included as part of the current contract?	<ul style="list-style-type: none"> Included for redemption period, after 72 hour period, animal is property of Barrie SPCA. 	<ul style="list-style-type: none"> Included for redemption period, after 72 hours, animal is property of Oakville/Milton Humane Society 	<ul style="list-style-type: none"> Included for redemption period, after 72 hours, animal is property of Ottawa Humane Society
3. What timelines are used to distinguish pound from shelter services?	<ul style="list-style-type: none"> 72 hours (3 days) for both cats and dogs Barrie SPCA has an internal policy to house for a total of 7 days; after 72 hour period, the animal becomes property of the Barrie SPCA 	<ul style="list-style-type: none"> 72 hours (3 days) for both cat and dogs After redemption period, property of Humane Society Exception is animals in protective care; they are housed for 10 days (includes redemption period) 	<ul style="list-style-type: none"> 72 hours (3 days) for both cats and dogs After redemption period, property of Ottawa Humane Society Exception is animals in protective care; they are housed for 5 days before redemption period starts
4. Are there additional services offered as part of the current contract?	<ul style="list-style-type: none"> No Emergency services are not provided by Barrie SPCA; Enforcement would transport to veterinary clinic and City receives the invoice directly Any medical issues once in the care of SPCA are at the SPCA's cost 	<ul style="list-style-type: none"> Yes Enforcement provided by Humane Society All transportation included Emergency care/medical costs for sustain life/pain management included 	<ul style="list-style-type: none"> Yes Medical services are provided by the Ottawa Humane Society and are included in the calculation of costs. City of Ottawa provides all transportation costs

Comparator Analysis

Costing Information

Question	City of Barrie	Town of Oakville	City of Ottawa
5. How long is the current contract in place for?	<ul style="list-style-type: none"> 5-year contract Expires December 2020 	<ul style="list-style-type: none"> Standing contract "Rollover" contract – ends in 2019 	<ul style="list-style-type: none"> Agreement in place, rather than contract awarded through public tender, as Ottawa Humane Society is only service provider in the area with capacity Follows Council term; expires March 31, every 4 years
6. Are fees fixed, variable or a hybrid model?	<ul style="list-style-type: none"> Fixed fee: <ul style="list-style-type: none"> 2017 – approx. \$260k 2018 contract for \$302k, includes wildlife 	<ul style="list-style-type: none"> Fixed fee: <ul style="list-style-type: none"> 2018 – budget \$820k Note: Includes enforcement 	<ul style="list-style-type: none"> Fixed fee: <ul style="list-style-type: none"> Calculated annually based on formula in agreement with prior year costs and intake 2017 – approx. \$1M annually
7. Are overhead costs built into these fees?	<ul style="list-style-type: none"> No explicit cost breakdown Unknown 	<ul style="list-style-type: none"> Yes As enforcement is included in contract, includes wages, office space, vehicle maintenance, etc. 	<ul style="list-style-type: none"> Yes Built directly into calculation (refer to Appendix A for breakdown)
8. Is there a profit margin built into these fees?	<ul style="list-style-type: none"> No explicit breakdown Unknown 	<ul style="list-style-type: none"> No Meant to be a full cost recovery; heat/hydro and facilities costs included 	<ul style="list-style-type: none"> No There is a "fixed depreciation" cost of \$70k that acts as a reserve for future capital spend
9. For any additional services offered, are they included in your fees or billed extra?	<ul style="list-style-type: none"> No additional services offered Exception would be court seizure – in this case (which is rare) costs are billed back to the City on a case-by-case basis and recovered from owner 	<ul style="list-style-type: none"> No additional services offered; all services stated above are included in fixed fee Not aware of any court seizure in past 	<ul style="list-style-type: none"> No additional services offered Exception would be court seizure – in this case (which is rare) costs are billed back to the City on a case-by-case basis and recovered from owner

Comparator Analysis

Billing Requirements

Question	City of Barrie	Town of Oakville	City of Ottawa
10. How often is your fee invoiced?	<ul style="list-style-type: none"> Monthly 	<ul style="list-style-type: none"> Monthly 	<ul style="list-style-type: none"> Paid monthly; but an annual PO
11. What reporting data/statistics are required?	<ul style="list-style-type: none"> Monthly and annual reporting requirements outlining specific details including, but not limited to, date of impound, condition, type, breed, etc. 	<ul style="list-style-type: none"> Weekly and quarterly reporting Intake numbers, condition, bylaw violations, outcomes, etc. 	<ul style="list-style-type: none"> Monthly and annual reporting for intake, timing and animal details, etc.
12. Are there any additional reporting requirements outlined as part of the contract?	<ul style="list-style-type: none"> No 	<ul style="list-style-type: none"> Receive enforcement statistics as well 	<ul style="list-style-type: none"> No
13. Do you collect fees on behalf of the municipality?	<ul style="list-style-type: none"> Barrie SPCA collects registration and impound fee on behalf of the City Registration fee and information collected, sent to the City of Barrie monthly to be inputted into system Impound fee – Barrie SPCA retains 60%, remits 40% back to the City 	<ul style="list-style-type: none"> Humane Society collects and retains impound fee Humane Society collects and retains licensing fee if animal not registered Humane Society is responsible and maintains this system – they enter information and pay all costs 	<ul style="list-style-type: none"> Ottawa Humane Society collects registration and redemption fee on behalf of the City Registration fee and information collected, sent to the City of Ottawa monthly to be inputted into system Redemption fee collected and sent to city quarterly
14. If so, how are they remitted back?	<ul style="list-style-type: none"> Each month, these fees are remitted back via cheque with attached report, supporting figures. 	<ul style="list-style-type: none"> No fees are remitted back – 100% of impound and registration fees kept by Humane Society 	<ul style="list-style-type: none"> Registration – remitted back monthly, along with reporting data to support figures Redemption – remitted back quarterly, along with reporting data to support figures

Question	City of Barrie	Town of Oakville	City of Ottawa
15. How are animals tracked in terms of timeline?	<ul style="list-style-type: none"> • Not applicable • As it is a fixed fee and Barrie SPCA takes over ownership after 72 hour period, no need to track 	<ul style="list-style-type: none"> • Not applicable • Fixed fee – assume dates are entered into the system 	<ul style="list-style-type: none"> • When animals are entered into the system, the report automatically calculates days
Additional: Approximately how many cats & dogs were impounded last year?	<ul style="list-style-type: none"> • Cats – 120 • Dogs – 80 <p>Total = 200 Contract Price/Animal = \$1,300</p>	<ul style="list-style-type: none"> • Cats – 455 • Dogs – 100 <p>Total = 555 Contract Price/Animal = \$1,500</p> <p><i>*includes enforcement; normalizing for an estimate of enforcement, cost/animal is approximately \$900</i></p>	<ul style="list-style-type: none"> • Cats – 3,225 • Dogs – 1,075 <p>Total = 4,300 Agreement Price/Animal = \$250*</p> <p><i>*does not include capital funding; in prior year, funding for new building was provided for approximately \$2M</i></p>
Additional: Are you satisfied with current contract and relationship with service provider	<ul style="list-style-type: none"> • Yes • The City prefers the fixed fee format as it allows for consistent and smooth payments • Increases over last contract term where minimal (mainly CPI) 	<ul style="list-style-type: none"> • Yes • Work together well – believe it to be a mutually beneficial relationship • Increases over last contract term where minimal (mainly CPI) 	<ul style="list-style-type: none"> • Yes • Relationship improved significantly with the introduction of the current agreement and funding model

*Refer to Data Analysis section for City of Kingston intake data



Summary of Themes from Internal Consultations

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Summary of Themes from Internal Consultations

The Engagement Process

Perspectives on the service delivery and costing models of the City's pound services were gained through interviews with 9 stakeholders, identified by the Project Sponsor.

Specific responses have been aggregated in this summary document and are presented in the form of general themes and messages. The findings of the consultation presented in this summary document will be used to inform the development of recommendations towards an optimal service delivery model for Pound Services.

The following individuals (listed in alphabetical order) participated in interviews over the environmental scan period:

Position	Organization
Vice President, Board of Directors	Kingston Humane Society
Executive Director	Kingston Humane Society
By-Law Officer	City of Kingston
Population Manager	Kingston Humane Society
By-Law Officer	City of Kingston
Policy & Program Coordinator	City of Kingston
Senior Officer	Frontenac Municipal Law Enforcement Inc.
Operations Manager	Kingston Humane Society
Manager, Licensing & Enforcement	City of Kingston

Emerging Themes from Consultations

Funding Structure

- Both parties agreed that a fair and transparent funding model is required.
- It was noted by multiple people that the current variable pay structure is complicated and error prone. This results in increased effort to reconcile.
- Both parties agree funding should be a cost recovery (i.e. no profit margin), however, there is a significant disagreement on the type of costs that should be covered.
- It was noted that if funding is increased, KHS can eliminate reclaim fees they are charging directly to the public. This would reduce the cost to retrieve the pet within the redemption period and would significantly decrease pet-owner conflict. There are often complaints about the high fees to reclaim a pet.
- Court seizures are rare, but is a specific item that needs to be clarified.

Process Review

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Intake and Tracking Process

Introduction

The KHS provides pound services to a total of 7 municipalities, including the City of Kingston and surrounding municipalities. KPMG reviewed the intake process to ensure that there are proper controls in place to accurately reflect the jurisdiction animals are picked up in.

Methodology

KPMG notes that there are two parties that bring in animals for all 7 municipalities: City By-Law and the contractor, Frontenac Municipal Law Enforcement Inc. Both parties, along with KHS, described the intake process:

- Animal is picked up and brought to the back of KHS to enter and is then kenneled.
- The officer will enter animal and pickup information in the KHS book, which is kept in sequential order to ensure completeness.
- The officer will then enter the animal and pickup information into the appropriate municipal book (separate books for each municipality – as a result these are not in sequential order since these numbers are tied to the KHS book).
- The front desk staff reconcile the books to ensure they match and then enter the information into PetPoint. These animals are classified as “stray” to differentiate between shelter animals brought in outside of pound services.
- The number assigned through the KHS book is retained in PetPoint, so the same number stays with that animal.
- PetPoint tracks the date they were brought in, along with address. There is a separate drop down field where 1 of the 7 municipalities can be chosen.
- PetPoint automatically calculates an emancipation date, based on 3 or 5 day timeframe (cat vs. dog).
- If the pet is reclaimed, this information is entered into PetPoint, along with corresponding date.

Considerations

- Of approximately 900 animals brought into the pound in 2017, less than 10% were from the other 6 municipalities combined
- KHS, By-Law and Frontenac Municipal Law Enforcement Inc. were consistent in their description of the process
- KPMG reviewed the intake books as well as PetPoint to ensure consistent with above description

Process Review

Reporting Process

Introduction

The monthly reporting required for the variable pay structure is based on a variety of factors, including but not limited to:

- Intake numbers
- Emancipation dates
- Reclaim numbers
- Medical bills

As a result, there is substantial effort that goes into creating this reporting.

Methodology

KPMG reviewed PetPoint reporting functions and noted reports are able to run with only one filter applied at a time.

These reports can be downloaded to excel.

With the limitation of one filter, KHS is running multiple reports and manually cross-referencing animals (by their number, as assigned in the intake process) to come up with the data required.

On average, there are 6 reports that are run and cross-referenced.

QuickBooks is used to track invoices. For medical invoices received, the population manager notes the animal number on these invoices.

Considerations

- PetPoint is a commercially available, off the shelf software package.
- KHS has inquired with PetPoint to write scripts that would enable better reporting, a fee quote was provided which lead to funding constraints.
- The data is available, as inputted through the intake process. Data extraction is the main concern.
- Reporting is error prone due to the manual manipulation required.
- Opportunity to apply macro enable excel spreadsheets or pivot tables to automate this process.



Background

The initial costing model provided in the RFP was based on a variable, per pet pricing schedule. Since the expiry of the prior contract on August 31, 2018 and January 2019, an interim contract has been in place. The interim contract is a fixed fee, based on a summary of costs outlined by KHS in a letter to the City. Our review of the costing model was focused on the summary of costs.

Potential Opportunities

1. Based on the standard practices as seen in the comparator review, a fixed fee funding model is consistent with other municipalities
2. After consultations with stakeholders, a fixed fee funding model would reduce administrative burden
3. As a result, this costing analysis will focus on the costs as outlined in the interim agreement

Methodology

1. Using PetPoint, data is obtained to get the number of strays assigned to the City of Kingston, as well as all animals brought into KHS for the time period in question
2. Based on the percentage of City of Kingston strays over total animals brought into KHS, a number of costs are allocated:
 - Staffing
 - Intake treatments (required vaccines)
 - Facility costs (utilities, supplies, maintenance of building)

Considerations

1. Interim contract does not take changes in volume (intake) into account
2. There is no distinction between fixed costs and variable costs
3. Formula/methodology to determine costs is inconsistent
4. Data accuracy was a minor concern in review of the animal intake data

Data Analysis

City of Kingston Pound Services Business Model Review
Financials



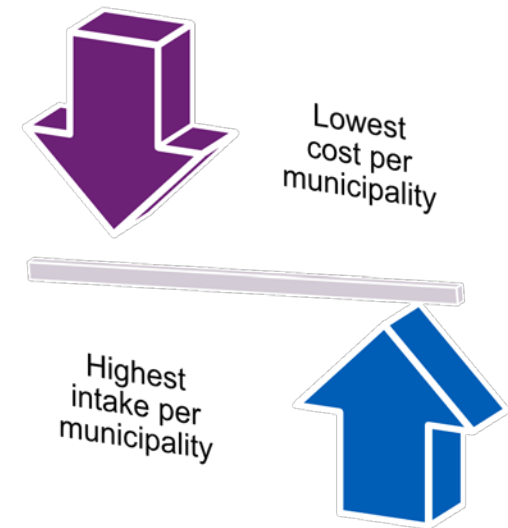
Data Analysis

Intake Numbers*

Using the 2017 intake numbers (859 animals) and fees paid for pound services (approximately \$107,000), the City currently reports the lowest cost per resident, while also reporting the highest intake per resident. These are inversely proportional and suggest a misalignment compared to other municipalities.

Figure 1.1

	Barrie	Oakville	Ottawa	Kingston
<i>Intake per 10,000 residents</i>	14	28	45	69
<i>Cost per resident</i>	\$1.84	\$2.58	\$1.14	\$0.86



Town of Oakville normalized for an estimate of enforcement services

*Source: Data supplied by municipal comparators and City of Kingston

Data Analysis Intake Numbers*

Using the 2017 intake numbers (859 animals) and fees paid for pound services (approximately \$107,000), the City currently reports the lowest cost per animal. Evaluating against the comparator municipalities, we would have expected the cost per animal to be similar to Town of Oakville, as economies of scale would reduce the cost as intake numbers rise.

Figure 2.1

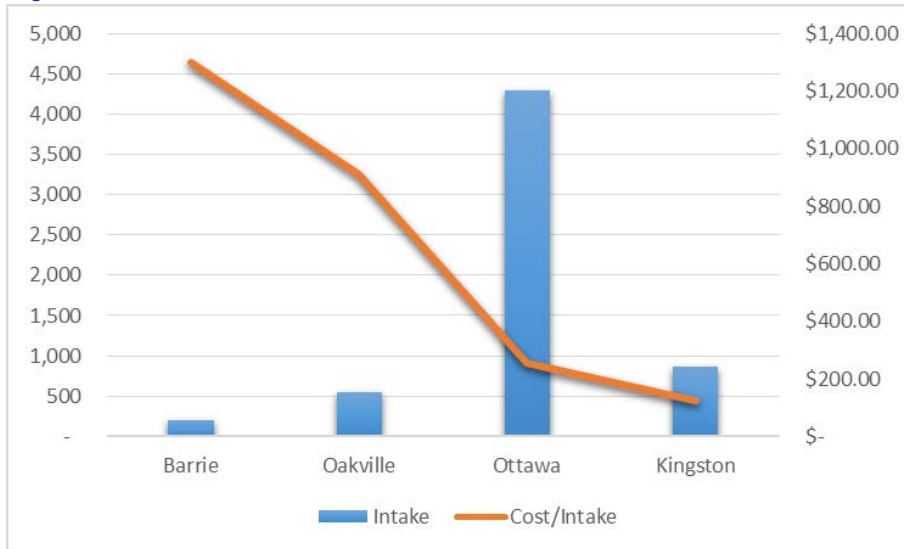


Figure 2.2

	Barrie	Oakville	Ottawa	Kingston
<i>Fee per intake</i>	\$1,300	\$910	\$255	\$125

Town of Oakville normalized for an estimate of enforcement services

*Source: Data supplied by municipal comparators and City of Kingston



Background

Using similar costing envelopes as described by the comparator municipalities, along with audited financial statements of KHS and review of intake numbers through their animal tracking software, Pet Point, KPMG reviewed a breakdown of costs associated with pound services from KHS.

This information was supplied to the City as part of the interim contract agreement. Below, is a list of observations:

Methodology Observations

1. Staffing: this figure should be calculated based on current staffing rates, rather than market rate, and should include all required statutory benefits.
2. Intake Treatments: the initial cost was based upon a standard rate, however upon further inquiry, a detailed description of required vaccinations and costs was completed. There is an element of estimate required, as the level of vaccines can vary depending on the state the animal is brought in at.
3. Facility Costs: consistent with other municipalities, the cost of pound services should include the cost to run and maintain the building. Typically, this allocation is based on square footage, however given the structure of the building and capacity constraints, using intake percentage is a more reflective measure.
4. Intake Numbers - % Allocation: KPMG agreed to Pet Point reports, however for the allocation percentage, it is noted that due to the manual process to filter this data, there is an inherent risk of error. More analysis on these figures is required.

Considerations

1. The interim contract is currently set as \$20,000/month plus the cost of emergency veterinary care, with KHS identifying monthly costs of approximately \$28,000/month being attributed to pound services
2. In review of the \$20,000, there were discrepancies identified in various areas of the provided support which suggest this fee is low compared to actual costs incurred
3. In review of the \$28,000, there were discrepancies identified in various areas of the provided support which suggest this fee is high compared to actual costs incurred

Data Analysis

Fee Model Analysis*

Figure 3.1

	Current	Potential Fixed Fee (monthly)			
	Variable Fee Costing Model	Low Range \$20,000	Mid Range \$24,000	High Range \$28,000	Average of Comparators
<i>Intake per 10,000 residents</i>	69	69	69	69	29
<i>Cost per resident</i>	\$0.86	\$1.94	\$2.33	\$2.71	\$1.85
<i>Fee per intake</i>	\$125	\$280	\$335	\$390	\$820

As the City's intake is higher than the average of the comparator municipalities, the cost to the City is also expected to be higher than the average.

Conversely, with higher intake numbers, due to savings generated through economies of scale, the fee per intake is expected to be lower than the average

*Source: Data supplied by municipal comparators and City of Kingston



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Summary of Findings & Recommendations

City of Kingston Pound Services Business Model Review
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Recommendations

1. Move to a Fixed Fee Funding Model

Similar to standard industry practice, implement a fixed fee funding structure, billed monthly for pound services. This would be an all-inclusive fee, with no ability for additional costs to be invoiced separately. Based on review of the unaudited costs supplied by KHS, as well as 2017 intake numbers, the expected range is between \$21,000 - \$28,000. Benchmarking against the comparator municipalities, KPMG estimates a mid-range fee of \$24,000/month.

Observation:

The variable fee funding model, where monthly invoices are created based on actual intake, is inconsistent with industry practice of a fixed fee model, where there is an agreed upon annual fee. The variable fee model generates friction between the parties as it requires increased administration, reconciliation and reporting on a monthly basis. As a result, it draws attention away from the operational work.

2. Determine a standardized formula

A base template, outlining all the cost envelopes and intake thresholds should be developed, similar to the structure outlined in the City of Ottawa pound keeper contract. Once the template is agreed upon, it can be reviewed annually and would allow for an automated calculation once annual intake numbers, along with costs are populated.

Observation:

Costs should be aligned with the purpose and reflective of the true cost to run pound services. This includes staffing, vaccines and other intake treatments, administrative supplies and building expenses. Separating out variable and fixed costs, similar to the structure the City of Ottawa follows, would allow for adjustments based on intake numbers.



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