Report to the Board of Animal Services Commissioners
Edward A. Boks, General Manager

COMMISSION MEETING DATE: August 11, 2008
PREPARED BY: Anthony Sanchez

REPORT DATE: August 4, 2008
TITLE: Management Analyst II

SUBJECT: Three-Year Agreement for the Operation of the West Los Angeles Spay/Neuter Clinic; New Request for Proposals for the Operation of the Harbor, East Valley, North Central, West Valley, and Northeast Valley Spay/Neuter Clinics

BOARD ACTION RECOMMENDED:

That the Board:

1. Award a three-year Agreement, with one three-year renewal option, substantially in the form as on file, to Value Vet Inc., to operate the West Los Angeles Spay/Neuter Clinic;

2. Direct Staff to transmit the proposed Agreement concurrently to the Office of the Mayor, and the Office of the City Attorney for approval as to form, and subsequently to the City Council, and authorize the General Manager of the Department of Animal Services to execute the subject Agreement upon receipt of necessary approvals;

3. Direct staff to enter into a temporary Right of Entry to allow Value Vet to immediately begin providing much-needed sterilizations of adopted animals at the West Los Angeles Spay/Neuter Clinic;

4. Reject the proposal received from Clinico, Inc., to operate the East Valley Spay/Neuter Clinic;

5. Reject the proposal received from Clinico, Inc., to operate the North Central Spay/Neuter Clinic;

6. Reject the proposal received from Clinico, Inc., to operate the Harbor Spay/Neuter Clinic;
7. Direct Staff to release a Request for Proposals to operate the Department’s Spay/Neuter Clinics at the East Valley, West Valley, Northeast Valley, North Central, and Harbor Animal Care Centers, with modifications described in the body of this Report, and subject to review by the City Attorney as to form.

SUMMARY:

On October 9, 2007, the Board directed Staff to release a Request for Proposals (RFP) for the operation of the Spay/Neuter Clinics at the West Valley, Northeast Valley, East Valley, North Central, West Los Angeles, and Harbor Animal Care Centers. Upon the Board’s direction to release the RFP, the Department consulted with the Municipal Facilities Committee, since the proposed services would result in private contractors’ use of City facilities under lease-type conditions. On November 15, 2007, the MFC reviewed the draft RFP, and as a result, Staff began working with the General Services Department and the City Attorney’s Office to develop a license which would incorporate necessary lease-related terms into the RFP and resulting agreements. Development of the draft license was expedited during the ensuing months, and in March 2008, the Department and the City Attorney completed a license which would allow private contractors to occupy the clinics and provide needed services to the Department and the public, while protecting the City’s interests and property.

Staff released the RFP on March 10, 2008. Staff’s outreach consisted of an announcement letter sent to approximately 230 veterinarians in the Los Angeles area; an advertisement in the March 11, 2008 Los Angeles Daily Journal; and a posting on the Department’s website, the California Veterinary Medical Association’s website, and the City of Los Angeles Business Assistance Virtual Network (www.labavn.org). The following proposals were received on May 6, 2008:

- Clinico, Inc.: Proposals to operate the East Valley, Harbor, and North Central Spay/Neuter Clinics
- Value Vet, Inc.: A proposal to operate the West Los Angeles Spay/Neuter Clinic

Staff reviewed all required documents and secured the respective approvals from the City’s Office of Contract Compliance.

To evaluate the proposals, Staff formed an evaluation panel consisting of Department employees selected for their expertise in shelter operations, veterinary medicine, general contracting, and administrative operations, areas which are all key to understanding the relationship between a spay/neuter clinic operator and the care centers’ daily operational issues. Each panel member certified that they had no conflict of interest, and that they were able to evaluate the proposals fairly.

Panel members evaluated the proposals according to criteria listed in the RFP: the proposer’s experience and qualifications, their proposed services, their overall business plan, and their proposed compensation to the City. Number scores were not used in this evaluation because only one proposal was received for each location (excluding Northeast Valley and West Valley, for which there were no responses). To clarify the submitted proposals and help with their evaluation, the panel interviewed proposers on July 16, 2008, and subsequently offered their findings:
West Los Angeles: Value Vet, Inc.

Experience and Qualifications: Value Vet currently operates three veterinary clinics (first established in 2000) in Los Angeles; performs sterilizations under the Department’s spay/neuter programs (and the panel was aware that Value Vet is in good standing with the Department); maintain a central office and warehouse to manage and stock their clinics; and their veterinarians and other medical staff are in good standing. According to the panel, Value Vet is clear about the Department’s expectations (such as expectations of services, volume, and fees). Overall, their experience in operating their current three locations demonstrates a proven track record, and the panel stated that Value Vet exceeds the Department’s expectations of experience and qualifications.

Proposed Services: Value Vet made clear that they are able and willing to sterilize the volume of animals at West Los Angeles in need of sterilization; they also propose to offer the public a wide variety of veterinary services for adopted animals and the public's pets, reducing animal relinquishment; and their focus is to keep clients happy and are intent on working with the public.

Business Plan: Value Vet's target volume is an average of 20 sterilizations per day, and plan to open 6 days per week. West L.A. adopts an average of just over 80 intact animals per month (based on 2007 statistics, expected to increase substantially since the opening of the new expanded location). Therefore, Value Vet will be able to accommodate West L.A. Care Center’s current sterilization needs. They propose to sell a variety of products, such as leashes, collars, flea medications, etc., and provide services such as vaccinations—added-value services which the panel believe would benefit the public. Value Vet maintains a warehouse at their main offices in Simi Valley, and within their other locations, creating additional resources to support their operations in West L.A. They propose to use all new equipment and state that equipment can be obtained on short notice, “within days.” Value Vet proposes to hire a veterinarian for West L.A., and states that they can recruit a quality veterinarian within 60 to 90 days. Based on Value Vet’s proposal and interview, the panel believes that Value Vet’s business plan meets the Department’s needs.

Compensation to City: Value Vet proposes to offer the City no discount on surgeries, but offers a tiered percentage of gross revenues for other services, ranging from 2% in the first year, to 3% in the third year, up to 4.5% in the sixth year if a renewal option is exercised. The panel believes that, although Value Vet will not discount the Department’s payments for sterilizations, their other compensation, combined with unaccounted-for benefits such as saving staff time and resources (staff no longer will need to transport animals to off-site clinics for sterilization), and the benefit of providing a one-stop shop for adoption and veterinary services, provides the City with appropriate, feasible compensation.

Recommendation: The panel believes Value Vet’s experience, qualifications, business plan, and proposed services bring much-needed benefits to the Department and the public, and therefore recommend that Value Vet is awarded the agreement. The Department concurs and also recommends immediately entering into a temporary Right of Entry with Value Vet so that they are able to establish operations at West Los Angeles and begin sterilization of that community’s pets while a long term agreement can be established. The terms of the Right of Entry will be substantially the same as the proposed Agreement.
Harbor, East Valley, North Central: Clinico, Inc.

Experience and Qualifications: Although Clinico is a new venture (formed in 2007), their principals and staff each bring a wealth of experience and background in shelter and veterinary experience to Clinico. Their Executive Director—Mary Martin—brings over 20 years of animal shelter and veterinary operations experience. Other key staff members also bring similarly impressive backgrounds: a financial management expert, a veterinarian who has practiced medicine for 21 years (and has been involved in animal shelters for 15 years), and their partnership with FixNation (for North Central) all bring many more years of related experience to their proposed operation. The panel stated that Clinico exceeds the Department’s expectations in this category.

Proposed Services: Among several elements, proposed prices and number of sterilizations were of key importance in this category. The panel stated that Clinico’s proposed fees are appropriate. However, Clinico’s focus and proposed number of sterilizations do not meet the Department’s needs in this category. Clinico’s primary mission is to sterilize the public’s animals, aimed at reducing shelter intake in the long run, and sterilizing adopted shelter animals is secondary. Clinico’s largest source of funding, PetSmart Charities, does not consider animals adopted from our Care Centers as “public animals,” and Clinico is contractually bound to abide by this definition. The panel stated that since sterilizing adopted shelter animals is secondary, they do not meet our needs as expressed by the requirement of the RFP (as “public” animals would take precedence over shelter animals, and there would remain a need for off-site sterilization of at least some shelter animals, precisely the problem which the Department seeks to eliminate).

Business Plan: Clinico stated that they would work quickly to recruit staff, even attracting out-of-state veterinarians, while conceding that it may be a challenge to hire veterinarians for all three proposed locations if agreements are awarded concurrently. To meet their goal of sterilizing public animals, Clinico proposes to sterilize, on average, 35 public animals and 10 shelter animals each day at each location (unlimited male cats). They will operate 4 days per week to begin, increasing to 6 days per week within 4 months, if their budget allows. An analysis of the Department’s adoptions at the three proposed locations in 2007 compares Clinico’s proposed estimated limit of shelter animal sterilizations with the estimated number of sterilizations the Department needs:

<table>
<thead>
<tr>
<th>Location</th>
<th>Adoptions in 2007</th>
<th>% Intact</th>
<th>Intact animals in 2007</th>
<th>If 4 days per week, Clinico can sterilize:</th>
<th>If 6 days per week, Clinico can sterilize:</th>
</tr>
</thead>
<tbody>
<tr>
<td>EV</td>
<td>5,765</td>
<td>69%</td>
<td>3,978</td>
<td>2,080 per yr</td>
<td>3,120 per yr</td>
</tr>
<tr>
<td>NC</td>
<td>4,250</td>
<td>66%</td>
<td>2,805</td>
<td>2,080 per yr</td>
<td>3,120 per yr</td>
</tr>
<tr>
<td>Har</td>
<td>1,299</td>
<td>78%</td>
<td>1,013</td>
<td>2,080 per yr</td>
<td>3,120 per yr</td>
</tr>
</tbody>
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Therefore, based on the above estimates, Clinico may be able to accommodate Harbor’s sterilizations, but initially Clinico would not be able to accommodate all of North Central’s sterilizations. And even at 6 days per week, Clinico would not be able to accommodate all of East Valley’s sterilizations. When asked what the Department should do if a given shelter has more sterilizations than Clinico can accommodate, Clinico stated that they do not have a good answer for that. Also, Clinico stated that at North Central, they would require additional space to install a bank of cages to accommodate their animals, and stated that if this was not available at North Central, they would not operate that location. The Department is unable to accommodate
this request, as hallway space at North Central must be kept clear for both Department staff's and animals' safety, per code requirements.

Compensation to City: Clinico proposed a 10% discount off Board-approved spay/neuter fees, but proposed no percentage of revenue from their other services provided to the public. This would generate a small income to the Department in the form of discounts.

Recommendation: While Clinico’s extensive background and expertise would be a substantial asset to the Department, the panel found Clinico’s proposed operations did not meet the Department’s needs for a number of reasons. The panel was concerned that Clinico may be unable to start three new locations concurrently, due to their statement that it may be a challenge to staff all three locations on short order, and because the major source of their funding, a PetSmart grant, is to be distributed in phases, not all at once. For this reason, the panel could not recommend Clinico for all three proposed locations. Neither North Central nor East Valley appeared to the panel to be a good fit for Clinico, since at North Central, the facility does not meet their space needs, and Clinico’s proposed volume falls short of that location’s needs. At East Valley, Clinico would not be able to accommodate a substantial number of that shelter’s sterilizations, even if operating six days per week. Shelter staff would need to continue to transport animals to off-site veterinarians for sterilizations, since sterilization of adopted animals would be secondary to Clinico’s mission of focusing on sterilizing public animals.

However, the panel stated that currently, our clinics are empty, and thus even a small financial return and low numbers of sterilizations of shelter animals may be beneficial to the Department at this time. The panel agreed to recommend that Clinico operate one of the three clinics, and recommended Harbor as the location most likely to be the best match for Clinico, since Clinico may still be able to accommodate that shelter’s relatively low number of sterilizations. Therefore, the panel recommended that Clinico be awarded an agreement to operate Harbor, and recommended that Clinico’s proposals to operate East Valley and North Central be rejected.

On further analysis of the Department’s needs and based on additional follow-up communications with Clinico, it appears that Clinico’s proposed operations do not meet the Department’s needs at any location. Clinico’s commitment to sterilizing an average of 10 shelter animals per day may accommodate estimates based on Harbor’s adoptions in 2007, but with the new Harbor location’s greater capacity, sterilizations have increased beginning this year. When asked if Clinico could commit to sterilizing all of Harbor’s animals, should the average number exceed their proposed estimated volume, Clinico stated that they are unable to commit to this requirement, which was clearly stated in the RFP. Even with Clinico’s further clarification that they would make it a priority to sterilize shelter animals within 24 to 48 hours, this does not meet the Department’s volume needs. Technically, Clinico’s proposals may be considered non-responsive to the RFP.

Partitioning sterilizations between on-site and off-site veterinarians raises a number of budgetary, logistic, and customer service issues. Each day Department staff would need to determine—and track—which animals are sent to the on-site clinic and which are sent off-site, adding the need for additional staff time, while essentially deciding which adopters must be inconvenienced by picking up their new pets off-site. This would likely create confusion about where members of the public are to pick up their new pets after surgery. Also, whether staff need to transport one or two, or several animals each day, does not reduce costs of driving, fuel, staff time, and risk of vehicular accidents or injury; that is, the same resources are used to
transport animals to off-site clinics regardless of whether there are several or few animals. Regarding public opinion, the Department is concerned that Clinico may inadvertently incur a negative perception if they are using City facilities but are having to turn away City residents who adopt animals and seek to comply with City laws. Thus the benefits of having at least a few adopted animals sterilized by an on-site clinic do not outweigh the ensuing logistics and customer service problems, and therefore the Department recommends that Clinico’s proposals for all three locations—East Valley, North Central, and Harbor—be rejected, and a new RFP be released which may more clearly present the Department’s needs and attract new proposals which may more closely meet the Department’s needs.

Re-release of RFP, with modifications:
The Department’s goal is still to have all clinics fully operational, and therefore Staff recommends that a modified RFP be released for the remaining locations. In an informal survey, Staff found that at least one area veterinarian chose not to submit a proposal at the time the March 2008 RFP was released because he lacked the necessary resources to start a new clinic at that time. Another potential proposer indicated that she did not have the time to produce adequate evidence of financial backing before the deadline to submit proposals. Therefore, based on this feedback and the results of this evaluation, staff intends to re-release the RFP, with the following modifications:

- Increased time for submission of proposals, from eight weeks after release of the RFP to approximately twelve weeks, to allow proposers additional time to secure resources;
- Emphasis on making sterilizations of adopted and redeemed animals a priority, so that Care Centers’ needs are met;
- Term increased from three years to five years (with renewal options);
- Advertisement of the opportunity on www.avma.org, a site with nationwide readership of veterinary professionals, to attract more potential proposers;
- More detailed statistics to be included in the RFP on projected number of adoptions and sterilizations;
- Emphasis that no rent or utilities will be due, encouraging proposers to compensate the City in discounted fees for sterilizations, reduced or eliminated transport costs, and intangible compensation such as improved service to the public and one-stop shopping capabilities.

If approved, the revised RFP will be released immediately upon review by the City Attorney.

FISCAL IMPACT:

There is no impact to the General Fund. Funds to pay shelter animal sterilizations will be used from Fund 543, Spay and Neuter Trust Fund; Fund 842, Animal Sterilization Trust Fund; and Fund 841, Veterinary Medical Trust Fund, in accordance with trust fund limitations and as they would be paid to an outside veterinarian providing sterilization on adopted animals or animals qualifying for coupons. The amount of the discount off Board-approved fees will provide funding to accomplish more surgeries.
Approved:

Edward A. Boks, General Manager

BOARD ACTION:

_______  Passed  Disapproved  _________

_______  Passed with noted modifications  Continued  _________

_______  Tabled  New Date  _________