

# Saskatoon SPCA Pound Services – Request for Additional Funding

## ISSUE

The City of Saskatoon received a letter from the Saskatoon SPCA, dated October 18, 2021, formally requesting the City of Saskatoon re-evaluate the current funding level allocated to the Saskatoon SPCA for the provision of pound services.

## BACKGROUND

### History

The City of Saskatoon (City) and the Saskatoon SPCA (SPCA) have had a long-standing relationship to ensure pound services are available to the residents of Saskatoon. The SPCA is an organization able to provide pound services and is suited to provide important animal services such as pet adoption, animal shelter and education programs.

The SPCA provides a safe shelter and has been finding homes for companion animals in Saskatoon since 1968. The mission of the SPCA is to promote quality of life for companion animals through responsible stewardship, successful adoptions and education.

Over the years, the City has supported the SPCA in various ways. Of note, in 2005, when the SPCA was experiencing financial difficulties and needed help to address the situation, they approached the City about purchasing their land and building to provide some much-needed funding for operations and ensure the ongoing provision of pound services for Saskatoon. The City agreed to the purchase and in addition, invested \$100,000 into capital improvements to the facility. Since then, the City has maintained a lease agreement with the SPCA tied to the provision of pound services for the City and permits the SPCA to conduct its own programs out of the facility. The current five-year lease expires on December 31, 2023. The SPCA pays rent of \$1,000 for each year of the lease and is responsible for operations, custodial services, utilities and taxes.

### Current Status

The City is responsible for the control of animals in Saskatoon and has established an animal control program including [Bylaw No. 7860, Animal Control Bylaw, 1999](#) and [Bylaw No. 8176, Dangerous Animals Bylaw, 2003](#) (Animal Bylaws). Both the enforcement of the provisions of the Bylaws and the collection and keeping of stray animals (Pound Services) are integral components of the animal control program.

The City and the SPCA have a Pound Services Agreement under which the SPCA plays a role in the City's animal control program. This contract for services has been in place for many years, with the latest five-year agreement, negotiated in 2018, covering the years 2019 to 2023.

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The City Animal Control Bylaw requires the SPCA to care for animals delivered to the Pound for the first 96 hours (excluding the 1<sup>st</sup> day) for which the City compensates the SPCA as per the pound services contract. After the 96-hour period, the animal is turned over to Shelter Services and the animal is put up for adoption. The SPCA has always been fully responsible for the operation of the Shelter Services.

The SPCA was also appointed by the Province to provide animal protection and cruelty investigations, pursuant to *The Animal Protection Act, 1999*. Although not a civic responsibility, the City has been providing a grant to the SPCA to support the delivery of animal protection and cruelty investigations within Saskatoon. Earlier in 2021, the SPCA made a funding request to the Province to help cover the costs to deliver the animal protection and cruelty investigations provided by the SPCA. The SPCA was informed, in late 2021, their funding request to the Province had been denied. The SPCA provided notice to the Province and the City they would no longer perform animal protection and cruelty investigations as of April 1, 2022.

### City of Saskatoon's Current Approach

In 2018, Administration from Recreation and Community Development and the SPCA completed negotiations and a review of the Pound Services Agreement. An agreement was reached for the current contract term from January 1, 2019 to December 31, 2023. The table below provides a summary of the Pound Services and the Animal Protection Grant.

Year	2019	2020	2021	2022	2023
Pound Services (plus GST)	\$430,908	\$439,524	\$452,709	\$466,290	\$480,282
Animal Protection Grant	\$159,540	\$162,729	\$167,610	\$172,638	\$177,816

The agreement included an annual increase of 2% for 2019 and 2020 and 3% for each of the final three years of the contract, as negotiated with the SPCA, to maintain the current level of service delivery.

In addition to the Pound Services Agreement with the SPCA, the City has an agreement with Saskatoon Animal Control Agency (SACA) for the bylaw compliance/enforcement services of the Animal Bylaws. Under the provision of their current agreement, SACA provides all facilities, equipment and training required to provide bylaw compliance services relating to the Animal Bylaws. SACA has been operating since 2003, in providing these services for the City.

Administration has been working with the Province on a plan for the continued provision of animal protection and cruelty investigations in Saskatoon. In the recent Provincial budget announcement, the Province announced additional funding for Animal Protection Services of Saskatchewan (APSS) to expand its services to include Saskatoon and

Regina. APSS will perform animal protection and cruelty investigations and provide enforcement of *The Animal Protection Act, 1999* for all livestock in the province and for all companion animals in the cities.

### **Approaches in Other Jurisdictions**

The Regina Humane Society received approximately \$1.2M in 2021 from the City of Regina. The Regina Humane Society is responsible for Pound Services, bylaw enforcement, compliance, education, etc. The Regina Humane Society will also continue to handle animal cruelty investigations until APSS ramps up to take over full enforcement later in 2022.

The City of Saskatoon has a different operating/funding model for Animal Services. In 2021, the City paid:

- SACA \$570,400 to enforce the City's Bylaws;
- SPCA approximately \$452,700 for Pound Services; and
- SPCA a grant of \$167,600 for animal protection and cruelty investigations.

In total, the City provided \$1.19M to SACA and SPCA for pound services, bylaw enforcement, and animal protection and cruelty investigations in 2021.

### **OPTIONS**

Administration has completed a review of the current funding structure for Pound Services delivered by the SPCA and below are the options for consideration in determining the appropriate level of support for Pound Services.

#### **Option 1 – Status Quo City Funding Support to the SPCA**

Maintain the status quo level of providing the SPCA with the agreed to amount that was negotiated between the City and SPCA. The current agreement includes \$466,290 in 2022 for the provision of Pound Services. The 2023 amount includes a 3% increase for a total of \$480,282. This option is included in the approved 2022/2023 Operating Budget.

#### **Advantages:**

- There would be no increase in support from the tax base as the existing agreement between the SPCA and City was already included in the 2022/2023 Operating Budget.

#### **Disadvantages:**

- SPCA has stated that it does not have the financial resources to cover the full costs to deliver Pound Services for the City for the amount specified in the current agreement.
- SPCA could provide notice to discontinue providing Pound Services. The current contract allows for 180 days notice.

### **Option 2 – City Increase Funding to the SPCA**

Through the in-depth review, Administration has determined the total amount allocated in the 2022/2023 Operating Budget for Pound Services is not meeting the costs to deliver the program. It is estimated the cost to deliver the Pound Services program annually is estimated at \$665,000 plus emergency medical care costs projected at \$33,000 for a total of \$698,000. The size and rationale for the increase is set out below in the financial implications section.

#### **Advantages:**

- An increase in funding will allow the City and the SPCA to continue the long-standing relationship to ensure Pound Services are available to the residents of Saskatoon.
- The SPCA has the experience and expertise to provide adequate animal care to animals dropped off at the pound.

#### **Disadvantages:**

- There would be an increase in support from the tax base beginning in 2023, as well as potential inflationary or growth increases in the future. And because the 2022 mill rate is already established, a funding source(s) for the increased expenditure would need to be identified.

### **Option 3 – Status Quo Funding and if Required Request for Proposals**

This option would involve maintaining the status quo in funding provided to the SPCA and if the SPCA was to provide notice to discontinue Pound Services, the City would issue a Request for Proposals for a new Pound Services provider.

#### **Advantages:**

- There would be no immediate increase in support from the tax base as the existing agreement between the SPCA and City was already included in the 2022/2023 Operating Budget.

#### **Disadvantages:**

- The long-standing relationship between the SPCA and the City would come to an end.
- The SPCA would have to relocate its operations to another facility and could impact their service and program delivery to the community.
- Limited-service providers in the market that may be capable of bidding on and delivering Pound Services.

**RECOMMENDATIONS**

That the Standing Policy Committee on Planning Development and Community Services recommend to City Council:

1. That Option 2 be approved – Increase Funding to the SPCA to Continue to Provide Pound Services for the City for the remainder of 2022, and report back on a detailed plan and level of funding in advance of the 2023 Budget approval;
2. That the funding currently approved for animal cruelty investigations be redirected to support the cost of delivering Pound Services; and
3. That the City Solicitor be requested to prepare the appropriate amending agreement for the funding in 2022 and that His Worship the Mayor and the City Clerk be authorized to execute the agreement under the Corporate Seal.

**RATIONALE**

The City is responsible for the delivery of Pound Services. The SPCA is an organization able to provide Pound Services and is suited to provide important animal services such as pet adoption, animal shelter, and education programs.

Through the review of the Pound Services program, the SPCA shared with Administration that over the last five years, donations to the SPCA have been subsidizing the Pound Services program. In 2019, fundraising including donations, grants, lotteries and events and campaigns covered approximately 57% of the SPCA's total revenue. In 2020, their fundraising dropped to approximately 45% of their total revenue, thereby impacting their bottom line. Figures for 2021 are not yet available as the SPCA is in the process of completing their 2021 financial audit.

Since late 2021, the SPCA has reviewed their operations and discovered a number of key challenges in providing Pound Services:

1. Staffing Costs – the SPCA had not previously accounted for all the staffing costs associated to Pound Services. Staffing costs for their administration, animal care staff and the adoption counsellors were underestimated and not truly reflected in previous negotiations. Staffing costs represent the largest proportion of the difference in operating costs.
2. Animal Intakes – the animal intake ratio for the mandatory holding period has changed over the past 10 years. In 2011, approximately 69% of the animal intakes required the 4-day mandatory holding period before transferring to the shelter for adoption. In 2021, approximately 93% of the animal intakes were required to stay in the holding period resulting in additional costs associated to Pound Services.
3. Inflation and material costs – costs of key operating materials and supplies have increased and for many of these expenses, the SPCA cannot avoid or mitigate.

4. Growing regulatory oversight and restrictions – increasing regulatory oversight and changes to base-line standards of animal care have resulted in increased costs to the SPCA.
5. The SPCA relies heavily on fundraising and donations. In 2019, fundraising including donations, grants, lotteries and events and campaigns covered approximately 57% (\$1,334,000) of the SPCA's total revenue. In 2020, their fundraising decreased \$388,500 to \$945,500, or approximately 45% of their total revenue, thereby impacting their bottom line.

Discontinuing the partnership with the SPCA could create a gap in providing a Pound Services program for animals running-at-large, that require a safe place, until their owner can claim the animal or for the animal to be adopted out if the pet owner can not be located.

### **FINANCIAL IMPLICATIONS**

Since mid-December 2021, Administration has met regularly with the SPCA to review overall operations to see if there are opportunities to assist them in addressing operating expenditures in relation to their current funding shortfall.

First, Administration and SPCA reviewed the Pound Services program, including costs associated with staffing, animal care, facility, veterinary contract services, emergency medical care, etc. Using SPCA expenses from 2021, Administration created a proposed annual cost for the Pound Services program. Within the current agreement, the City provides the SPCA \$466,300 to operate the Pound Services program in 2022. Based on the analysis completed, it is estimated the cost to deliver the Pound Services program annually is \$665,000, plus emergency medical care costs projected at \$33,000 for a total of \$698,000 (see Appendix 1 for a Summary of Proposed Costs for Pound Services). This leaves a funding shortfall of \$231,700 in 2022.

With the SPCA discontinuing animal protection and cruelty investigations as of March 31, 2022, the SPCA will no longer receive the grant from the City to support this service. To help address the identified funding gap, Administration is suggesting to redirect the remaining grant funding from animal protection and cruelty investigations to help support the costs of the Pound Services program. There is 75% or approximately \$129,500 remaining in 2022 and the full budgeted amount of \$177,800 in 2023. Both of these amounts have been approved by City Council and are currently within the 2022/2023 Operating Budget.

The table below provides a summary of the funding shortfall to the SPCA to provide Pound Services for the remainder of the current agreement ending December 31, 2023.

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	2022	2023 (Estimated)
Proposed Pound Services Cost	\$ 698,000	\$ 718,900
Current Pound Service Contract	\$ 466,300	\$ 480,300
Funding Shortfall Subtotal	\$ 231,700	\$ 238,600
Animal Protection Grant Remaining	\$ 129,500	\$ 177,800
<b>Projected Funding Shortfall Total</b>	<b>\$ 102,200</b>	<b>\$ 60,800</b>

For illustration purposes, the average number of animal intakes over the history of the contract with SPCA is 4,131 intakes per year (see Appendix 1 for a yearly summary). This average includes all intake categories (i.e., foster, owner surrender, over the counter and for pound services, etc.). In working with the SPCA Administration, it has been determined that the average number of animal intakes since 2018 for Pound Services is 2,434 intakes per year. Using, the current pound services agreement amount of \$466,300, means approximately \$192 of costs associated per animal intake for the four days of pound services. The SPCA, had confirmed their costs have increased significantly as identified within Appendix 1. The new contract amount being requested of \$698,000 would provide approximately \$287 per animal intake to cover all costs associated with the maximum four days of required pound services.

Administration is projecting a funding gap, total of \$102,200 in 2022 and \$60,800 in 2023. This is the gap between the current funding approved with the existing contract for services and the current operating expenses identified by SPCA to deliver Pound Services. Administration has identified the following options to address the funding gap for 2022:

1. Option A is a reduction in the contribution to the Reserve for Capital Expenditures (RCE) in 2022. Contributions directly from RCE would not be eligible under the bylaw as this grant would not be capital in nature; however, contributing less to the reserve through the operating budget would be a way to free up operating funding for this additional grant. The impact of this decision is it would reduce the ability for RCE to contribute to capital priorities in the future. There is currently approximately \$1.0 million available in RCE.
2. Option B is a one-time funding from the Animal Services Reserve. The available reserve balance is \$107,000 after all 2022 commitments (small dog park development and Chief Whitecap Park naturalization) have been accounted for. This would be an exception to Policy and may impact the ability to provide capital improvements in the future.
3. Option C would be a combination of funding from a reduction in the transfer to RCE and the Animal Services Reserve.

Administration has consulted with the Chief Financial Officer and is recommending City Council approve Option A: a reduction to the contribution to the Reserve for Capital Expenditures (RCE) in 2022 of \$102,200.

If approved by City Council, Administration will continue working with the SPCA to determine the actual funding required to deliver Pound Services for 2023. Administration will be requesting that the SPCA provide more in-depth audited cost accounting directly associated to Pound Services for 2021 and 2022 to support the analysis. In addition, Administration will be reviewing funding options and service level changes that may be implemented which could reduce the costs associated with Pound Services. Administration will report back prior to budget approval in November of 2022 with a budget adjustment request and service level options to address the required funding for Pound Services in 2023.

### **ADDITIONAL IMPLICATIONS/CONSIDERATIONS**

The current Pound Services agreement has a default or termination clause indicating that either party can terminate the agreement notifying the other party with 180 days written notice.

At this time, the City has received verbal notification from the SPCA that if the City is not prepared to provide additional funding, the SPCA's Board will review and make a decision whether to continue providing Pound Services for the City.

Other factors for consideration include: within the current agreement, SPCA pays \$1,000 annually to lease the building and 10 acres of land for the purposes of providing Pound Services for the City and for all of the SPCA's non-profit activities, including care, control and adoption of stray or abandoned animals.

Earlier this year, the City completed a high-level market rent review of the building and land and determined that the annual market rent is estimated at \$68,500. In addition, the City is also responsible for major repairs to the building and contributes to the Comprehensive Building Capital Maintenance Reserve (\$35,500 in 2022).

### **APPENDICES**

1. Summary of Proposed Costs for Pound Services

### **REPORT APPROVAL**

Written by: Brad Babyak, Recreation Services Manager  
Reviewed by: Andrew Roberts, Director of Recreation and Community Development  
Approved by: Lynne Lacroix, General Manager, Community Services