



# Memorandum

**TO:** HONORABLE MAYOR  
AND CITY COUNCIL

**FROM:** Matt Loesch

**SUBJECT:** SEE BELOW

**DATE:** April 17, 2023

Approved

Date

4/26/23

**SUBJECT: AGREEMENT WITH THE CITY OF MILPITAS FOR ANIMAL CARE  
AND SERVICES**

## **RECOMMENDATION**

Adopt a resolution authorizing the City Manager to execute an agreement between the City of Milpitas and the City of San José for animal care and services for an initial term beginning July 1, 2023 through June 30, 2026, for an initial total compensation to the City of \$1,655,697, with a mutual option to extend the agreement for two additional three-year terms, potentially through June 30, 2032, for a total compensation of \$5,613,115.

## **SUMMARY AND OUTCOME**

If approved, San José Animal Care and Services (SJACS) would continue to provide animal services for the City of Milpitas for the period of July 1, 2023 through June 30, 2026. The parties would also have the option to extend the agreement for two additional three-year increments, potentially through June 30, 2032. The compensation to the City in the first year would be \$530,400.00. Thereafter, the annual contract amount would increase by four percent each fiscal year. Assuming all options were executed, the estimated total compensation will be in the amount of \$5,613,115.

## **BACKGROUND**

The City of San José has provided animal care and services to the City of Milpitas continuously since July 1, 2001. The provided services include the following: emergency and public safety response, stray animal pick-up, bite investigations, quarantine, animal crime investigations, animal nuisance complaints, animal licensing, dead animal pick up, stray animal pick up, animal shelter services, and after-hours emergency response.

The current contract with the City of Milpitas expires on June 30, 2023. Staff from the City of Milpitas indicated a desire to renew this contract and continue receiving services from the

SJACS Division. SJACS staff and City of Milpitas representatives began discussions to renew the contract in January 2021. During the discussions, the City of Milpitas decided to extend the contract for one year to allow new management at the City of Milpitas to evaluate other contract options. Contract extensions were implemented, and in 2022, the City of Milpitas requested to have SJACS start the process for a multi-year contract agreement that includes extension options. The Milpitas City Council considered this agreement at its April 4, 2023 City Council meeting. The City of Milpitas Council approved and authorized the Milpitas City Manager to execute the three-year agreement with the City of San José to provide animal control services.

### **ANALYSIS**

The City of Milpitas has approximately 79,000 residents. During fiscal year 2021-2022 the SJACS Division responded to 1,106 calls for service within the City of Milpitas, and additionally, impounded and cared for 1,036 animals from the City of Milpitas.

The current agreement with the City of Milpitas began with a three-year term from July 1, 2018 through June 30, 2021. An extension of one-year was executed, which concluded on June 30, 2022. A second extension for another one-year agreement was implemented and will conclude on June 30, 2023. The total compensation paid to the City for the one-year agreement will be \$510,000.00.

In developing a new agreement, staff first evaluated the services that SJACS has provided to the City of Milpitas. The goal of this analysis was to ensure that cost recovery was achieved before entering into a new contract agreement with the City of Milpitas. The analysis of the City of Milpitas contract identified that the contract amount needed to be adjusted, including overhead cost, in order to achieve cost recovery. After the analysis was completed, a discussion with Milpitas representatives and SJACS staff occurred. A tentative contract agreement, with options to extend the contract, was completed.

### **EVALUATION AND FOLLOW-UP**

If this agreement is approved, SJACS will continue to provide field and shelter services to the City of Milpitas from July 1, 2023 to June 30, 2026.

Prior to the expiration of the initial term of the contract that expires on June 30, 2026, City staff and City of Milpitas staff will discuss the option to extend the agreement in two additional three-year increments through June 30, 2032.

**COST SUMMARY/IMPLICATIONS**

The initial term of the proposed agreement is from July 1, 2023 through June 30, 2026 with compensation of \$530,400.00 in the first year. Thereafter, the annual contract amount will increase by four percent each following fiscal year. The initial terms including the four percent increase results in the following compensation for the City of San José:

**Initial Agreement Contract**

July 2023 through June 2024:	\$530,400.00
July 2024 through June 2025:	\$551,616.00
<u>July 2025 through June 2026:</u>	<u>\$573,681.00</u>
Total Amount of Compensation:	\$1,655,697.00

**Agreement Contract Extension**

July 2026 through June 2027:	\$596,628.00
July 2027 through June 2028:	\$620,493.00
July 2028 through June 2029:	\$645,313.00
July 2029 through June 2030:	\$671,125.00
July 2030 through June 2031:	\$697,970.00
<u>July 2031 through June 2032:</u>	<u>\$725,889.00</u>
Total Amount of Compensation:	\$3,957,418.00

Total agreement compensation with contract extensions is \$5,613,115.00

Revenues from this contract agreement will continue to offset all direct costs, indirect cost, and personnel costs associated with providing animal care, calls for services response, and shelter services to the City of Milpitas.

**BUDGET REFERENCE**

The table below identifies the fund and appropriation for the contract recommended to be amended as part of this memorandum.

Fund #	Appn #	Appn. Name	Total Appn	Amt. for Contract	2022-2023 Adopted Operating Budget Page	Last Budget Action (Date, Ord. No.)
001	R090	Revenue from Local Agencies	\$23,321,027	\$510,000	282	N/A

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### **COORDINATION**

This memorandum has been coordinated with the City Attorney's Office and the City Manager's Budget Office.

### **PUBLIC OUTREACH**

This memorandum will be posted on the City's Council Agenda website for the May 9, 2023 City Council meeting.

### **COMMISSION RECOMMENDATION AND INPUT**

No commission recommendation or input is associated with this action.

### **CEQA**

Not a Project, File No. PP17-003. Agreements/Contracts (New or Amended) resulting in no physical changes to the environment.

### **PUBLIC SUBSIDY REPORTING**

This item does not include a public subsidy as defined in section 53083 or 53083.1 of the California Government Code or the City's Open Government Resolution.

/s/

MATT LOESCH

Acting Director, Department of Public  
Works

For questions, please contact Jay Terrado, Deputy Director, Public Works at (408) 794-7223.