



Municipality of Port Hope

Staff Report

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Report Title: Dissolution of Joint Animal Control Municipal Service Board / Transfer of Property and Animal Services to the Northumberland Humane Society

Report to: Council

Date of meeting: April 26, 2022

Report Author:

Brian Gilmer – Director, Corporate Services / Clerk

Department responsible:

Corporate Services

Report Number: CS-07-22

Recommendation:

Refer to By-laws.

Highlights:

- Proposal brought forward on behalf of the Joint Animal Control Municipal Service Board to cease operations and transfer responsibilities of animal care and control to the Northumberland Humane Society
- Disposition of current Municipal Animal Services property and assets to the Northumberland Humane Society with a portion of the initial investment to be returned to the Municipality of Port Hope
- Animal enforcement and shelter costs to be reduced annually by over 50%

Background:

The delivery of animal control services in the Municipality of Port Hope has evolved over time in order to support the growing needs of residents and ensure compliance with applicable legislation changes. Since amalgamation, area municipalities within Northumberland County including the Municipality of Port Hope, Town of Cobourg, Township of Hamilton, and Township of Alnwick/Haldimand, have generally worked together to deliver animal control collectively through various arrangements.

In 2012, local municipal Councils received a presentation regarding the review of the joint animal control program in terms of efficiencies, the sustainability of the program and a proposal to consider a different Municipal Service Board governance model. Based on the feedback from the municipal Councils on the Municipal Service Board governance model, an Agreement to establish oversight and responsibility for the delivery of animal control services and operation of the 'Shelter of Hope' (now called Municipal Animal Services) as a joint board to be known as the Joint Animal Control

Municipal Service Board (the “Board”). The partner municipalities passed by-laws authorizing execution of the Agreement in 2013. Council representative members were appointed to fill the new positions on the Board.

The Board has been responsible for the provision of animal control services including the Municipal Animal Services (previously ‘Shelter of Hope’) since the Agreement was executed. The Agreement (Port Hope By-law 22/2013) set out terms and conditions for personnel, administration, finances, and requests for service from other municipalities, an exit clause with conditions and governance standards. The Treasurer for the Township of Hamilton, through the existing Agreement was appointed as the Treasurer for the Board, the Municipal Clerk from each municipality shares recording secretary responsibilities on a rotating basis and the Municipal Staff Advisory Committee is available to provide expertise and advice to the Board as required.

In February 2020, the Town of Cobourg exercised their option to withdraw from the Board and provided the required notice that they intended to terminate their interest in the joint animal control program, and that they were planning to obtain their animal service, via another provider being the Northumberland Humane Society (“NHS”).

Given that the Town of Cobourg was the largest municipality within the Board, and therefore the largest financial contributor to operations, the Board has been required to consider other options for the sustainable delivery of services for the remaining member municipalities.

Discussion:

The Joint Animal Control Municipal Service Board has reviewed available options and the overall provision of services in the surrounding area. After reviewing similar arrangements elsewhere and looking at all options available, the Board has pursued the development of a service agreement with the Northumberland Humane Society to provide both animal care services as well as enforcement services. NHS has been receptive and encouraging of the concept of assuming animal service delivery.

Confidential discussions between the Board and the NHS were formalized in late 2021 and the proposed terms of the agreements are being brought forward on behalf of the Board for the consideration and approval of Council, and the Northumberland Humane Society.

There are two agreements being proposed to be executed by By-law by each of the remaining three municipalities under the previous agreement. The first agreement relates to the dissolution of the current Board and the sale of the board assets being the land, building, current reserves, and material property located at 2363 Theatre Road South in the Township of Hamilton to the Northumberland Humane Society. The second agreement is a new animal control service agreement with the Northumberland Humane Society.

1. Agreement of Purchase and Sale / Dissolution of Board

The Agreement, being proposed as part of By-law 26/2022, will cover three components:

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- A. The sale of the land
 - B. The sale of the building and assets
 - C. The dissolution of the Board and discontinuation of Municipal Animal Services operations

A. Sale of Land

The Municipal Animal Services facility is presently located in the Township of Hamilton, and the Township over the term of the establishing Agreement has been the sole owner of the land. Hamilton Township has secured an appraisal of the property and is undertaking the necessary steps to surplus the property in order to complete the proposed transaction of the property. The appraised value of the property is detailed later in this report under the Financial Considerations heading. The purchase and sale agreement will sell the property to the Northumberland Humane Society.

The agreement will also include a repurchase clause that states that in the event that at any time within the next ten (10) years, in the event NHS proposes to sell, dispose of or otherwise transfer the Property, including the buildings, it shall first offer the Property and the buildings back to the member municipalities at and for an appraised market value at the time – to reflect improvements and investments in the property.

Hamilton Township will receive the full value of the land as the sole owner. Hamilton Township has further agreed to support an application by NHS for a reduction of the real property taxes on the Property and buildings to a maximum of forty (40%) percent, as permitted.

B. Sale of Building / Assets

The building has obviously changed over the many years since its original construction. There have been capital improvements and renovations, as well as ongoing maintenance issues - i.e., furnace, roof repairs, signage, among other matters – which were coordinated between the Municipal Animal Service staff and the Township of Hamilton staff. There were no additional charges by the Township for the repair work that was required. The building is owned as a partnership amongst the remaining joint member municipalities who are part of the agreement, namely the Township of Hamilton, Municipality of Port Hope, and Township of Alnwick/Haldimand. Revenue from the sale will be divided as outlined later in this report.

The establishing Agreement provided an option to withdraw and terminate which states that if any owner leaves the Board, they forfeit their interest in the ownership of the structure. As a result, with Town of Cobourg, having duly provided notice of their intention to leave the agreement and exercising that right no longer share an interest in the building.

Remaining assets, such as equipment, will be transferred to the Northumberland Humane Society.

C. Dissolution of the Board and discontinuation of Municipal Animal Services operations

Under the Agreement being proposed the Board will cease operations and the NHS will assume responsibility based on the proposed Animal Services Agreement. Care of animals is being arranged in order to ensure a smooth transition to a new agreement with the Northumberland Humane Society.

The Board is providing severance and concluding employment with employees. The NHS will be able to seek or offer employment with all, some, or none of the employees. Due to the sensitive nature of identifiable employees the confidentiality of the agreements in place is paramount and not to be disclosed..

The agreement to be executed to finalize the purchase and sale and complete the above described steps has been negotiated by the Board with the Northumberland Humane Society on the principles of being fair, clear and understandable, and to ensure the best possible care for animals going forward. The proposed by-law would authorize staff to finalize all necessary agreements to complete the transaction and close out any outstanding issues through the dissolution of the Board and discontinuation of operations.

2. Animal Services Agreement with Northumberland Humane Society

The second Agreement, being proposed as part of By-law 27/2022, authorizes the execution of a new animal control services agreement between the Municipality of Port Hope and the NHS.

The proposed Agreement is for the term of 5 years and is based on a model of animal control, enforcement and care currently being delivered by Humane Society agencies to various municipalities elsewhere. The NHS will begin operating out of the facility located at 2363 Theatre Road South and this Agreement establishes how services will be provided. The future use of the current NHS building located on Ward Street in Port Hope will be determined by the Northumberland Humane Society.

The Agreement provides for the animal shelter at 2363 Theatre Road South to be maintained and open to the public much the same as currently operates. The NHS will be responsible for all facets of the operation and maintenance of the shelter including collecting any impound fees set out in the Animal Control By-law.

Animal control services will be performed by NHS within the Municipality of Port Hope and the Agreement proposed covers a wide range of services to be provided. The Agreement also acknowledges that that the Humane Society is opposed to euthanizing animals and will instead provide veterinary care to the extent possible to save an animal's life.

Financial Considerations:

Building / Property

The property has been appraised at a value of \$284,000 which will be received by the Township of Hamilton. The building, appraised separately, will be sold for \$296,000. The Municipality of Port Hope will be entitled to receive 48% of this amount based on

population percentages of the three municipalities who currently own the building collectively. As such, for the building, the Municipality of Port Hope will receive an estimated \$142,080 subject to closing fees and associated legal costs and taxes.

Board Reserves

By the end of 2021, the Boards reserve funds had a balance of \$737,600. During 2022 budget deliberation, the Board approved \$55,500 in operating and capital expenditures to be funded from the reserve funds. Excluding the closing expense, staff is projecting reserve funds balance of \$682,100 for 2022. Of the \$682,100 projected reserve funds balance (before closing cost), approximately \$530,500 is related to unused donations.

It is being proposed that the final calculated reserve funds balance be shared among the three municipalities and Northumberland Humane Society – one half between the three municipalities and other half with the NHS.

In this scenario, based on population percentages the Municipality of Port Hope will again be entitled to receive 48% of the remaining half of the current reserve after the other half is transferred to the NHS. The estimated amount to be received by the Municipality of Port Hope is \$127,320 (before closing cost).

It is very important to note that the final balance of the reserve funds will be impacted by closing cost and therefore is being reviewed at the present. The disposal of additional assets potentially including the machinery, equipment, and vehicles currently owned by the Board will be transferred to NHS for the reasonable estimated value for the municipalities (shared based on their prorated ownership) and the three municipalities would take no further interest in these assets. The net book value for machinery, equipment and vehicles by the end of 2021 was \$29,700.

Animal Services Agreement

The ongoing cost to be paid to the Northumberland Humane Society with respect to providing animal service for the upcoming period is set out in the agreement proposed in By-law 27/2022.

The new agreements with NHS have been developed with the Township of Hamilton Township, Township of Alnwick / Haldimand and the Municipality of Port Hope Municipalities would be paying different amounts depending upon the size of their municipality.

The Municipality of Port Hope will pay a total annual cost of \$41,000 to the NHS for the provision of animal services including animal control and the operation of the shelter. In recent years, the budget for the provision of animal enforcement and shelter services provided by the Board has cost the Municipality over \$90,000 annually. This dramatic reduction in anticipated costs provides for additional sustainability into the future.

This amount is subject to an annual inflation adjustment. After this period, the Agreement would provide for a further five-year period extension – again, in line with inflation and with any adjustments to service levels identified during the term of the contract. The future rates, negotiated at that time, and the financial position - costs and expenses - would form and inform the negotiations.

Miscellaneous

There are additional costs expected to prepare the actual by-law, severance, and closing of the Board. The financial impacts to the municipalities involved are outlined throughout this report. They relate to the disposal of the land, building, and equipment related to the operations, and addressing financial impacts of employees who will no longer be employed by the Board.

Staff is also addressing the current year expenditures for operation and capital plans as well as how the reserve funds will be shared. In addition to this, the financial audit of the books is being completed so the up to date finances can be addressed as part of this plan. Staff will report back to Council at an appropriate time regarding the total funds received in relation to this transaction.

Communication and Public Engagement:

The confidential nature of the discussions involving the sale of property and the employment situation of current Board staff have required the Board to carry out negotiations without public engagement and public communications. The proposed By-laws are being brought forward on behalf of the recommendation of the Board and coordinated by member municipalities in an effort to move forward with the transition in expeditiously to ensure no gap in animal care.

The Northumberland Humane Society is a community minded organization governed by a volunteer board and has a strong reputation as an animal welfare group. Future communications in partnership with the NHS will be coordinated with the municipalities identified in the current agreement and supported by the Municipality of Port Hope as required.

Conclusion:

The proposed By-laws to move forward with this transition to animal services being delivered by the Northumberland represent an efficient and sustainable to service delivery for the Municipality of Port Hope and are recommended by the Board and staff.

Given the nature of the transition there will be further effort required to solidify agreements and close the transaction of property. The transition to service delivery provided by NHS is a positive development that would not have been possible without the efforts of the Board in negotiating a fair deal for all parties involved.

Further, staff of the Township of Hamilton deserve a tremendous amount of praise in their handling of the various elements of the agreements being proposed. Township of Hamilton staff have led the way in advancing these efforts to the consideration of the three municipalities involved.

Attachments:

None. Draft By-laws included on April 26, 2022 agenda.