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NEW JERSEY STATE DEPARTMENT OF HEALTH  
DIVISION OF COMMUNITY HEALTH SERVICES  
CONSUMER HEALTH SERVICES  
BIOLOGICAL SERVICES PROGRAM

REPORT TO THE LEGISLATURE  
PILOT SPAY/NEUTER CLINIC  
P.L. 1983, CHAPTER 180

## PILOT CLINIC REPORT TO THE LEGISLATURE

### PURPOSE

The purpose of this document is to report on the Pilot Low-Cost Spaying and Neutering Clinic for dogs and cats. The report examines the first two years of the Health Service Grant, April 1984 to April 1986, the first year of which the clinic was not yet in operation. It reports the preparatory activities required to initiate a new concept and the available revenues generated from the 20 cent surcharge for FY 84, 85, and 86 needed to fund the Health Service Grant.

The term "low-cost" was not defined by the legislation. Therefore, the report differentiates the operating costs, subsidized and unsubsidized, by grant funds from client cost for services. From this information, inferences can be drawn as to the practicality and feasibility of establishing additional clinics elsewhere in the state.

To the department's knowledge, this particular clinic model does not exist anywhere in the country. The Los Angeles clinic is similar but differs in that the clinic is a county operation limited solely to the county residents, whereby dog licensing fees and surgery fees can be raised readily as costs of operations dictate. Hence, a comparable evaluation cannot be made appropriately. For example, the revenue generating mechanisms to support the pilot clinic operations, i.e. income from client fees which are fixed by law and grant funds, are entirely dependent upon clinic utilization patterns and dog licensing activities. Significant variations in either factor can enhance or severely limit clinic performance. The department recommends that no additional clinics be opened and the Health Service Grant award to the present organization be continued if specific changes are made which increase fiscal and managerial control. Specifically, it is recommended that People for Animals, Inc. hire a full-time director and bookkeeper for fiscal and daily management of the clinic.

### HISTORICAL BACKGROUND

In May 1983, Assembly Bill S-1101 was enacted into law and became P.L. 1983, Chapter 180. It charged the department to establish a low-cost pet spay/neuter clinic which was to be made available to pets of residents regardless of income and to determine the practicality and feasibility of establishing additional clinics.

At the same time, companion legislation A-1472 was enacted and became P.L. 1983, Chapter 181. This law provided for the funding of the pilot clinic. It required municipalities to collect a 20 cents surcharge on each dog license issued and forwarded to the department to be placed in a dedicated Pilot Clinic Trust.

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In June 1983, all municipalities were notified of the mandates to collect the additional 20 cents surcharge. The new forms, required to submit these revenues, were provided to each municipality. Since the dog licensing annual renewal date is during the month of January for the majority of municipalities, the municipalities had to rewrite their local dog licensing ordinances to conform with state law. No significant revenue was generated during the period May 1983 to December 1983. This delayed the initiation of the Health Service Grant process until April 1984 when sufficient funds were available to award a \$100,000 contract. Projections of revenues generated on an annual basis indicated that only \$90,000 to \$100,000 would be available annually to fund this pilot clinic. Therefore, inherent in charge of determining the practicality and feasibility of establishing additional clinics is the principle that the pilot clinic become self-sustaining.

The concepts of availability, accessibility, and suitability to target population were incorporated as part of the funding criteria to ensure the likelihood of success of the pilot clinic. Accordingly, department staff designed criteria for the Request for Proposal (RFP) to include: (1) the clinic be located in an area of high dog and cat owning populations; (2) major highway arteries accessible to the clinic location; and (3) the immediate target area would serve a large proportion of middle income individuals.

Department staff developed a data sheet which delineated according to 1980 census data by counties, population base, median income population base, and dog licenses issued. The data sheets were included in Health Service Application forms for use by agencies requesting to apply. The reason for establishing the middle income target area criterion was based on the passage of another law, P.L. 1983, Chapter 172, which provided low-income residents eligible for specific public assistance programs to have their pets altered by any participating veterinarian for a \$10 co-payment fee which precluded establishing the clinic in a low-income area. The assumption being that low income individuals would be eligible for the above mentioned Low-Cost Spay/Neuter Program which uses participating private veterinarians and that high income individuals would most likely use their private veterinarians for this service. Thus, the clinic was targeted to be most likely utilized by the middle income group as defined by the 1980 census.

In August 1983, Notices of Availability of Grant Funds (Request for Proposal) were sent to all nonprofit shelter facilities, humane societies, and municipal governments throughout the State of New Jersey. Thirty-five agencies responded indicating they were interested in submitting a proposal; of this number, four agencies actually submitted proposals. They were People for for Animals (Union County; the City of Trenton (Mercer County); Jersey Shore Animal Center (Ocean County); and Animal Welfare Association (Camden County).

The \$100,000 Health Services Grant was awarded to People for Animals, Inc. The location chosen for the clinic is within a 15 mile radius of eight counties with access readily available from a number of major highways (i.e. Garden State Parkway, Route 22, Route 78, Route 1, Route 9, etc.). The eight counties within the 15 mile radius represented approximately 188,254 dog and cat owning households with incomes between \$15,000-\$22,500 (based upon the 1980 census). The service area of the clinic includes approximately 58 percent of the middle income dog and cat owning households in New Jersey. Thus, the clinic is located in a service area having a high relative need for low-cost spaying and neutering services. The People for Animals, Inc. received the \$100,000 grant for the period of May 1984 through April 1985.

People for Animals, Inc. attempted to find suitable rental facilities in which the clinic could be housed. Unable to accomplish this, the agency purchased a property in Hillside subject to obtaining a zoning variance, which was approved in August 1984. In November 1984, the agency received a building permit and construction contract bids were solicited. By December 1984, exterior renovation work was completed and interior renovation, the hiring of staff, and ordering of equipment and supplies was begun. The clinic opened April 17, 1985 and began accepting pets for surgeries.

The law required the Department of Health to provide a report to the legislature one year after its enactment. However, since People for Animals was not in operation and consequently had not actually conducted surgeries, the determination as to whether it was practical or feasible to establish more clinics could not be made at that time.

The People for Animals, Inc. Health Services Grant received several modifications to extend the contract to permit the full utilization of the \$100,000 and the additional revenues generated through operations. This permitted the grantee to use the revenues derived from surgeries to continue operations until June 30, 1986.

#### FISCAL MANAGEMENT

Although the organization has been ambitious and dedicated in its efforts, volunteer management has inherent weaknesses. Without benefit of qualified consistent and continuous program and fiscal management, the program and stability of the clinic is compromised.

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To date, project and fiscal management have been provided by volunteers having a genuine interest in the program, but who lack the management skill and/or experience to tend to all areas of responsibility without frequent guidance from the state. A major drawback of volunteers providing critical services is that the services are provided as the primary job commitment permits. Subsequently, responsible parties were inaccessible for contact as need arose. The frequent turnover of volunteers presented additional problems in terms of efficiency and smooth transition. Overall supervision of the few paid project staff and activities were subject to the interpretation of the individual board members.

#### AUDIT

There had been limited funds budgeted for accounting and auditing services. Therefore, additional support was provided by the New Jersey Department of Health. The latest department audit reviewed contract expenditures and program income for May 1, 1984 through January 31, 1986. Grant records agreed with reports with the exception of \$405 billed for reimbursement during the first three months of the grant for which there was no documentation.

An unresolved issue which remains is the source of payment of the mortgage on the clinic. The mortgage is to be paid through private funds via fund raising efforts. As funds for this payment continued on contract cash status reports, it appeared that grant funds were being used to float this payment. The unavailability of this set of accounting records prevented our auditor from being able to assess the organization's financial position to meet the mortgage obligation. Accordingly, in our letter dated April 29, 1986, the organization was directed to engage an independent CPA audit of their books and financial status. This audit was to determine People for Animals' financial position and assess related controls and compliance. The department provided additional funds to cover the cost of the independent audit which the department requested.

S. Mass and Company, CPAs, was engaged to perform the audit. Subsequent contact with Robert Carollo of the firm, in June 1986, determined that the audit could proceed no further than the department's audit. The reason given was that the organization's accounting records had not been posted since December 31, 1984. Until these records were brought up-to-date and provided for review, a date could not be targeted to conclude the audit and prepare a full report.

### FINANCIAL PERFORMANCE

The Health Service Grant was awarded to People for Animals effective May 1, 1984 to April 30, 1985. The agency attempted to find suitable rental facilities in which the clinic could be housed. Unable to do this, the organization purchased a property in Hillside, Union County, for which a zoning variance was approved in August 1984. In November of the same year, a building permit was obtained and construction contract bids were solicited. By December 1984, exterior and interior renovation work was completed, supplies and equipment were ordered, and the recruitment of veterinary and technician staff had just begun. By April 17, 1985, the clinic opened and began accepting clients.

As the project experienced start-up delays, full operation did not begin until May 1, 1985. At this point in time, the agency had used only \$49,717 of the \$100,000 grant award to be used during the period of May 1, 1984 to April 30, 1985. The department, in consideration of the preparatory activities, extended the Health Services Grant to April 30, 1986.

For the purposes of assessing the financial performance of the pilot clinic, the following Table I illustrates the projected cost of operating for the period May 1, 1984 to April 30, 1985, which can be seen under the heading Budget. At that time, the total cost of operating the pilot clinic was expected to be \$218,718, of which \$118,718 was to be generated from the collection of client fees. The original estimate of 5,000 surgeries would cost an average of \$31 per surgery which would be offset by the collection of a \$23.75 average client fee.

The projected average collection corresponded reasonably to the legislated fee scale set for dogs (based upon sex and weight) at between \$20 and \$35; for cats (based upon sex and weight) at between \$15 and \$25. Comparing the projected program income with actual program income derived from client fees, the collection rate was almost 100 percent. It should be noted that 67 percent of the total surgeries performed were for cats.

Overall, the actual expenditures were under budget which can be attributed to savings in salaries, supplies, advertising, equipment, and renovations. These savings are offset to some degree by higher levels of expenditures in fringe benefits, consultant services, and cost of the independent audit which appear reasonable. The \$10,000 savings in salaries relates to not filling the Project Director's position. The low salary of \$10,000 for this position may account for it not being filled.

TABLE I

<u>Budget Categories</u>	<u>Budget</u>	<u>Period 5/1/84 4/30/85</u>	<u>Period 5/1/85 4/30/86</u>	<u>Cumulative 5/1/84-4/30/86</u>
Salaries	67,095	752,	57,047	57,799
Fringe	7,855		17,295	17,295
Consultant Services	2,000		4,400	4,400
Travel	2,000			
Supplies				
Housekeeping	2,000	124	1,402	1,526
Educational	4,945	137	20	157
Medical	26,510	2,476	8,828	11,304
Office	5,945	210	710	920
Equipment & Renovation	76,378	42,638	19,588	62,226
Other Direct Costs				
Utilities & Phone	7,600	1,640	6,332	7,972
Insurance	6,000	1,075	6,182	7,257
Garbage & Laundry	390	390		390
Advertising	10,000	275	4,214	4,489
*Mortgage			12,000	12,000
<b>Total Direct Costs</b>	<b>218,718</b>	<b>49,717</b>	<b>138,018</b>	<b>187,735</b>
Program Income	118,718	8,142	103,710	111,852
State Funds	100,000	41,575	34,308	75,883
Surgeries	5,000		2,768	2,768
Estimated Deprec. 5 yrs.	15,000		13,000	13,000
Cost per Surgery (total costs - Equip. & Renov. + Depreciation) <u>Surgeries</u>	31	N/A	47	50

\*Included as cost  
of service

The balance of program income is comprised of private donations solicited in connection with the delivery of services and other related fund raising efforts.

### COST ANALYSIS

The intent of the legislation is to provide a pilot clinic to test the feasibility of providing low-cost spaying and neutering services to residents of New Jersey. The actual and projected cost of services is assessed in comparison with the private sector with corresponding fee requirements.

Costs of service are indicated on page 6. The actual cost of services by the clinic to date is \$50 per surgery without consideration for administrative cost to the state. This is in comparison to the like service provided to low-income residents of \$43 per surgery through private veterinarians.

The state administrative cost is valued at about \$50,000 a year for one full-time Public Health Consultant plus corresponding fringe benefits, overhead, and travel. The state's cost to the Health Service Grant was not appropriated as ongoing administration of this project. These costs were absorbed by the Biological Services Program for FY 85 and 86. Commencing with FY 87, the administrative cost of \$50,000 will be charged to the Pilot Clinic Trust Fund. The addition of the cost to the state for administration of the Health Services Grant for one year increases the average cost to provide each surgery to \$68.

### PROJECTED COST OF SERVICE

In order to assess the ongoing feasibility of the project, the Animal Population Control Program has developed an operating budget for the pilot clinic as the basis for continued funding from July 1, 1986 to June 30, 1987. This budget provides the staff for more responsible fiscal management and efficient daily operation of the clinic, which also releases volunteer members and board to utilize more time for money raising and educational activities. This budget assumes salaried positions for a full-time Project Director and a bookkeeper, along with other required staff and expenses at realistic rates. Included too is a provision for depreciation based on five years of useful life of equipment. See the copy attached of the Pilot Spaying and Neutering Clinic, Proposed Budget 1986-87.

The program projects that at full staff, the capacity of the clinic is conservatively estimated at 300 surgeries per month. A projected annual budget of \$246,000 is based on contract funds and program income. At a projected 3,600 total surgeries, the cost per surgery is estimated at \$68 per animal. With the addition of \$50,000 in state administrative costs, the total cost per surgery increases to \$82 per animal. Excluding program income, the cost to the state is derived from the \$100,000 grant funds plus state administrative costs of \$50,000, divided by the 3,600 total surgeries, is \$42 per surgery. Tables II and III reflect a monthly breakdown by category and cumulative amounts for the number of surgeries conducted during the 12 month period of May 1985 - April 1986. Of the total number of surgeries, 72 percent were cats and 28 percent were dogs. By increasing each of the fees \$20, the average fee for cats would be \$40 and the average for dogs would be \$48. Based on a projection of 3,600 total surgeries, 72 percent or 2,592 would be cats and 28 percent or 1,008 would be dogs. Income from cat surgeries would be \$103,680 and from dog surgeries \$48,384 for a total program income of \$152,064. The program income of \$152,064 plus the \$100,000 Health Service Grant would make available \$252,064 to operate the clinic. This compares favorably with the budgeted request of \$246,000.

#### FEE FOR SERVICE

Based upon the existing fee scale set by legislation, more than half of program income required to cover costs had to be generated from sources other than client fees.

This situation will continue to exist if the present fee scale is to remain in effect. If operations were to continue under the existing fee scale, only \$74,155 in client fees can be projected. This would leave an unfunded deficit of \$71,845 of the required revenue needed for the \$246,000 budget.

Feasibility of continued operations would require coverage of the total unsubsidized balance of \$146,000. At 3,600 surgeries per year, an average fee of \$41 per surgery would be required.

At this rate, it would seem necessary to reevaluate the current fee scale set by legislation and to propose that the fee setting authority vest in the New Jersey Department of Health commensurate with the like service provided by private practice. The amount needed for the clinic to be self-sufficient is an additional criteria to consider in the establishment of further clinics in the state.

This average clinic fee of \$41 per surgery with the state subsidy would compare favorably to the average fee of \$70 reported by private practice for the same geographical area. The private practice figure does not include the cost of immunizations, which are provided as part of the pilot clinic service. If the only source of funds were client fees (without any state subsidy), a client fee of at least \$68 per surgery would be required for the pilot clinic (as per proposed structure and budget) to become self-sustaining.

## DISCUSSION

The People for Animals, Inc. Spay/Neuter Pilot Clinic in Hillside, New Jersey has been kept very clean and in continuous operation despite difficulties, including lack of funds from time to time. The surgeries have been performed well based upon the lack of complaints and the voluntary monetary contributions of the pet owners who have used the clinic.

However, the financial reporting and the general management of the clinic must be improved for the efficient and business-like functioning of the clinic. For example, from January 1, 1985 through December 1986, People for Animals Clinic has had five different treasurers (four were volunteers) responsible for the required Monthly Expenditure Reports. Ten out of the 17 Expenditure Reports were two or three months late and six of the 17 reports had to be returned for arithmetic corrections. Difficulty was also encountered in contacting the treasurer for financial records needed for state audits and the CPA annual audit report.

The required Monthly Progress Reports have been carefully prepared and submitted on time.

The clinic is currently run by a Board with the President usually taking action as determined by the Board. Management problems result from having the veterinarian in charge responsible to each Board Member. The clinic has had six veterinarians (including one representing a locum tenens veterinary service) from April 13, 1985 through December 1986.

The clinic has been having difficulty in obtaining and keeping veterinarians and technicians with its present mode of management.

Thus, while the Board and Membership of People for Animals, Inc. consists of hard working people dedicated and committed to the spay/neuter project and general welfare of animals it has not proven feasible to have their volunteers keep financial records and be responsible for financial reports and the everyday operations of the clinic.

Another problem, mentioned previously, is that the fee schedule as set by legislation (based upon 1981 fee rates) is not adequate to meet the income from clients required to operate the clinic today. Also, as stated, administrative cost was not specifically appropriated in the enabling legislation, but is required for ongoing administration of the Health Service Contract.

RECOMMENDATIONS

Based upon the above, the department recommends:

1. no additional clinics to be established;
2. the department continue funding People for Animals Low-Cost Spay/Neuter Clinic;
3. People for Animals, Inc. hire a full-time director and bookkeeper for fiscal and daily management of the clinic;
4. client fees be increased by \$20 per individual category to reflect cost for immunization and surgery. The revised fee schedule based on a realistic projection of 3,600 surgeries per year should realize \$146,000 in client fees. This addition to the \$100,000 award should meet the proposed 1986-87 budget of \$246,000;
5. the law be amended to vest fee setting authority with the Department of Health. The fee schedule should have the flexibility to meet the changing economic situation and in consideration of the variation in dog licensing surcharge revenues reflected as follows:

PILOT CLINIC FUND REVENUE FROM DOG LICENSING SURCHARGES

FY 84 - \$ 101,068.50

FY 85 - 93,790.40

FY 86 - 90,137.94

6. The pilot clinic continues to be evaluated to determine if it is practical or feasible to continue clinic operations.

PILOT SPAYING AND NEUTERING CLINIC

PROPOSED BUDGET 1986 - 1987

PERSONNEL COSTS

Director	25,000
Bookkeeper	15,000
Receptionist	12,000
Veterinarian	30,000
Veterinarian	30,000
Veterinary Technician	14,000
Kennel Person	<u>8,000</u>
Sub-Total	134,000
Fringe Benefits @25%	<u>33,500</u>
Total	167,500

CONSULTANT SERVICES COSTS

Accountant (CPA)	5,000
Attorney	<u>500</u>
Total	5,500

TRAVEL COST 1,000

SUPPLIES 15,000

EQUIPMENT 15,000

OTHER

Utilities	8,000
Telephone	4,000
Insurance	8,000
Advertising	9,000
Garbage Disposal	1,000
Rent	<u>12,000</u>
Total	42,000

Total Budget 246,000

PABLE II

**PILOT SPAYING AND NEUTERING CLINIC  
SURGERY INCOME MAY 1985 - APRIL 1986**

	<u>MAY ('85)</u>	<u>JUNE</u>	<u>JULY</u>	<u>AUG</u>	<u>SEPT</u>	<u>OCT</u>	<u>NOV</u>	<u>DEC</u>	<u>JAN ('86)</u>	<u>FEB</u>	<u>MAR</u>	<u>APR</u>	<u>CUMULATIVE</u>
<b><u>FEMALE DOGS</u></b>													
Not more than 40 lbs.	\$ 800	600	675	925	575	575	575	425	675	500	575	650	7,550
41-60 lbs.	390	240	330	450	930	630	330	330	600	420	180	300	5,130
Over 60 lbs.	35	210	35	105	140	70	315	245	210	280	35	70	1,750
<b><u>MALE DOGS:</u></b>													
Not more than 40 lbs.	200	320	180	200	360	220	140	120	260	180	100	360	2,640
41-65 lbs.	150	150	100	325	175	125	125	150	100	225	225	400	2,250
Over 65 lbs.	90	60	120	90	180	90	60	60	120	90	150	60	1,170
<b>TOTAL INCOME</b>	<b>\$20,490</b>												
<b>AVERAGE INCOME PER DOG</b>	<b>\$ 26</b>												
Number of Female Cats:	1,080	1,340	980	1,680	1,620	2,720	1,700	2,000	2,680	1,980	2,020	1,840	21,640
Number of Female Cats													
Pregnant or in Heat	500	225	625	300	375	75	0	0	150	200	475	500	3,425
Number of Male Cats:	750	795	510	510	690	930	1,455	795	1,305	1,185	1,290	1,260	11,475
<b>TOTAL INCOME CATS</b>	<b>\$36,540</b>												
<b>AVERAGE INCOME PER CAT</b>	<b>\$ 18</b>												
<b>TOTAL INCOME</b>	<b>\$57,030</b>												
<b>AVERAGE INCOME PER PET</b>	<b>\$ 21</b>												

PILOT SPAYING AND NEUTERING CLINIC

SURGERIES PERFORMED MAY 1985 - APRIL 1986

	MAY ('85)	JUNE	JULY	AUG	SEPT	OCT	NOV	DEC	JAN ('86)	FEB	MAR	APR	CUMULATIVE
<b>MALE DOGS</b>													
Not more than 40 lbs.	32	24	27	37	23	23	23	17	27	20	23	26	302
41-60 lbs.	13	8	11	15	31	21	11	11	20	14	6	10	171
Over 60 lbs.	1	6	1	3	4	2	9	7	6	8	1	2	50
<b>MALE DOGS:</b>													
Not more than 40 lbs.	10	16	9	10	18	11	7	6	13	9	5	18	132
41-65 lbs.	6	6	4	13	7	5	5	6	4	9	9	16	90
Over 65 lbs.	3	2	4	3	6	3	2	2	4	3	5	2	39
<b>TOTAL NUMBER OF DOGS:</b>	65	62	56	81	89	65	57	49	74	63	49	74	784
Number of Female Cats:	54	67	49	84	81	136	85	100	134	99	101	92	1,082
Number of Female Cats													
Pregnant or in Heat	20	9	25	12	15	3	0	0	6	8	19	20	137
Number of Male Cats:	50	53	34	34	46	62	97	53	87	79	86	84	765
<b>TOTAL NUMBER OF CATS:</b>	124	129	108	130	142	201	182	153	227	186	206	196	1,984
Total Number of Surgeries	189	191	164	211	231	266	239	202	301	249	255	270	2,768