



Cost of Services Study

City of Shakopee, Minnesota

July 19, 2006

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LETTER OF TRANSMITTAL

July 19, 2006

Honorable Mayor Schmidt and Members of the City Council
Mr. Mark McNeill, City Administrator
Mr. Gregg Voxland, Finance Director

Re: Cost of Services Study

Dear Mayor Schmidt, Members of the City Council, Mr. McNeill and Mr. Voxland:

Enclosed for your review is the final report of the Cost of Services Study for the City of Shakopee. As you are aware, the study examined fees charged in 2005 related to construction and development activities, and developed benchmark costs for these fees based on 2005 revenue and expense activity and existing service levels. This study did not include the measurement of efficiencies or adequacy of existing service levels for the fees analyzed.

This Study examines approximately one hundred forty four (144) fee types and charges in the City of Shakopee related to construction and development activities. As a result of our analysis of the costs related to select City services and assuming no changes in service levels, we found that ninety-three (93) fees could be increased or implemented, fifty (50) fees could be decreased or eliminated and that one (1) fee could remain unchanged. These findings, however, are based on the service levels, costs, and the volume of permit activity for 2005. Any future fee adjustments must take into account the extent to which these factors have changed or will change in the future. Relying on information received during the course of the study, we estimate that fee adjustments based on the optional fees in this report could have reduced total revenues in 2005 by approximately \$469,755.52. We have also analyzed transfer charges to various other funds which could generate approximately \$787,729.61 in additional annual revenues. If all the optional fees were implemented they could generate an additional \$317,974.09 per year when utilizing the 2005 activity.

We believe our study and related computerized Cost of Services Model will assist you in your decision making process and to better understand the total costs and structure associated with the fees Shakopee charges. Thank you for the opportunity to have been of service to the City in this endeavor. We value our relationship with Shakopee and look forward to serving you in the future.

Respectfully submitted,

Jessie L. Hart, Vice President
Client Representative
Springsted Incorporated

