

3 Methodology

Study Approach

The specific methodology which was employed in the Study is outlined below.

Collection and Review of Records and Documents

The gathering of a number of City records and documents was necessary for the completion of this Study. The initial part of the Study required the review of the actual revenues and expenditures for 2005. Also collected and reviewed were all City ordinances and resolutions which related to General Fund fees and charges. The organizational chart of the City, along with detailed listings of all City employees and their actual salaries for 2005, were obtained and reviewed. The collection of this information allowed Springsted to create baseline information which is critical to the detailed analysis required in the Study.

Determination of Administrative Overhead and Interfund Transfers

Underlying any fee study is the necessity to identify all costs which are incurred when providing a service. Without this information, an accurate determination of the appropriate level to set fees at becomes difficult, if not impossible.

The obvious component of any service cost is the direct labor and supplies committed to any activity. Not as obvious are the indirect costs incurred by support activities that must be undertaken in order for the direct labor personnel to successfully complete their mission. An analogy for this is the military axiom that requires six to eight “behind the lines” personnel (transportation, office staff, etc.) to support each combat participant. Just as combat soldiers require support, it is important to realize that police officers, firefighters, street maintenance personnel, and parks employees are supported behind the scenes by administrative personnel who pay bills, issue payroll checks, coordinate purchasing functions, and help to define policy goals and direction. When determining the total cost of providing various services to the community, these administrative overhead costs must be included.

In order to determine such administrative overhead, extensive personnel interviews were conducted with City Staff. These interviews were used to determine the amount of personnel time devoted to specific City programs and to determine the cost of that time as it relates to those functions. Interviews were conducted with various staff members and took several days.

Follow-up interviews and clarification discussions were conducted as necessary over the course of the study. Interviews were conducted with the following City personnel and department representatives:

- City Administrator
- Finance Director
- City Clerk
- Planning, Zoning and Development
- Inspections
- Engineering and Public Works
- Public Safety (Fire and Police)
- Leisure Activities (Recreation and Parks)
- Selected Staff:
 - Administrative Assistants
 - Secretaries
 - Billing and Payroll Clerks

During the interview process, it was determined that numerous departments perform special tasks for certain “self-supporting” funds. Those funds were the Economic Development Authority, Recreation, Sanitary Sewer, Storm Drainage, Telecommunications, and Transit Funds. The information was gathered in order to determine the appropriate transfer of direct charges which should occur from these funds to the General Fund. These transfers and charges are typically necessary in order to recognize the true costs of services provided to these “self-supporting” funds and to reduce or eliminate taxpayer subsidies to these funds.

Direct Cost of Service Per Unit

A schedule of “benchmark” direct costs for services per unit was developed. Direct costs were determined by multiplying the estimated amount of time each employee devoted to each service, on average, by the salary or wages of each employee who spends time providing the service. The time assigned to each service was arrived at by interviewing the department heads and appropriate individual employees and analysis of time keeping records. Each department head was asked to define the specific components of each service and then allocate the time each component took among the various department employees.

When each department had been interviewed and the estimated time for each service allocated to the total cost of wages, then salaries and administrative overhead were applied to each department budget according to the allocations of time devoted to the service. A schedule was then created that combined the costs of services and a “benchmark” cost per service was arrived at. Based on a study of the available data, the following direct cost of service formula was developed:

$$(Labor\ Costs + Other\ Costs + Indirect\ Costs) / Service\ Volume = Cost\ Per\ Unit$$

Comparison of Existing Fees to Actual Per Unit Costs

After the costs of service per unit were determined, they were combined with the existing fee schedule for the City of Shakopee. The total costs of service per unit were compared to the actual fee charged for the service performed. Where a comparison shows that the real costs were not being recovered, it may warrant consideration by the City to adjust fees or possibly service levels. This information attempts to prevent unintended services from being subsidized by the general taxpayer or by other service areas.

Optional Fees

As a part of this Study it is customary to provide some guidance on optional fee structures. Keeping in mind that while some fees are established by statute, the final decision as to how to structure fees lies with the governing body and is a policy decision. Other considerations should be given to the fact that each City provides its services differently and the related costs will also differ.

The optional fees provided in this report are based on “cost recovery” for services provided at the costs incurred and activity levels in 2005 as well as the service level provided in 2005. The optional fees also take into consideration that the “benchmark” cost is a standard and there may be deviations above and below that standard. For purposes of this study, a deviation of 15% was used when calculating optional fees based on the 2005 actual revenues, expenses, frequencies and service levels. Any adjustments to fees should be supported by updates to the Cost of Service Model with the most recent actual or budgetary information.

Identify Potential Service Charges

During the personal interviews with department heads and other City staff, discussion about new fees for services occurred. If new charges seemed appropriate for unpaid service delivery, they will be included in the Study’s final recommendations.