

MINUTES

1. CONVENE CITY COUNCIL WORK SESSION MEETING

Mayor Labadie called the meeting to order at 5:30 P.M.

A. Roll Call

Present. Mayor Labadie; Councilmembers Maddy, Sanschagrín, Gorham, and DiGruttolo; City Attorney Shepherd; City Administrator Nevinski; Parks and Recreation Manager Czech; City Clerk/HR Director Thone; Planning Director Griffiths; Director of Public Works Morreim; and City Engineer Budde

Absent: None

B. Review Agenda

Sanschagrín moved, Maddy seconded, approving the agenda as presented. Motion passed 5/0.

2. BUDGET WORK SESSION #3 – PERSONNEL, FEES, AND FRANCHISE FEES

Finance Director Schmuck briefly reviewed the schedule, preliminary valuation increases from the County, personnel expenses supported by the tax levy, the portion of personnel expenses covered by user fees within the Enterprise Funds, cost of living adjustments, mandated premium being required by the State to cover paid Family and Medical Leave Act, expected increases for age-based health insurance premiums, and what portions of personnel costs that City has little to no control over. She reviewed the fee schedule and reminded the Council that they were not intended to be a significant revenue source, should sufficiently reimburse the City for expenses related to these items, and should be set based on the City's particular situation, not solely on what other cities have found to be reasonable, and outlined the proposed changes to the fee schedule. She explained that the Master Fee Schedule would be discussed at the August Planning Commission meeting and then be presented to the Council with the goal of adoption by September 8, 2025. She noted that, historically, the fee schedule had been adopted in December, and moving it to September allows for additional time for communication before it goes into effect in January of 2026. She reviewed the department meetings she and City Administrator Nevinski had held with Department Heads to analyze and adjust budgets, and explained how they were able to reduce the budgeted levy to ten point five one percent, and with the recent update from the SLMPD, it was able to be brought down to nine point seven two percent increase. She explained that the most significant items in the budget are for Public Safety and noted that just those two areas have a four point eighty-eight percent levy increase, which is over half what the City was proposing for an increase. She outlined the ongoing efforts for public engagement, public feedback opportunities, and the open office hours, but noted that none of the open hours had been taken by residents. She encouraged the Council to take a look at the Communications Report that had been included in the meeting packet materials.

CITY OF SHOREWOOD WORK SESSION COUNCIL MEETING MINUTES

JULY 28, 2025

Page 2 of 7

Councilmember Sanschagrín asked about the sewer connection fee information.

Finance Director Schmuck stated that it could be found in the Fee Schedule information.

Councilmember Sanschagrín asked if the twelve-hundred-dollar fee covered the City's costs.

Finance Director Schmuck explained that neither the water nor sewer connection fees cover the City's costs.

Councilmember Sanschagrín suggested that they include this as a discussion item for possible correction.

Councilmember DiGruttolo asked if there was a way to demonstrate this information so it was easier to digest. She suggested that there be a matrix that lists all the fees and who would be subject to the fees, so people can see the total increase of fees year over year, to see if the City has been consistent. She stated that one of the things discussed at the Council retreat was consistency over time, and she has not seen that yet.

Finance Director Schmuck explained that when they implemented the long-term Financial Management Plan, they had all ten years of future fees laid out and discussed them at the last budget Work Session meeting. She explained that she did not want to regurgitate the same information that was discussed last time, and tonight's narrative was intended to be a summary or snapshot of the long-term plan the Council had approved.

Councilmember DiGruttolo explained that it was hard to see whether these proposed increases were going to be a huge burden for the residents or not.

Finance Director Schmuck stated that the next budget Work Session discussion would be the General Fund, and after that, the Enterprise Funds and the SCEC. She noted that when they discuss the Enterprise Funds, they will have calculations for the impact on residents. She stated that tonight's discussion was the fee schedule, which was based on the long-term Financial Management Plan recommendations, and reminded the Council that it included a rate study done for the City.

Councilmember DiGruttolo referenced some of the personnel increases and asked if the City had a way to analyze how much they were spending and whether it went directly to this person, for example, how much they were paying City Engineer Budde. She noted that one of the things they have discussed is analyzing whether it may make more sense for the City to have its own engineer, but they cannot do this analysis without having this kind of information.

Finance Director Schmuck explained that one hundred forty-five thousand dollars goes into the General Fund budget for engineering fees, which are under contractual services, not personnel. She stated that any of the engineers' extra costs associated with projects would be charged against the escrows that the City has pulled, and would be charged directly to those projects, and would not be included in the City's budget.

Councilmember DiGruttolo stated that the amount the City was paying for budget and personnel would likely substantially increase if the City hired its own engineer. She asked if they would be able to subtract it from the costs of the contract.

CITY OF SHOREWOOD WORK SESSION COUNCIL MEETING MINUTES

JULY 28, 2025

Page 3 of 7

Finance Director Schmuck stated that she was not certain it would be a direct one-for-one, nor did they have a job description, so she could not answer that question.

City Administrator Nevinski stated that he understood the Council wanted to have that discussion, and staff had planned for a follow-up discussion on it, but they had not crunched the numbers at this point. He stated that his estimate for hiring the position, including benefits and overhead costs, would be more than what was budgeted under contractual services by forty to fifty thousand dollars.

Councilmember DiGruttolo stated that the fees that the City collects cannot be more than what it costs, and asked how the City knows how much it costs, if the City does not know how many hours it takes for the city engineer to complete a task.

Finance Director Schmuck explained that when City Engineer Budde does his billing for various applications, he breaks out what is charged for that permit or application, and reiterated that it would be charged to that permit holder, which means it is a one-for-one. She stated that the permit fee was above and beyond what had to be submitted for the escrow and explained that they are required by the State to record revenues and expenditures to ensure that the building and construction permits are not generating revenues for a municipality.

Planning Director Griffiths explained the typical escrow amounts required and noted that they encompass engineering and legal services that may be necessary, and those hours are billed directly to that contract. He stated that there are times when the unused funds are refunded, and sometimes they have to require additional escrow funds to cover related costs. He clarified that the escrow amounts do not show up anywhere in the budget because it is a one-for-one pass-through expense.

Councilmember DiGruttolo asked about the increase in the insurance premium and if it only reflected the State-mandated piece or if it was also an increase from the insurance company.

Finance Director Schmuck explained that the State-mandated portion was point eight eight percent for paid Family Leave, and the estimated eighteen to twenty percent came from outsourcing to Gallagher. She stated that the eighteen to twenty percent was what they were projecting the City's insurance increase would be for 2026.

Councilmember DiGruttolo asked if the eighteen to twenty percent increase was happening throughout the State.

City Clerk/HR Director Thone stated that this projected increase was pretty much across the board throughout the State.

Councilmember Sanschagrin stated that there has been feedback from the public regarding the fees increasing, especially for people with fixed incomes, such as the senior population, and asked if there were any programs that may be able to offer some relief to those people.

Finance Director Schmuck noted that since around 1992, the City has had a low income rate for water and sewer charges, with a reduced base rate. She explained that the City uses Hennepin County's analysis for low-income, so the resident has to supply their financial information to the City on an annual basis.

Mayor Labadie asked how many families fall into the low-income category within Shorewood.

Finance Director Schmuck stated there were currently three households utilizing the low-income rates.

Councilmember Maddy asked how much staff time was used to administer this program and explained that he had always advocated for the thought that cities should not have to know what people make, because it wasn't their business.

Finance Director Schmuck stated that there was significant staff time this year because it had not been done for a while.

Councilmember Sanschagrín asked if there were any other items, like the local sewer availability charge, that had larger numbers where the costs were not being covered by the charge.

Finance Director Schmuck stated that there are some fees in the fee schedule that have not increased since the 1980s, which means that the City was not capitalizing on those increases, but noted that the City also did not want to nickel and dime the residents either.

Councilmember Sanschagrín recommended that staff identify the top five to ten 'heavy-hitter' type items that the City could increase in order to cover their costs and use that as a lever to lower the levy.

Finance Director Schmuck stated that the fees would be variable based on the frequency of their utilization and expressed concern about reducing the levy too much, so they come up short at the end of the year.

Mayor Labadie explained that the Council was open to public input on the information that Finance Director Schmuck had just presented and asked if anyone wanted to address the Council regarding the budget materials.

There were no public comments.

3. NEW CONSTRUCTION WATER CONNECTION PROGRAM

Planning Director Griffiths reminded the Council that at their June 9, 2025, meeting, they had directed staff to pursue requiring connection to the municipal water system when a new home is built or completely reconstructed, when there is access to City water. He explained that staff worked with City Attorney Shepherd to draft a Code amendment to reflect this desire by the Council, which they would like feedback on.

Councilmember Maddy asked how they would define 'immediately available service'. He gave the example of a neighbor who went through a lot split after the watermain was laid, which meant there was not a stub for the new property, so the City would not allow them to connect. He asked if there was a pipe, but no stub, running adjacent to a property line, and if this ordinance would force them to install a new stub.

Planning Director Griffiths explained that they define immediately available water service in the draft language and noted that the intent was that they were referring to the watermain itself, and if it was touching the property or within the right-of-way in front of the property. He stated that in

a situation where there was no service, the property owner would be required to connect and install the new service as part of their new home project.

Councilmember Maddy asked what the financial implications would be for a situation in which someone had to put a new hole in an active watermain.

City Engineer Budde stated that he would estimate it to be around fifteen thousand dollars in that situation.

Councilmember Maddy stated that they would also have to pay to get it into their house.

City Engineer Budde stated that in this situation, the City would give them credit for the ten-thousand-dollar connection.

Councilmember DiGruttolo stated that the proposed language was well-written and contained no ambiguity.

Planning Director Griffiths stated that this would likely come back to the September 8, 2025, City Council meeting for the public hearing.

4. WATER CONNECTION AND ASSESSMENT PROGRAM

City Engineer Budde explained that at the June 9, 2025, City Council meeting, the Council had discussed the option of creating a water service connection program where the City would streamline the process for connection and also look at assessing the full costs. He briefly reviewed the proposed process and steps of a City-led organized connection program.

Councilmember Sanschagrín asked whether the interest rate was defined at five percent.

City Engineer Budde explained that it would vary year by year and noted that it would usually be two percent above the bonding costs.

Councilmember Sanschagrín asked if staff had identified where the City could have the biggest impact.

City Engineer Budde stated that he had a few ideas but was looking for feedback from Council and outlined a few of the different strategies that the City could use.

Councilmember DiGruttolo asked if City Engineer Budde was estimating that the cost to the residents would be two thousand dollars to get pricing on what it would cost them to hook up to City water.

City Engineer Budde stated that it was their estimate.

Councilmember Gorham stated that it made sense to canvas the entire City and not just isolate it to one portion of the City. He stated that it would also help build momentum about the program and get the word out to residents. He noted that the two thousand dollars felt like an opportunity cost while they were building the program because they should not go down too many roads that led to a dead-end.

CITY OF SHOREWOOD WORK SESSION COUNCIL MEETING MINUTES

JULY 28, 2025

Page 6 of 7

Mayor Labadie stated that she agreed with Councilmember Gorham. She asked if they would be able to come up with a price range to share with people about their potential costs, if their well goes out, or if there were too many variables to consider.

City Engineer Budde noted that there was a lot of variability within each situation, and giving a ballpark figure would require them to make a lot of assumptions.

Mayor Labadie stated that the City should try to get the message out to the entire City and not go neighborhood by neighborhood.

Councilmember Sanschagrin asked about doing an assessment of where wells were producing poor-quality water.

City Engineer Budde explained that they had tried to look at where this information may be available and noted that most of that information came from the City's rental program. He noted that the best information they have is included in the June 9, 2025, packet materials.

Mayor Labadie referenced the three discussion-requested points within the staff report and stated that she wanted to make sure there was time for the Council to give input on those items. She noted that she and Councilmember Gorham had expressed an opinion on item one that they would like this to be available City-wide. She asked if the Council had any input on the second item.

Councilmember DiGruttolo noted that they were only talking about around five hundred homes. She stated that some of the research items included in the proposed two-thousand-dollar cost could be replicated and documented, such as the location of curb stops in the field and verifying service. She explained that if they could reduce this cost below two thousand dollars, she would have a greater comfort level with it because that was fairly high for a non-refundable cost.

Councilmember Gorham stated that he had been very vocal in past discussions about breaking down barriers, and this program could be something that makes this easier for people, but he also did not want to provide free engineering services to everyone.

City Engineer Budde stated that they would work on refining these costs and would bring that information back to the Council.

Councilmember Maddy explained that he would be comfortable with some subsidy because the City would benefit from encouraging people to investigate this possibility, even if they do not hook up, because the next homeowner may choose to hook up, and the City would already have knowledge of the home, such as where the stubs were located.

Councilmember DiGruttolo stated that she agreed that there should be a down payment, and the City could subsidize some of the costs. She noted that the City wanted to incentivize people to do this and stated that a two-thousand-dollar non-refundable cost may be enough where people will just say 'no', and also believed that there was some sort of middle ground.

Mayor Labadie asked the Council if there were specific things they would like to see addressed in the communication to the public on this topic.

CITY OF SHOREWOOD WORK SESSION COUNCIL MEETING MINUTES

JULY 28, 2025

Page 7 of 7

Councilmember DiGruttolo stated that she would like to send out mailers and send them more than once, and not just rely on people getting information from the internet.

Mayor Labadie stated that she would agree and noted that people have a tendency to get their information from one source, but noted that a Facebook user may not be a website peruser, so the more places the City could communicate the same message, the better.

Councilmember Gorham suggested that if the plan was to have residents fill out some information and send it in to the City, they have the option of a QR code.

Mayor Labadie noted that if they had the option of residents using a QR code, they could have flyers available at upcoming City events.

Councilmember Sanschagrín suggested that in their communications, the City emphasize the processes that have been put into place to ensure the safety and quality of City water.

5. MUNICIPAL WATER POLICY UPDATE

Planning Director Griffiths explained that this item was intended to be an informational item for the Council to see the status of the options that the Council had asked staff to pursue, and briefly reviewed the data included within the table.

Councilmember Sanschagrín asked if staff had received any public feedback on these potential policies.

Planning Director Griffiths stated that he had not received any feedback.

Councilmember Sanschagrín noted that the Council had received an email related to the proposed infrastructure fee and questioned its fairness.

Finance Director Schmuck noted that the infrastructure fee had been included in the fee schedule with an implementation date of 2027. She stated that it was put in as a placeholder, so there would be time for further discussion on that item.

6. ADJOURN

Maddy moved, Sanschagrín seconded, Adjourning the City Council Work Session Meeting of July 14, 2025, at 6:48 P.M. Motion passed 5/0.

ATTEST:



Sandie Thone, City Clerk


Jennifer Labadie, Mayor