

**MINUTES**

**1. CONVENE CITY COUNCIL WORK SESSION MEETING**

Mayor Labadie called the meeting to order at 6:00 P.M.

**A. Roll Call**

Present: Mayor Labadie; Councilmembers Labadie, Maddy, Sanschagrín, Gorham, and DiGruttolo; City Attorney Shepherd; City Administrator Nevinski; Director of Public Works Morreim; and, City Engineer Budde

Absent: None

**B. Review Agenda**

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

**2. BUDGET WORK SESSION #4 – GENERAL FUND, LEVIES, AND TAX IMPACT**

Finance Director Schmuck outlined the schedule of discussions related to the 2026 budget; reviewed the City's General Fund revenues/expenditures; changes for 2026 related to fire/police, personnel, Lake Minnetonka Conservation District, agenda software, elections, minutes, emergency alert, accounts receivable module, and property insurance. She noted that the estimated property tax levy in June was around twelve percent, in July had been reduced to around ten percent, and at the end of July was reduced to nine point seven two percent. She outlined a snapshot of the items that will have a significant impact on the levy and the public engagement opportunities available to residents.

Councilmember Sanschagrín asked about licenses and permits and noted that the City had received more year-to-date in 2025 than the entire 2024 budget amount. He stated that he understood the City was being conservative because it was difficult to say how much they would be getting from fees.

Finance Director Schmuck explained that the City was expecting there to be a significant decline in building permits and charges for services.

Councilmember Maddy noted that the City also cannot charge more than it costs to process a permit.

Councilmember Sanschagrín referenced charges for services and stated that he had a similar comment on this item, and asked if the City was being conservative with their projections.

Finance Director Schmuck stated that there was too much uncertainty related to the SCEC and reminded the Council that the City could not increase the levy after September 8, 2025.

Councilmember Sanschagrín stated that he would like to discuss the Park Improvement Capital Fund increase from one hundred thirty-five thousand dollars to three hundred five thousand dollars.

Finance Director Schmuck referenced the second page of the staff report and explained that they had discussed shifting money from the Street Fund to the Park in the Long Term Financial Plan, so it would have zero net effect. She noted that future financing will need to either be an increased levy or bonding, but cautioned that it was very difficult to bond for park and recreation activities.

Councilmember DiGruttolo referenced the pie chart from the presentation related to expenditures by program and asked the Council if they were happy with where things stood, and explained that she was not happy. She stated that she did not think the numbers presented accurately reflected the intention of the residents. She stated that she would like the Council to have conversations on whether they should spend almost half of the budget on Public Safety and eight percent on parks and recreation. She explained that in her time on the Council, she had not seen them say 'no' to a budget request or budget increase. She stated that when she worked in the government, they were given a budget and told to stick to it, and had to make it work. She asked if the Council was comfortable with where the budget numbers are and where they felt they should be.

Councilmember Sanschagrín stated that this was where he believed that the Police and Fire Chiefs could use more support from the City related to financial management. He noted that he would be interested to see how these numbers compare to other cities and thought that the Public Safety number seemed high to him and appeared to be trending higher.

Councilmember Maddy cautioned that they cannot compare apples to apples with other cities who has emergency services wholly within their own organizations for things like human resources and building management tasks. He explained that for Shorewood, police and fire are winging it by themselves and are taking on those costs, so it would not be a straight apples-to-apples comparison unless the other 'apples' were also part of a JPA.

Councilmember DiGruttolo noted that she appreciated Councilmember Maddy's perspective, but asked how high he was willing to go and gave the example of them coming to the City next year with a thirty percent increase and whether the City would then spend seventy percent of their budget on Public Safety because that is what they asked for. She referenced the information shared by the Police Chief during a recent presentation that an annual increase of around fifteen percent was standard across the United States, and asked if the Council was comfortable with that, and how they wanted to spend their money. She explained that the Council has not had a discussion about this yet and asked if they would always say 'yes' to whatever budget request Public Safety brings to the Council, or if they would consider setting a cap on the budget and asking them to work within those parameters.

Mayor Labadie noted that police and fire were very different entities and historically, they have not set a cap, as suggested by Councilmember DiGruttolo, but that did not mean they could not do that in the future. She noted that she has sat in on many discussions related to the Police Department and did not believe the Police Department could cut its budget any more than they have without significantly altering the Department. She stated that she had only sat in on one budget meeting with the Excelsior Fire District and explained that she was very concerned about the operational costs, such as personnel, but did not think they should shortchange the budget for capital or equipment costs. She stated that she agreed with Councilmember Maddy that it

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was very difficult to compare different departments, because Shorewood was part of a JPA. She noted that the Police budget had been significantly pared down.

The Council discussed the Fire Department equipment purchases that all expire at the same time, and whether it should be done differently so that it does not all come up for replacement at the same time.

Councilmember DiGruttolo repeated her question about whether the Council was fine with spending about forty-five percent of the City's budget, every year, on Public Safety. She explained that she had gotten a lot of pushback from residents on this and noted that not everyone was happy spending that amount of money on Public Safety. She stated that the City did not appear to have a cost-benefit analysis or data to tell them whether or not that was an appropriate number. She explained that she believed this should be reviewed and that the Council should have a frank conversation on these amounts and things like whether more money should be spent on parks and recreation or streets.

Mayor Labadie stated that she believed that they were discussing two separate things, the proposed 2026 budget numbers and a larger policy discussion going forward. She explained that she was not sure that the Council would be able to start and conclude the larger policy discussion before the deadline to set the Preliminary levy on September 30, 2025.

Councilmember DiGruttolo agreed that she agreed that they would not be able to have the larger discussion wrapped up by September 30, 2025, but stated that the Council has not had this type of conversation. She stated that when she raised concerns about how much Public Safety was costing the City, the message she got was that it was not the right time to have those conversations. She stated that she would like some guidance on the proper time for the Council to discuss these things and gave examples of the kinds of conversation topics and questions she would like to be able to ask about proposed expenditures.

Councilmember Maddy stated that the Excelsior Fire District has been working on the budget for months and asked if Councilmember DiGruttolo had any places where they could make budget cuts.

Councilmember DiGruttolo stated that she did not know where budget cuts could be made, but noted that she had not seen a lot of cost-cutting measures taken. She stated that the City should be a good steward of the taxpayers' money and explained that she did not believe that the City ever really said 'no' to budget requests. She noted that there should be some places where the Council can say 'no' because the request was a want, not a need.

Mayor Labadie stated that the Police Department has put forth a bare bones budget for what the Department felt were needs and explained that they had looked at everything when considering the budget, and shared examples of things that they looked at.

Councilmember Maddy stated that for fire, they have been working, but there has been a demographic change, and they were running out of guys who were interested in being paid twenty-two dollars an hour for two overnight weekends and weekly training. He noted that for capital items, 2025 was just an unlucky year, because of the things that came due. He stated that outside of those things, they would be at a three-point-five percent increase for base inflation.

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The Council discussed the development of the community, water hook-up charges, and the importance of looking at possible offsets for budget increases.

Mayor Labadie explained that she did not want to cut off the discussion, but expressed concern about being able to wrap up the Work Session in time to get things switched over for the regular City Council meeting. She stated that following the Council's discussion and debate related to the General Fund, they would now be open to public comments regarding the budget materials that were just presented. She stated that residents were always welcome to contact the City with questions and comments, and could also schedule a time to meet with staff. She noted, for the record, that there was nobody present at the meeting to speak during public comment. She asked Finance Director Schmuck if she needed more direction from the Council.

Finance Director Schmuck stated that Police and Fire were the significant portion of the proposed levy increase, and what would happen is that the boards for each organization would approve their budgets and make recommendations to the City Council.

Mayor Labadie noted that the Police Board had already approved the budget, but the Fire Board was meeting later this week for that purpose. She noted that Councilmember Maddy was the current Chair of the Excelsior Fire District Board and suggested that if anyone had comments or questions about the Fire Department budget that they direct them to him. She stated that the meeting was also open to the public and believed there would be a Matters from the Floor type section at the beginning of the meeting where people could speak. She reminded the Council that there was a September 30, 2025, deadline for the City's Preliminary levy, which can be reduced, but cannot be raised after that time.

Councilmember DiGruttolo stated that she had a few more questions for Finance Director Schmuck, but would send them to her via email.

Councilmember Sanschagrín requested that the Council try to identify items that could be cut, so those items could be debated in order to try to reduce the overall levy amount.

Mayor Labadie asked Finance Director Schmuck to be honest with the Council if there were items that could not be cut.

Finance Director Schmuck stated that the majority of the budget line items are things that cannot be touched, such as union contracts and compensation agreements.

**3. ADJOURN**

**Sanschagrín moved, Gorham seconded, Adjourning the City Council Work Session Meeting of August 11, 2025, at 7:00 P.M. Motion passed 5/0.**

**ATTEST:**



**Sandie Thone, City Clerk**

  
**Jennifer Labadie, Mayor**