

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 Labadie, Maddy, and Sanschagrín; City Attorney Shepherd; City Administrator Nevinski; Parks and Recreation Manager Czech; City Clerk/HR Director Thone; and Director of Public Works Morreim.

Absent: Councilmembers Gorham and DiGruttolo

B. Review Agenda

Maddy moved, Sanschagrín seconded, approving the agenda as presented. Motion passed 3/0.

2. BUDGET WORK SESSION #5 – SPECIAL REVENUE AND ENTERPRISE FUNDS

Finance Director Schmuck reviewed budget information for the Shorewood Community and Event Center (SCEC) and the four Enterprise Funds (Water Fund, Stormwater Management Fund, Sanitary Sewer Fund, and Recycling Fund). She reminded the Council that Enterprise Funds should be thought of like a small business, and should be self-sufficient and be able to finance their infrastructure and capital improvements. She outlined the average residential utility bill changes as well as changes for residents related to water. She briefly highlighted some possible changes that could be made to help decrease the City's budget and levy.

Councilmember Sanschagrín noted that he had submitted a list of questions to staff before the meeting. He asked for more details related to the ending fund balance for the SCEC. Finance Director Schmuck stated that for the SCEC, it shows that the actual reserve balance within that fund, and noted that the 2026 budget proposes to take about thirty thousand out of that fund balance, which did not meet the City's benchmark within the reserve policy that was adopted in April. She stated that they need to work with the task force on what the City was going to do for additional charges or changes to services offered at the SCEC to help supplement some of the levy impacts.

Councilmember Sanschagrín asked why staff was not recommending an increase in the sewer hook-up charges to cover the costs. Finance Director Schmuck clarified that the sewer hook-up access charge does cover the costs, but noted that the water hook-up charge does not. She noted that over the next six to nine months, the City was doing a study on all development fees and explained that they have to make sure they were in alignment in not earning more money than the expenses.

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Councilmember Sanschagrín asked if the City had tested whether the Met Council charges were accurate. Finance Director Schmuck explained that the Met Council takes major flow calculations out of the whole seven-county metro area. She stated that they track what flows in and out and provide a detailed report, but there was about a three-year lag in the data they collect. She noted that the Met Council has indicated that they were proposing a 6.53% increase across the metro area for 2026, but Shorewood's impact would be 11.71 %, based on their specific flow activity. Public Works Director Morreim noted that the apartment building was going to be added in, so they were in talks with Tonka Bay, because there would be a calculation change with that. Councilmember Sanschagrín stated that it made it seem like the City was paying more per household than their peers. Finance Director Schmuck answered that it would be based on the flow, which meant every city would be different.

Councilmember Sanschagrín asked if equipment for Cathcart Park was included in the budget. Finance Director Schmuck explained that it was part of the 2025 budget. Councilmember Sanschagrín asked what would happen in that situation because the City had not spent those funds. Finance Director Schmuck stated that it would be held in reserve within that capital fund until the project was implemented.

Councilmember Maddy asked if the City was maintaining a reasonable amount of I and I charges or if they were increasing with aging infrastructure. Public Works Director Morreim stated that they still see I and I, and when projects are done, the City does do inspections and also identifies areas within the sanitary sewer cleaning cycle. He noted that sometimes those are incorporated into the mill and overlay projects if there is a basic fix. He stated that for the more robust projects, they can do a sealing project and reminded the Council that the City had done that last year.

Mayor Labadie stated that it was important for residents to know that the City had not changed the water access charge hook-up fee for the last ten years. She pointed out that the City's development fees have not changed since 1983 and appreciated the graphic that staff had pulled together that showed everything would even out when they look long-term. She noted the slide that had ideas for possible changes to the budget and explained that she would hate to see Safety Camp disappear, but agreed that the City should analyze whether it was worth continuing since they had enough interest this year to hold the camp. She suggested that they not entirely remove funds and keep them earmarked for things like Safety Camp and the fireworks, until they hear more about the public feedback through the Parks Master Plan process. She explained that the reason the publications budget had doubled was that the local newspaper, the *Sun Sailor*, no longer includes Shorewood in its heading, and the coverage the City had is no longer there. She noted that the cost of publications for smaller cities can be cost-prohibitive because of the loss of newspapers, and still had statutory requirements for notice and publication. She explained that she has already had conversations on this topic with State and League of Minnesota Cities representatives. She thanked staff for the change to the public engagement process on the budget and for giving residents a chance to comment topic by topic as the Council discusses these items, which helps make things more easily understood. She opened the meeting up for public comments or questions on the 2026 budget materials that were just presented by Finance Director Schmuck. She reminded residents that another change made this year was that staff had set aside specific office hours for residents to come in and speak with them about any budget item they were interested in.

Marlys Bucher, 6590 Manitou Lane, asked about the proposed fees for non-users when water was available and asked if the fee would be quarterly or yearly. Finance Director Schmuck explained that the proposed fee would be quarterly. Ms. Bucher asked how the City could charge

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for something that was not being used. Finance Director Schmuck explained that the water distribution system has benefits throughout the City for things like parks and fire hydrants. She stated that when water existed in certain locations, it was serving the whole area, and those residents pay for the availability to have it in front of their parcels, and explained that the base fee being proposed was an attempt to make things more equitable. Ms. Bucher asked if the residents had been charged a ten-thousand-dollar fee at the beginning of this project. Finance Director Schmuck stated that some were and some were not, and explained that it had been very inconsistently applied throughout the period since the 1990s. She noted that the water issue had been discussed at the June 9, 2025, City Council Work Session meeting. Ms. Bucher stated that meant she could come back to the City and ask for her ten thousand dollars back since everyone in the City had not paid it. She expressed frustration that the City was not charging everybody the same way. She stated that many people in the City had not paid the ten thousand dollars, but now the City was planning to charge her an additional one hundred thirty dollars per year because there was water available in her street, even though they were not using it. Finance Director Schmuck explained that the City was starting with this part, which is part of a larger phased approach, and clarified that charging the ten thousand dollars to residents was done at Council's discretion. Ms. Bucher stated that she did not think it was fair that she had to pay a quarterly fee for something she was not going to use and had already given the City ten thousand dollars during their road construction project. Finance Director Schmuck explained that the ten thousand dollars was for the cost of the infrastructure going into the ground, and the quarterly fee was for the maintenance and ongoing activity for that infrastructure. Ms. Bucher stated that if the City sent out ten-thousand-dollar statements to the entire community, they would be able to bring in more than the one hundred thirty dollars that she would pay annually, despite not using the City water. She explained that she was a statistician, and the choice the City had made did not make sense to her.

Councilmember Maddy asked staff how long it has been since it actually cost ten thousand dollars to run the infrastructure. He stated that he believed the City had been subsidizing this expense for quite a while. Finance Director Schmuck noted that the discussion about ten thousand dollars not being enough began in 1993. Public Works Director Morreim stated that the cost varies from street to street based on the density of the homes and properties, which means that for some, the cost may be twenty thousand dollars, and some may be forty thousand dollars. Councilmember Maddy explained that the City was trying to do things the right way moving forward and noted that previous Councils had thought that more residents would want to hook up to City water, which is not what has happened. Councilmember Sanschagrín asked if the City had done any modeling around the user rates to ensure they were optimally set in accordance with market rates. Finance Director Schmuck explained that this had been done as part of the Long-Term Financial Management Plan, but noted that the City cannot set its rates based on what other cities have. Councilmember Sanschagrín stated that he has heard the concern expressed by Ms. Bucher from other residents and asked if there was anything that the City could do to compensate for that, such as a credit or waiving the fee. Finance Director Schmuck stated that the ten thousand dollars was to put the infrastructure in the ground, and this quarterly fee was for maintaining the system on an ongoing basis, so it was an apples-and-oranges comparison. She explained that there were about four hundred properties that are not connected despite having water available, but did not know who had and had not paid the ten thousand dollar fee, so there would need to be another analysis. She stated that the proposal for 2026 was to bring this quarterly fee to the four hundred parcels, and in 2027, to bring this quarterly fee to all other parcels. Mayor Labadie stated that the Council had been discussing this since their retreat in January, and Councilmember Sanschagrín had participated in all of their discussions. Councilmember Sanschagrín agreed that he had been part of those discussions but was also trying to listen to resident input.

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Mayor Labadie stated that this information is not a surprise because the question of whether the City could do something different had been asked in January. She stated that the Council was being asked to make a very hard decision to help the City move forward in righting itself from the actions of past Councils. Ms. Bucher spoke from the audience and suggested that the City charge everyone ten thousand dollars and recoup some of their money.

Mayor Labadie noted that this was a possibility the Council had discussed, but some of the Council did not support that approach and briefly referenced some of the possible action items the Council had discussed at their June 9, 2025, Work Session meeting, and noted that every member of the Council had voted on them. She explained that no one from the public had voiced any opinions at the June 9, 2025, meeting.

Mayor Labadie stated that the amount of engagement and transparency is better than it has ever been in the past. She outlined the efforts the City has made to communicate information and make things transparent for residents, but noted that they cannot force people to read everything they publish. Dale Newberg asked why the sewer connection was only twelve hundred dollars and the water connection was ten thousand. Finance Director Schmuck explained that the Met Council put the sewer lines in the entire metropolitan area, and they had to supplement some of those expenses. She explained that they had not supplemented the water lines and noted that the City does those projects in small segments when they have road projects.

Mr. Newberg stated that they bought their home in 1990 and had spoken with someone in Planning before Finance Director Schmuck was with the City, and was told that the lines were run in 1987, but the records did not indicate that any assessments were paid. He stated that when they bought the house in 1990, the water fee was five thousand dollars. He explained that he had no intention of connecting to City water unless his well blows up. He stated that the fee of ten thousand is just too much, and if the City decided to change the fee to something like twenty-five thousand dollars, he would move. He asked how many people had connected and explained that from the Work Session notes he had seen, the overall number had taken a nosedive in the last ten years. He noted that this information should tell the City something about what people want and stated that encouraging people to connect to City water was not working. He explained that he had a written statement that he planned to read aloud during the regular Council meeting, but wanted to comment on communications at this meeting. He did an informal poll of people in the room to see who read the *Sun Sailor* and *Lakeshore* every week. He noted that he understood that there were publication requirements despite the fact that nobody read that kind of stuff. He noted that if the City wanted to communicate with him and get feedback, it could not just be a statement within the Shore Report that just says the City was going to update the fee schedule. He urged the City to come up with a better way to truly engage people in the City.

Joe Schneider, 21125 Christmas Lane, stated that he applauded the Council for trying to rectify the sins of the past, even though it will not be well-received. He noted that he wished he had a fire hydrant near his home and explained that he had reluctantly paid to refurbish a well after trying to bring in water from Chanhassen. He asked if the City was considering the water that is pulled out of wells to be free, and if things had gotten to a point where they were charging for the cost of delivering this free resource that is pulled out of the ground. Finance Director Schmuck stated that some of the costs associated with the consumption are the pumps and the activity of pulling them out. Mr. Schneider asked if there was a cost within the City's calculation for the raw material. He stated that water is not free, and at some point, they should be thinking about a rate for water that recognizes the waste that is in it and all the things that happen when the overall mindset is that water is free.

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Glen Bucher, 5490 Manitou Lane, stated that this home was the first to hook up to sewer in 1970. He stated that part of the Council's job is the overall budget. He explained that they should look at how much is coming in and how much is going out, and noted that he had heard stories that the City has had six million coming in and thirty million going out. He noted that he did not think those numbers could be true but asked the Council if anybody had ballpark figures for the actual amounts. He stated that it would behoove the Council to think of this as they would a family budget, and make it balanced, and also think about what they can do without and how they can cut back. He stated that the City did not need to have a street project every year if it cannot afford it and that the City should be thinking outside of just looking for ways for the City to find more revenue. He urged the City to find a way to live within its means and stop just spending money.

Mayor Labadie outlined the various ways that residents were able to get more information on projects and encouraged them to subscribe to the City's online services. She stated that if anyone had specific questions that they should contact Finance Director Schmuck and set up an appointment to talk about them.

3. ENGINEERING SERVICES FOLLOW-UP

Mayor Labadie stated that they were out of time and asked if the Council preferred to discuss it tonight, which would require recessing the meeting and reconvening following the regular City Council meeting, or postponing it to a future Work Session meeting.

City Administrator Nevinski stated that if the Council was going to make significant changes, those would need to be incorporated into the budget. He stated that another option would be to continue to study this issue and delay a decision until 2027. He explained that he would not advise the Council to make significant changes for the 2026 budget year because there were still unanswered questions.

Councilmember Sanschagrín asked if there was an option to postpone this discussion until the next Work Session and noted that it could still end up being budget neutral. City Administrator Nevinski explained that he did not believe this decision would be budget neutral and noted that trying to rush this made him a bit nervous. Councilmember Sanschagrín explained that he would prefer to wait on the discussion of this topic when the full Council could be present and reiterated his suggestion to move it to the next Work Session. Mayor Labadie stated that she agreed with Councilmember Sanschagrín and did not want to discuss this without the full Council present. She noted that she also did not see this as a budget-neutral issue, which made her leery of trying to incorporate changes in the upcoming budget. City Administrator Nevinski stated that they will delay this discussion until the full Council is present, which would hopefully be September 8, 2025, but cautioned that they may need to push adoption of the final budget and levy to the second meeting in September.

4. ADJOURN

Maddy moved, Sanschagrín seconded, Adjourning the City Council Work Session Meeting of August 25, 2025, at 6:57 P.M. Motion passed 3/0.

ATTEST:


Jennifer Labadie, Mayor

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A handwritten signature in black ink that reads "Sandie Thone". The signature is written in a cursive style with a horizontal line underneath the name.

Sandie Thone, City Clerk