

MINUTES

1. CONVENE CITY COUNCIL WORK SESSION MEETING

Mayor Labadie called the meeting to order at 5:32 P.M.

A. Roll Call

Present. Mayor Labadie; Councilmembers Labadie, Maddy, Sanschagrín, Gorham, and DiGruttolo; City Administrator Nevinski; Director of Public Works Morreim; and Finance Director Schmuck

Absent: None

B. Review Agenda

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

2. DISCUSSION

A. Budget Work Session #3: 2027-2036 Capital Improvement Plan

Finance Director Schmuck reviewed the memo as found in the Agenda Packet.

Mayor Labadie noted that there would be a hard stop at 6:45 P.M. so there would not be technology issues again. She asked that if the Council was referring to a specific document, to name that and the specific page.

Councilmember Sanschagrín asked whether moving the antenna lease funds into the water fund would result in the City adjusting the associated utility rates. Finance Director Schmuck stated that some of the increases were larger than what was planned in the Long-Term Financial Management Plan, so that is bringing it back into a balanced budget and will be able to reduce some of the future rate increases. She added that the Staff is in the process of updating the Long-Term Financial Management Plan, but there are a lot of moving parts, so the Staff is trying to get the budget part and the CIP components established. The Staff will have a better handle on all of that before discussing the fees at the August 24 Council meeting.

Councilmember DiGruttolo asked how the City gets to having a budget that is a flat budget with a percent increase or decrease every year, so people can look at the budget and know what to expect. She added that she knows this is only the CIP, but a ten percent increase is a lot, especially given that last year water and sewer went up significantly. Finance Director Schmuck noted that is what the Staff was trying to gather during the goal-setting session as to what the Council wanted to see. The budget includes some changes that the Staff is proposing going forward, but if the Council wants a status quo budget, then staffing or antenna lease can be taken out. She added that there are some things that the Staff is recommending that are positive overall, but if the goal is to have a flat budget or a certain percentage, then it is easiest to have that ahead

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of time. She noted that the Staff did not receive any specifics out of the goal-setting session, so Staff is just trying to look at all of the pieces and offset things. In looking at the levy, the operating levy within the general fund was reduced by \$65,000. She added that there was discussion about cost of living and benefits, which are a set amount now and in the future. City Administrator Nevinski noted that the ten percent in the budget is not where the Council wants to be, but in going through the budget, the Staff has run into some policy questions. Without the questions answered, this is where the Staff is at with the budget right now. He added that the meeting is intended to focus on the CIP, but the levy and overall budget information is included so the Council can see where the budget is at.

Councilmember DiGruttolo asked if she missed when the Staff sent the policy questions. She admitted that she is very frustrated because she is not sure when the right time is to ask for the presentation of different options, such as staying status quo, increasing by a few percent, or what things would look like if the Council gets everything they ask for. She asked when the conversation should come in about the different options. Finance Director Schmuck stated she was sorry for Councilmember DiGruttolo's frustration. The April 27 work session was a goal-setting session where the Staff asked certain things. She noted that it was indicated in general that a double-digit levy increase was not palatable, but there was no consensus on bringing forth a certain percentage levy. At the June 23 meeting, the Staff brought forth the personnel costs and what it would cost to stay at status quo for that, along with the one new request. She noted that all of the different pieces pull together to make the levy; the Staff is showing all of the different pieces and the extra things that would add to the budget. She added that the Staff is trying to bring forward a whole budget, but until all of the pieces are in place, that cannot be done. Councilmember DiGruttolo stated that to do that in the hour meeting in April, the Council did not even have the budget yet; they were guessing what would be in there. She did not know that the City would be getting a \$280,000 dump truck. She asked how she would know what the City would be getting and to consider those things. Finance Director Schmuck shared that the ten-year CIP had the dump truck in the 2027 column, so it was shifted forward but has been part of the long-term plan, the CIP, and all of last year's budget discussions. She stated that the City tries to develop policies and plans that are included in a Long-Term Financial Management Plan so that Staff has data-driven decision-making to make decisions along with the Council. Councilmember DiGruttolo stated that when the conversations take place, many times the Council is told that no decisions are being made; this is just a discussion. She asked when the conversations are supposed to take place that really dig deep into the numbers. She stated that seeing what the trade-offs are would be really helpful to the residents and the Council to help drive decisions. Finance Director Schmuck explained that last year, when the City was establishing the 2026 budget, the whole water connection program was part of all of the conversation, and it was decided that the \$200,000 was the do-not-exceed number. That is in the 2026 budget and is being carried forward annually. Councilmember DiGruttolo pointed out that the number is in the budget as if it is the final number, but the Council has not voted on that number yet; it was just a not-to-exceed of \$200,000. Everything shown is subject to change, but the numbers are being shown as if they have been voted on.

Mayor Labadie asked if Finance Director Schmuck could repeat the concept of the preliminary levy: that the levy can go down but it cannot go up, when the deadline is, and how that relates to the final budget. Finance Director Schmuck stated that tonight would be the night to discuss the \$200,000 because it is in this year's CIP and it is a carry forward from 2026. She pointed out that the years can be seen in the middle number of the digits, showing the year that the project was established. That is how things are tracked from year to year. She shared that for the preliminary levy, Staff is taking all of the requests and establishing a preliminary levy, which right now is at a

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10.2 percent increase. That preliminary levy number is required to be sent to the County by September 30 and then sent to the County. The County uses that number and applies it to the market value that the residents receive in the spring of the estimated appraised value of the property. The County will send out a preliminary estimated tax statement in November, so residents can see what all of the tax increases will look like. The final budget has to be established in December, and the final budget and levy have to be done by December 30. At that time, the budget can only be maintained or reduced; it cannot be higher than the number that was sent in September.

Councilmember Sanschagrín noticed that for some funds, Staff is reflecting a negative balance, and sometimes that is not reflected. He asked how those determinations are made on how much the fund balances are reduced. Finance Director Schmuck explained that the reserve policy was established in April of 2025. The different types of funds: the general, the special revenue, the capital project, and the enterprise, all have different ways that their reserve balance is measured. For the general fund, there is a 35 to 50 percent fund balance levy because, in the first six months of the year, there is no significant revenue within that fund; the revenue only comes when the City receives the tax proceeds from the County. For the special revenue funds, the Council has stated that they would like to strive to have the SCEC be 70 percent self-sufficient, and Staff is working toward that, but that is a hard goal to reach and the reason for establishing the task force. The capital projects fund has a minimal amount of next year's CIP activity and a maximum amount of the entire ten-year CIP. She stated that when the Long-Term Financial Management Plan was done, the levy increases were established to maintain it over the ten years and never fall short within the individual funds. Right now, some are falling short because that had not been the prior practice. For the enterprise funds, there is supposed to be 60 percent of the operating expenses, 100 percent of the debt service for the subsequent year, and 100 percent of capital activity for the next year. This is because the expenses will come out regardless because the City is bound by bond covenants and such.

Councilmember Sanschagrín asked to go through the water fund and look at the balances there.

Councilmember DiGruttolo asked what the actual purpose of the reserve fund is. Finance Director Schmuck explained that each fund has its own reserve. Councilmember DiGruttolo asked if the purpose of having reserves is just for emergencies or to pay the bills. Finance Director Schmuck stated that it is a cash flow for the subsequent years. Councilmember DiGruttolo asked if there was a general reserve fund that is not allocated. Finance Director Schmuck stated that there is no stand-alone reserve fund. She noted that she has heard someone say that there is a reserve fund of \$20,000,000, but the cash balance at the end of June was about \$1,700,000 across all the individual funds. She noted that at this time, Staff is trying to keep the reserves in line with the fund balance reserve policies.

Councilmember Sanschagrín stated that on page 77 of the Agenda Packet under Water Fund, the beginning net position is \$7,600,000 for the 2026 budget. He asked if that is what the City is starting with. Finance Director Schmuck stated that is net position, not unreserved balances. To compare the reserve, the Council would look at the cash balance and convert it to show that activity. She added that this data was never provided before last year's budget. To her, the numbers are meaningful as an accountant; if the cash balance is more relevant to the Council's thinking, then the numbers can be changed. The water fund and the sanitary sewer fund should have about \$1,500,000 in reserves on an ongoing basis. Councilmember Sanschagrín stated that it would be helpful to present the cash balance as well. Finance Director Schmuck shared

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that that information is all very detailed, whereas this is just a brief review; that information will be shown in the Long-Term Financial Management Plan that will come at the next work session.

Councilmember Sanschagrín noted that \$7,600,000 is the starting position and the change in net position was \$1,100,000, which led to a \$6,500,000 ending net position, which is the beginning net position for 2027. He asked if the Mill Street project was included in the \$1,100,000. Finance Director Schmuck stated that is correct and that it will be favorable because the Council denied moving forward with the water part, so the \$700,000 will come off the \$1,100,000. She noted that the budget itself has not changed.

Councilmember Sanschagrín stated that for stormwater the numbers are quite high. In recalling prior discussions on stormwater, he asked if the numbers include the value of assets. Finance Director Schmuck stated that is correct. Councilmember Sanschagrín asked how much cash represents the \$5,800,000 of assets. Finance Director Schmuck shared that as of right now, whatever is in the system, the stormwater fund has \$1,400,000. Councilmember Sanschagrín asked how much money is needed in there. Finance Director Schmuck explained about \$1,500,000. Councilmember Sanschagrín asked what that is based on. Finance Director Schmuck noted that it is based on 50 percent of the subsequent years' operating, 100 percent of the subsequent years' debt service, and 100 percent of the subsequent years' capital. Then Staff looks at the ten-year long-term management plan to make sure that the reserves are evened out throughout that period to make sure the City is not falling short. She added that the rate analysis is based on those numbers to make sure there are sufficient rates to cover expenses in the future.

Councilmember Sanschagrín shared that he had asked separately for actual versus budget, and asked if those comparisons would be part of the next meeting. Finance Director Schmuck stated that when Staff finishes the 2025 audit, for which the City has filed an extension because of being short-staffed, the audit will be presented at either the August 24 meeting or the September meeting. The City received an extension from the State, Minnesota's Department of Revenue, and also received an extension from the Governor's Finance Association for a certificate of achievement program that the City applies for on an annual basis to make sure the City is not losing out on that.

Councilmember DiGruttolo requested to see on August 24 what the budget would look like if every single project was not funded. There should be options for things that could be delayed or pushed. She noted seeing the numbers with the Mill Street project out of the budget. Finance Director Schmuck noted that the Mill Street project is no longer in the budget, as that was a 2026 item, and what is being looked at is 2027 through 2036. Councilmember DiGruttolo asked if the numbers in the packet were correct. Finance Director Schmuck stated that the numbers are actual budget numbers and are correct; it is the budget that Council approved in December 2025.

Councilmember Sanschagrín noted that the numbers could be reduced. Finance Director Schmuck explained that if the Council would like Staff to bring forward a resolution to reduce the budget, that could be done.

Mayor Labadie shared that asking Staff what can be reduced is difficult for Staff to do. She gave an example of Public Works Director Morreim seeing the dump truck as a very necessary item, or it would not be included in the CIP. She suggested that if there is something that the Council would like to see reduced, then that can be brought to Staff to run the budget with or without certain items. Finance Director Schmuck shared that the other component of the CIP is that the City does not levy a certain amount of money for a specific project within the capital funds. Staff

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is trying to levy an even dollar amount across the ten-year Long-Term Financial Management Plan and the ten-year CIP to reduce the peaks and valleys. She shared that if the dump truck is not done this year, then the number is not proportionate. She pointed out that the equipment levy is only increasing from \$60,000 to \$275,000, but when Staff looked at the equipment fund, there was \$367,000 worth of expenses. So even if the dump truck was removed, that is not proportionally specific to that item. It is to maintain the balance in that fund in the future. Mayor Labadie added that if the dump truck is taken out, then it has to be put in a subsequent year, and that is when the peaks happen.

Councilmember Gorham stated that in looking at the CIP, he does not see a flat line. He asked how that fits in. Finance Director Schmuck stated that is correct, but in looking at the levy amount, when the Long-Term Financial Management Plan is done, Staff laid out that a certain line item would increase by \$60,000 each year in the future on the equipment fund. That is a set amount, and Staff increased the levy by \$60,000 because that is how Staff projected it in the Long-Term Financial Management Plan to have that fund even out based on the CIP. When the CIP is reviewed for this year and the next ten years, Staff will update the Long-Term Financial Management Plan, and maybe the \$60,000 going forward will be reduced or increased. That is unknown until it is put into the whole picture again of all the moving parts to see what the impact is going to be. That is why things are reviewed by the biggest ticket items in the future to see what the City can accomplish with where the City is at.

Councilmember DiGruttolo asked if Mayor Labadie was stating that the Council should prioritize instead of the Staff. Mayor Labadie suggested that if something caught the Council's eye as a red flag item, to let Staff know that and then Staff can explain why it is in there.

Public Works Director Morreim stated that Public Works stuff is a large chunk of the CIP. Last year, the City redid the equipment capital items fairly significantly; the items did not get added or removed but were adjusted around based on more of a replacement cycle. He noted that many of the items were set before his time; many things were put on a replacement cycle based on the year we have it. He shared examples of the dump truck and the mower and how they fit into the cycle. He added that Staff tries not to be too rigid in the cycle and will push things out, but that does not remove the cost. Many things have been removed and reviewed to see if they can be pushed back. He added that many of the items are for Public Works, and he understands that those are large expenses and that the City is trying to get the most out of the equipment because of the expenses. Mayor Labadie agreed that is what she meant in asking Staff as to why a specific item is on the budget in the way that it is. For example, in doing the park tours, one of the Commissioners asked about the Freeman Park playground, and it was explained that there comes a certain point where things are at the end of life and deemed not safe. She pointed out that the Council cannot make those calls; the Staff has to.

Councilmember Sanschagrín asked how critical the dump truck is. Public Works Director Morreim stated that the dump truck is critical. The City has four dump trucks, and this is one of the four. This one has a lot of maintenance on it and is old. The City's dump trucks break down and corrode. He added that municipalities that have a significant revenue source may be in the ten to twelve year range for equipment replacement. He noted that 15 years is average at best, and some cities that do not use the dump trucks much are in the 16 to 18 year range. He shared that there is a variety of ages in the current vehicles.

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Councilmember Sanschagrin asked if the City is buying the dump truck outright or financing it. Public Works Director Morreim stated that the City purchases them. The dump truck is bought in parts.

Councilmember DiGruttolo asked what services do not get done if the City only has three trucks instead of four. Public Works Director Morreim shared that winter maintenance would be significantly affected. He shared that, to do things, it would go from four to six hours to eight to ten hours. Councilmember Maddy stated that for the winter plan, all the trucks are needed to do what is needed. Public Works Director Morreim shared that the City has five trucks, and the City has already combined them; the truck is being upfitted right now, and it has been a year-long process. He stated that they are already reducing, as that truck is replacing the water truck and a plow truck. There are six trucks right now, which are reducing down to five, with a dual-purpose truck.

Councilmember DiGruttolo asked if the City did not have the dump truck, what would not get done. Public Works Director Morreim stated that things would not get done, but they would get done differently. Finance Director Schmuck shared that it would take 20 percent longer. Public Works Director Morreim added that if another vehicle goes down, then things are affected even more, and this is something that has happened. If a truck goes down, then the older vehicles are being used more. He noted that it would be response time. This last year, there were events when not as many trucks were out because of staffing availability, and Public Works hears about that. If things are not cleared in five hours, then residents start to be heard from and road conditions are impacted. Councilmember DiGruttolo noted that this is information and data that the Council can use to make better-informed decisions, but that is not always given to the Council. Public Works Director Morreim stated that all of the things could be moved if the Council wants to, and all of the things will get done, but it will be much slower, and the level of service that the City provides will be affected on all of the items. The equipment purchases are not just a wish list; they are things the City uses, and they are important.

Mayor Labadie shared that those are the questions to be asking now, because Staff has the expertise to answer them and allows the Council to make the best decision.

Councilmember Gorham echoed what Councilmember DiGruttolo is saying. The Council gets the kitchen sink thrown at them, and then it is up to the Council to pick it apart. There are many items to do that with. He noted that the budget format does not seem as productive as it could be to get to where the Council wants to get to. He noted that the Council sees the CIP every year, but does not understand the context until that year. Finance Director Schmuck stated that Staff does stack it in the Long-Term Financial Management Plan, and the CIP is its own section within each of the funds. Councilmember Gorham stated that it is not altogether since it is unknown what the police will bring and ultimately what the levy is. Finance Director Schmuck pointed out that the executive summary of the Long-Term Financial Management Plan had all of the levies rolling up into what the levy would look like in the ten years if everything would stay exactly as it is.

Councilmember DiGruttolo stated that the Council may need a class on how to read things better since three Councilmembers do not seem to be understanding. It does not seem like a good way to communicate the information to the Council. She added that there must be a better way to do it so that everyone is getting the needed information. She noted that she feels like things are disjointed, and City Administrator Nevinski shared that things are done that way intentionally because that is the way it is designed. Still, when done that way, it creates a lot of confusion, and the Council is expected to remember everything. Finance Director Schmuck stated that the

Council has been working on the CIP and the budgets since May. The Staff is bringing forth the best things they are proposing as Staff. When the Long-Term Financial Management Plan and the budget are gone through at the August 24 meeting, she will try to explain how some of the details are a little more specific. She added that when the Long-Term Financial Management Plan was gone through, there were not a lot of questions or feedback, so she thought there was understanding. Councilmember DiGruttolo noted that no one is saying that Staff is not doing a good job. Still, Staff is telling Council that they are not getting the information from the Council, and the Council is saying that they are not getting the information from the Staff. The two are missing each other and not communicating as effectively as they could.

Public Works Director Morreim stated that Councilmember Gorham wanted to go through things line by line. He asked how the Council would propose to do that because there are six pages of CIP items and it would take a long time. Councilmember Gorham stated that it may need to be a different session. He would like to talk more about specific items on the list, and this way does not seem effective.

Mayor Labadie pointed out that this is not the way the City has always done it; this is about ten times more attention than it has ever been. She noted that it is refreshing to see things line item by line item and keeping in mind that the Council does have the ability to take things off. If there is a question about the \$200,000 for the water, then that could be asked now. She asked if Council wants one really long session, like another retreat. This year, she is not sure how much time Staff has, as things need to continue progressing with the budget.

Councilmember DiGruttolo noted that the retreat would need to happen in April, because that is when Finance Director Schmuck got her direction to produce the budget. Finance Director Schmuck shared that April's work session was to get Council's goals and direction so staff could say, "This is the goal that is being met." Councilmember DiGruttolo asked what was taken away from that meeting and what guidance the Council gave staff. Finance Director Schmuck stated that Staff did not get a lot of direction despite asking specific questions about a target for a levy increase. There was never a consensus on some of those items.

Councilmember Gorham recalled that there was a preliminary number around ten. City Administrator Nevinski stated that it was 12. At the meeting, there was discussion about what some of the bigger things were that were coming and what Council's take was on some of those things. There was not a lot of direct or specific feedback, but there was conversation about what was on the table. Council provided that a double-digit increase is a lot. He added that in working on the budget, Staff knows that they are not there with the overall budget. Staff has put together the draft of the budget based on different plans that have been in the CIP. He shared that the things in the budget do not all have to happen this year; Council can decide that certain items are not needed. He noted that it is hard when things are in the abstract, so April was a rather abstract conversation. Now things are much more tangible; feedback from the public has happened, and this is where things start to happen, and the Council will see certain things. Staff has taken everything and boiled it down to this: if it is not working, then it can be changed, but this is how cities go through the budget process. He understood that trying to remember everything is difficult, and that government finance is different, so if Staff needs to spend time on training, that could be done earlier in the year to better prepare for the discussions.

Councilmember DiGruttolo stated that she does not need training on that; rather, she needs training on the Long-Term Financial Management Plan, and then an explanation of what sensitivity analysis was done. She noted that back in April, the City did not know the police were

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going to ask for an additional \$400,000. Now that it is known, where can the City find some tradeoffs to have the \$400,000 in the budget? She added that not everything can be done and the City cannot continue to ask taxpayers to pay more. She pointed out that a slide was shown about houses in the \$400,000 range, but she would venture that there are not a significant number under that. In her opinion, it would be more valuable and less disingenuous to find what the median home value is in Shorewood and then how much it increases. Mayor Labadie noted that number was included in the slide. Councilmember DiGruttolo asked what the median house value is. Finance Director Schmuck stated it is about \$978,000. That is from the sales report that came from the County, and that was given to the Council as an attachment because it was so large.

Councilmember DiGruttolo asked that Staff remember that this is not Council's full-time job, so when Staff gives large documents, it is hard for the Council to remember everything. Mayor Labadie noted that the information was restated in the packet. Councilmember DiGruttolo stated that when the slide is brief, then the middle house should be the one to be briefed. Finance Director Schmuck shared that the majority of homes are not \$970,000 homes. She added that the large expensive lake shore homes are offsetting the \$400,000 homes to make the median so much higher. The average home is not \$900,000.

Mayor Labadie stated that the whole discussion needs to focus on the CIP, not the overall levy, the overall budget, or the overall median home. She noted that not a lot of direction has been given.

Finance Director Schmuck shared that there are some things in the budget to think about that are new to the budget, and Staff wanted to point them out. If the Council wants to offset some of the levy, then the Council can look at what Staff is proposing regarding these items; otherwise, the other items in the budget are status quo or significant line item reductions.

Councilmember Gorham asked how the antenna leases affect the levy. Finance Director Schmuck stated that the leases reduce the revenue in the general fund by \$225,000. So Staff has found other savings within the general fund. She pointed out that the operating levy has been reduced by \$65,000, which is above and beyond the \$200,000 for the antenna rent. She added that the budget has been reduced by about \$300,000. She shared that the personnel increase that was discussed prior is in the operating levy and the SCEC levy. She stated that if the Council wanted to have the 10.28% go down, then the Staff could either put the whole revenue back in and phase the transition over three years. Those are different discussions that the Staff would like to have at the August 24 meeting when discussing the budgets and the levies.

Mayor Labadie noted the few numbers that stood out to people, one being the \$200,000 for the water hook-up program and one being the amount of the kitchen rehab for the SCEC. Finance Director Schmuck noted that the kitchen number is part of what the Council approved in November with the ten-year outlook that Krauss Anderson did. She explained that the \$200,000 program was what was started with in 2025; the Council wanted to issue a carrot instead of a stick of incentive programs to be able to do this. It was asked if the City could incentivize in one year what could be handled, so different neighborhoods were targeted, and a mailing took place to try to start things in 2026. She pointed out that those savings would happen in the water fund, not in the levy.

Councilmember DiGruttolo noted that the Council approved things in November before knowing about the \$400,000 for the police. So the Council may now say that the reality is that there are other bills and this is not a priority any longer. She asked that an offset be made instead of

continuing to add to the budget. Finance Director Schmuck noted that there is the ability to do that. Councilmember DiGruttolo stated that when Finance Director Schmuck states that the Council approved something, then it sounds like it cannot be changed. Finance Director Schmuck noted that is why things are in the budget, but the Council has the right to change things. She is explaining why things are the way they are.

Mayor Labadie noted that a total resolution was not reached about the CIP part of the budget; however, the budget will continue to come back to the Council. She asked how Council wanted to handle things going forward. She added that even after the preliminary budget is set, items can be removed. City Administrator Nevinski asked if there is general direction that the Council would like to give Staff.

Councilmember DiGruttolo stated she would like to see the offset, and with the reduction, she would like to know what is not going to get done. Without that data, it is hard for the Council to make an informed decision.

Councilmember Sanschagrin noted that one potential candidate could be the Manor Road project, which is budgeted for \$500,000 and only serves one resident. Finance Director Schmuck pointed out that the road projects are not project levy specific. Those levies are a steady levy to fund the reserves. Just because a road project would be taken out, there is no street levy, and there would be no offsetting levy for that.

Mayor Labadie remembered two years ago when the City had the large Mill and Overlay project; the City was still adding and subtracting roads in the spring of the year. Things can go up and down as long as it is within the amount. She asked Councilmember Gorham specifically what he was thinking.

Councilmember Gorham asked when the next budget meeting is. City Administrator Nevinski noted that there is a meeting scheduled for August 10 where the Council will talk about the SCEC and what will happen there. He noted that the Council will need to decide what to do with the SCEC. He added that an item could be bumped to talk about the CIP more if needed. On August 24, the Council needs to talk about the audit and the Long-Term Financial Management Plan. On September 14, the Council will be discussing the preliminary levy, and that could go one more meeting, but things get really tight.

Mayor Labadie stated that, to provide Staff some direction, the Council had talked about keeping the levy at 12 percent or less. She asked if it would be helpful for Finance Director Schmuck to label how much needs to come out to get to ten percent, and so forth down to a smaller percentage. That might be helpful to decide whether something is cut, and whether it even makes that much of a difference. Councilmember Maddy pointed out that Finance Director Schmuck does not have control over half of the budget. Finance Director Schmuck stated that police, fire, and personnel have been established by existing policies for years.

Councilmember DiGruttolo stated that 12 percent is not even close to the realm that she wants to see. She added that ten is still high; the maximum she would consider would be eight percent, but even that is still too high. She noted that last year the Council stated that they would get things down to six or seven percent. She shared that she would like to see what the City would have to do to offset the bump in the police budget. She also would like to know if things are cut, what the impact to residents would be.

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Finance Director Schmuck asked what the consensus among the council is for the percentage of increase for the levy. Councilmember DiGruttolo stated that for her it is eight percent. Mayor Labadie stated that for her, she does not have a hard number; she wants to know, to get to a certain number, what would need to be cut and what the impact would be. She added that she is not sure everyone ran promising tax cuts either. That question is very difficult for her to answer.

Councilmember Gorham noted that the point is to have the conversation transparently. The Council does not want to raise taxes, but to reduce them; certain services would go down. Mayor Labadie noted that the new process does have more transparency, but there is always room for improvement as the years go on. Things have really improved from where things were. She noted that the Council did not get through the CIP and would probably need another session.

Finance Director Schmuck shared that it would be a \$190,000 reduction in the existing budget to get to eight percent. Staff will request that department heads review the budget, identify what can be reduced, and determine the offset of that change.

Mayor Labadie shared that if Staff is doing something like that, then Staff also needs to indicate to the Council that things will still be needed down the road, such as the dump truck not being needed now but will be needed in the future. She added that things will never be cheaper and that needs to be kept in mind.

Councilmember Gorham stated that once the percentage became double digits, then the default should be going to department heads to see what can be done.

Councilmember Maddy asked if the Council could agree that if services are not being expanded, then just core inflation is the target. Councilmember DiGruttolo added that she would love that. Councilmember Maddy asked to give Staff direction. Councilmember DiGruttolo asked that the increase would be predictable. The increase would always be in a band between five and seven percent. She gave the example of the playground equipment and not replacing all of it or getting something cheaper, then Staff can tell the tradeoffs.

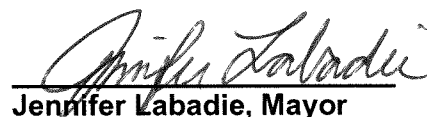
Mayor Labadie noted that enough direction has been given, but there has been direction that the discussion needs to continue. Finance Director Schmuck recommended that the Long-Term Financial Management Plan discussion not happen at the August 24 meeting if this many items are going to change; it is not beneficial to update the whole document. City Administrator Nevinski stated that Staff will talk about the schedule and how things will be impacted.

Sanschagrín moved, DiGruttolo seconded, Adjourning the City Council Work Session Meeting of July 27, 2026, at 7:03 P.M. Motion passed 5/0.

ATTEST:



Sandie Thone, City Clerk


Jennifer Labadie, Mayor