CITY OF SHOREWOOD
CITY COUNCIL WORK SESSION MEETING
MONDAY, AUGUST 10, 2026

5755 COUNTRY CLUB ROAD
COUNCIL CHAMBERS
5:30 P.M.

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(5:35), Sanschagrin, Gorham, and DiGruttolo; City Administrator Nevinski; Director of Public Works Morreim; and Finance Director Schmuck

Absent: None

B. Review Agenda

Sanschagrin moved, DiGruttolo seconded, approving the agenda as presented.

Motion passed 4/0.

2. BUDGET WORK SESSION #4: 2027-2036 DETAIL CAPITAL IMPROVEMENT PLAN

Finance Director Schmuck reviewed the schedule and the Capital Improvement Plan (CIP) as found in the Agenda Packet. She noted she would turn it over to Council for discussion of the SCEC.

Councilmember DiGruttolo asked why the City is upgrading the kitchen if the future of the SCEC is unknown. Park and Recreation Director Czech stated that if the SCEC is not used, the kitchen project will not proceed. He noted that, working with the consultant, the initial task force thoughts suggest there is value in fixing the kitchen and repurposing it as a warming kitchen rather than for commercial use. If, through the study, that is not something to be pursued, then the project will not be done. Councilmember DiGruttolo asked whether the kitchen project is not about upgrades or safety, but about taking the kitchen as is or downgrading it. Mr. Czech explained that it is taking the kitchen from the commercial level it is at and downgrading it to a warming-and-preparation style. Councilmember DiGruttolo asked whether that would be discussed further. Mr. Czech noted that the study consultant will have recommendations on that as well.

Councilmember Gorham asked why it costs money to downgrade the kitchen. Mr. Czech stated that modifications will be needed to get the equipment out, and then new equipment would need to be purchased to have a prep kitchen. Councilmember Gorham asked if the oven is old. Mr. Czech noted that most of the items in the kitchen were installed at the beginning. The freezer is not operational, and doing anything with that has been proposed.

Councilmember Gorham asked whether this change should be done before the outcomes of the SCEC report are known. Mr. Czech stated that the changes would not be made before any decisions about the SCEC. This kitchen project stemmed from the Kraus-Anderson study and its recommended improvements. Since the City is in budget season, Staff is moving forward with the recommendation, but if the study produces different outcomes, then this project would not be completed. Councilmember Gorham assumed that this project was a recommendation from the study rather than the facility assessment. Mr. Czech explained that this was a recommendation from the Kraus-Anderson facility assessment and the ten-year deferred maintenance within the Capital Plan. Councilmember Gorham noted that he did not understand that there was a program recommendation from the Kraus-Anderson study. He pointed out that there is also a study being done on the SCEC with the task force.

Mayor Labadie asked when the next SCEC task force meeting is. Mr. Czech stated it is this Wednesday. Mayor Labadie asked if that is the final meeting. Mr. Czech shared that a tentative date is scheduled for August 26, if needed.

Councilmember DiGruttolo asked whether the report will be given to the Council before a decision is made on the kitchen project. Mr. Czech stated that the report will come before the preliminary levy. City Administrator Nevinski stated that the report is scheduled for the same night as the preliminary levy. He pointed out that when the study was initiated, things would be very close with the budget process. He added that the Council could move into the preliminary levy with this project still in and then continue the discussions depending on what the report says and what Council wants to do. He noted that the preliminary levy can be lowered after the fact. It is a good option; he does not typically like that. He likes to bring the levy in September because what is discussed in December then aligns with what residents see in the notice. If the levy is coming down, then that is in the positive direction. Finance Director Schmuck noted that the CIP is not finalized until the December 14 meeting. All the projects are just holding places at this point, so if something comes out of the study, Council can choose to modify them accordingly.

Councilmember Gorham shared that the Council wants to take a wait-and-see approach, but this project is a holdover from another process, not a placeholder for the new one. Mr. Czech stated that it is a holdover from the building assessment that is used as supporting documentation for the current consultant on how the City moves forward with the building. Councilmember Gorham asked whether there is a recommendation for the consultant to begin with the warming strategy in the kitchen. Mr. Czech agreed with that. Councilmember Gorham asked how likely an outcome is. Mr. Czech noted that, in conversations, that is probably a likely outcome.

Mayor Labadie shared that the Shining Stars Luncheon was held at the SCEC last week. She asked if there were 65 people registered for that. Mr. Czech stated it was in that range. Mayor Labadie noted that they used the concept of warming the food; it was not cooked there. That is the same thing that has been done with other events. Councilmember DiGruttolo stated that it sounds like nothing needs to be done then. Mayor Labadie shared that the refrigerator was out, and the food arrived warm. She added that many events serve food at the facility. Mr. Czech agreed and noted that few people actually cook the food on site.

Councilmember DiGruttolo asked whether the SCEC will be discussed further at the Regular Meeting. She wanted to make sure that the City is not trying to include items in the budget that the Council has not yet approved. The Southshore Senior Partners are leaving, but their letter stated that they would do so while still wanting the City to continue what they were doing. She added that senior programming is not in the CIP, but the numbers will shift based on the decisions made for it. Mr. Czech shared that those will be incorporated into the study that the Council will receive the report on, with the recommended operational scenarios and how that should play out. Councilmember DiGruttolo asked whether there will be any additional changes or requests for the

CIP infrastructure for the building. Mr. Czech stated that, for capital needs, no, other than what is on the CIP for remodels and such.

Finance Director Schmuck noted that it was a request to go line by line. She asked whether the Council wanted to go through the future-year line items or were content with them as they are. Councilmember DiGruttolo asked how that can be done without knowing what the City is doing with the SCEC. City Administrator Nevinski stated that this may be revisited in conjunction with the recommendations or after. The CIP does change year to year based on new information and circumstances. He stated that the City does want to identify things and include them, but that does not necessarily mean that the things identified in the CIP for a few years out will happen that year.

Councilmember Sanschagrin asked whether a revised CIP will be included in the study report. Mr. Czech shared that part of the report will contain recommendations on capital items. He added that there will probably not be a complete makeover; the consultant is using the facility assessment as the foundation, but there could be some shifts based on the recommendations.

Mayor Labadie asked what building tuckpointing is. Mr. Czech explained that, upon inspecting the bricks around the SCEC structure, there is a lot of caulking that needs to be replaced, as well as the exterior sealing.

Mayor Labadie noted that Staff has identified that many of the numbers are still to be discussed based on the results of the study. She asked how many sessions there have been. Mr. Czech shared that there have been two, with the third on Wednesday. Mayor Labadie asked how big the task force is. Mr. Czech stated that there are 11 members.

Councilmember DiGruttolo asked what the $30,000 capital outlay is for the SCEC. Finance Director Schmuck explained that, if 2027 is considered, that is $24,149 plus $7,872, for a total of $32,021, which is reflected in the budget as capital outlay.

Councilmember Sanschagrin asked if those expenses directly hit the budget right away. Finance Director Schmuck stated that this is correct.

Councilmember DiGruttolo shared that she thought the CIP is different from the budget. Finance Director Schmuck stated that the current year is reflected in the budget, but the activity is not completed until Council approves the project. Any project in a CIP or capital outlay item for equipment purchase or major road projects will come back to Council. The kitchen project will come back to Council, and at that point the project could be denied and not proceed.

Finance Director Schmuck reviewed the Park Improvement Fund, 402, as found in the Agenda Packet.

Councilmember Sanschagrin asked if the $350,000 for Freeman Park Playground hits the budget right away or is depreciated. Finance Director Schmuck stated that all the line items hit the budget right away as expenditures because cash flow is going into the special revenue funds, and the capital project funds are governmental funds, so they are on a modified cash accrual basis.

Councilmember DiGruttolo asked if the City has estimates for the Freeman Park Playground. After attending the Parks Commission meeting, she did some research, and the cost seemed quite high. Mr. Czech stated that the number has been in the CIP for a while and is a shot in the dark. With playground replacements, many factors come into play, such as pea gravel removal and the required ADA-compliant materials. Councilmember DiGruttolo asked if estimates have been received. Mr. Czech stated that the number is currently a rough estimate. Councilmember DiGruttolo stated that if the number has been in the CIP for 10 years, the estimate could be bad. Then the Council is making a decision on this year's budget based on an outdated number, and nothing has been done to update it. Mr. Czech shared that the City just went through the Parks Master Plan and that the $350,000 figure is what the consultant confirmed to be accurate based on past estimates. The CIP directly reflects the consultant's study for the Parks Master Plan. Mayor Labadie noted that another park that was preliminarily earmarked went to the Parks Commission, and they began looking in more detail at different concept types. Until that happens, this number is just conceptual. She shared that there are many variables in the playground, depending on the decisions made about it. The number is just a ballpark estimate based on the space the City has and its potential uses. She added that everything on the playground is kept at a certain distance for safety.

Mayor Labadie asked what would happen to the remaining funds if the preliminary levy and budget are approved and the playground comes in under $350,000. Finance Director Schmuck stated that the budget will be set at $350,000, which will be the ceiling for quotes. If those dollars are not fully spent on the project, they will go into the reserves. She noted that a specific levy dollar does not fund the Park Improvement Fund for specific projects. The City is not levying specifically $350,000 in 2027 for this specific project. The City is levying a set annual dollar amount, based on the Long-Term Financial Management Plan, to cover the next 10 years on a rolling-forward basis, in accordance with the City's reserve policy. So, if the project is removed from the ten-year CIP, that would reduce the ten-year long-term plan, but if the project is just shifted down, it will just modify the timing of when the funds are needed. It is building up reserves to sustain the full ten years of this rolling budget. Mayor Labadie stated that if there were excess funds, then those could be applied to improvements on other parks. Finance Director Schmuck noted that the excess funds would remain in the reserve of the Park Improvement Fund.

Councilmember DiGruttolo asked when the City last used any of the reserves for anything other than what was in the CIP. For example, the City would have loved to replace the tennis courts rather than do the $15,000 project that will eventually have to be done again in five years. She asked whether that could have been taken from the reserves. Finance Director Schmuck stated that it could have been done, but the fund has a negative reserve balance.

Councilmember DiGruttolo noted that she is confused about the reserves. She thought she was told that the City only keeps exactly the amount of money in the reserves needed to pay the bills every year. Finance Director Schmuck explained that in the General Fund, the City has 50 percent of the subsequent year's expenses. Within a capital project fund, this is the subsequent year plus the three-year rolling period, and it is recalculated each year based on the next three years of the rolling period. That is why the ten-year long-term financial management plan is beneficial, as it allows the ups and downs of the reserve balance to be seen. It is a three-year rolling process in line with the reserve policy. She noted that upon reviewing the policy and its categories, this category is separate from the General Fund.

Councilmember DiGruttolo asked if there is a reserve policy for every fund. Finance Director Schmuck shared that there is a different reserve policy for every type of fund. There are the General Fund, the Special Revenue Fund, four CIP funds, and four enterprise funds, so there are four categories for these funds. She added that when the Council goes through the Reserve Policy, those are separate items, separate Roman numerals within the Policy.

Councilmember DiGruttolo asked whether, if the Council only wanted to spend $200,000 on the playground and $150,000 was not spent, the policy is not to return the money to taxpayers; the policy is to put the money in the fund. She asked what the policy is for using the fund if it is not negative. Finance Director Schmuck stated that at any time, the Staff could say they intend to purchase something and would like to use reserves to offset the costs. The Staff will budget to tap into the reserves for that expenditure, but that could not be done for the basketball court because the fund has a negative reserve. Councilmember DiGruttolo asked why, if there is a negative reserve for parks, the City is spending $350,000. She asked if the Staff looked into what could be done for less. Mr. Czech shared that, in discussions with vendors, he is asking them to provide a few concepts so the Park Commission and the Council can see the options. The Freeman North Playground is one of the most heavily utilized, and Staff would be hesitant to scale that down, but if that is what finances dictate and what the Council would like, then it can be done.

Councilmember DiGruttolo asked whether the data show which decisions are being made. She pointed out that, according to the US Census, there are only 400 children in Shorewood between the ages of 0 and 11. The City would spend $9,000 per child on the park. She asked whether different data show how many people use the park and how that data is collected. Mr. Czech noted that he does not have data on hand, but any time someone is at the park on a weekend or weeknight, the playground is always in use. The visual data is all the City has; there are no people in the parks tracking usage. Finance Director Schmuck stated that the City would not use census data because infrastructure is built for today and for the future, and those numbers are constantly changing. The census numbers are a benchmark, but they do not drive the buildout of facilities. Councilmember DiGruttolo stated that it could; she does not know how things are done in Shorewood. She shared that she is pursuing her Master's in Public Policy, and that it is one of the benchmarks used. A growth model is used to estimate the investment's lifetime.

Mayor Labadie pointed out that many residents have grandchildren who also use the parks. She noted that parks are community amenities and that Freeman Park is a flagship venue that hosts a variety of events. Getting an accurate number would be difficult. Councilmember Gorham shared that if someone goes to Freeman on a Saturday morning, around 30 kids are using the park. He asked if the City is on track to build the playground next year. Mr. Czech stated that the Parks Commission did discuss the playground and the planning process; community engagement will start soon, and an RFP will be issued after that; purchase in 2027, then install in late 2027. Councilmember Gorham stated that he was part of Badger Park and that it was a bit of a process to reach a final design. Mayor Labadie noted that some ideas were voted out, and that the Commission will go through many steps before the Council votes on it.

Councilmember Gorham asked how heavily the Cathcart Park basketball court is used. Mr. Czech shared that, based on conversations with people in the area, it is used quite frequently. He shared that during park tours, a resident came over and asked when the tennis and basketball courts would be updated. From driving by, it looks like the basketball court is used often. Mayor Labadie agreed that the court is frequently used in the evenings. Mr. Czech shared that it is the only full-court basketball court in the City. Councilmember Gorham asked what condition the court is in. Mr. Czech stated it is due for a replacement in 2028 and that it will be necessary.

Councilmember Sanschagrin stated that there is an ending fund balance of $481,000. He asked if that is different from the reserves. Finance Director Schmuck stated that it is a projected reserve number based on individual CIP items and the proposed increase in the levy. Councilmember Sanschagrin stated that there are no reserves. Finance Director Schmuck stated that, as of 2024, the existing reserves are -$47,000. The 2025 audit is still being wrapped up, so that number is a benchmark estimate, and not all capital activity has been completed. She added that 2026 is based on the budget; it does not reflect actual reserves and activity coming in and out. In calculating the reserves, once the audit is finished, the 2025 financials will be compared with the 2027 budget to determine the percentage of reserves the City has. That will be done in the Long-Term Financial Management Plan.

Councilmember Gorham asked if it takes two years to do an audit. Finance Director Schmuck stated that the Finance Department is significantly behind due to major staffing changes, which the City is still resolving. The City was given an extension from the Office of State Auditors. The City is required to submit the audit to the Office of State Auditors by June 30, and it has filed for an extension. Mayor Labadie pointed out that Council was informed of the extension. Councilmember DiGruttolo stated that she did not know the budgeted numbers were over two years old. Councilmember Sanschagrin stated that it was budgeted at $473,000 as of the end of 2026. Finance Director Schmuck stated that this is because Staff recommends the additional increase in the levy. Councilmember Sanschagrin noted that the City is projected to be at $473,000 at the end of 2026. Finance Director Schmuck stated that in 2026 there was a significant jump: the transfer of $175,300 from the Street Improvement Fund to the Park Improvement Fund. That was done because the City is trying to get the reserve to what it needs to be for the fund. She added that, in the future, there will be a $50,000 increase because Staff is trying to level out the levy increase on an ongoing basis. Councilmember Sanschagrin asked if Staff is targeting $481,000 as the fund balance. Finance Director Schmuck shared that she does not have the target, but that will come with the Long-Term Financial Management Plan in October when the 2025 audit is done, and the 2027 CIP is locked in. Many of the numbers are rolling numbers until Council approves the two documents to make the projections going forward. She added that it is hard to say what the reserves are on that day because things are constantly changing. The City operates on a cash basis and a modified accrual basis throughout the year, then back-fills the accrual at year-end, which is a pretty standard municipal function.

Councilmember Gorham asked when the Council will see a vision for Southshore Park. Mr. Czech stated that as long as funding is available, 2030 is a realistic timeline. The City already has the concept plans. Councilmember Gorham asked if the design is in the CIP. Mr. Czech stated that the design itself is not included, but it would be incorporated into the project as a whole, and that would be in the CIP. Councilmember Gorham shared that he is considering the Cathcart Park replacement and its relationship to the City's priorities. He noted that at some point, the City will have to pay around $60,000 to get Southshore to a design, so that will have to live the year before the project. He stated that would be a discussion for another day, but that is not seen on the CIP.

Finance Director Schmuck gave an update on the Equipment Replacement Fund (403).

Councilmember DiGruttolo asked how many trucks the City has. Public Works Director Morreim shared that the City will have five once it gets its hook truck and will surplus two trucks after that. Councilmember DiGruttolo noted that she asked whether the truck would be needed this year and how much service reduction that would cause. This year the budget has $280,000 for one truck, and then next year there is around $350,000 for another truck. She asked why the City is spending $12,000 on computer upgrades every year. Finance Director Schmuck explained that there is a rolling schedule that every three to five years, everyone analyzes their own computers. Various computers throughout the City are analyzed annually. Computers can be reassigned to less-used purposes if needed to stay within the budget. Councilmember DiGruttolo stated that there must be many computers in Public Works to justify spending $12,000 annually. Finance Director Schmuck noted that it is not just Public Works; it is Citywide.

Councilmember DiGruttolo stated that the City is getting a new truck in 2027, followed by another new truck, a trailer, and a multipurpose vehicle in 2028. She stated that there would be nothing for several years. She asked why it is being done that way. Public Works Director Morreim pointed out that it is nothing for several years; there are still some larger purchases. He explained that last year, he put most of the larger equipment on a replacement cycle. That does not mean things cannot be shifted around as needed. He pointed out that the mower is approved for purchase in 2026, but that was pushed to 2027. He stated that one big purchase is made each year and that the rest of the purchases are evened out if possible. That is the general concept behind a ten-year CIP.

Councilmember Sanschagrin stated that the budgeted $44,000 for last year is not needed again. Finance Director Schmuck explained that it goes into the reserves. Councilmember Sanschagrin stated that it is not impacting the budget then. Finance Director Schmuck stated that it impacts the budget as a capital outlay item, but the levy is not based on a single item. The City says the levy will increase by $60,000 to even things out over the next 10 years. Some years, the entire levy will not be needed, and some years, all of it will be used, with additional tapping into the reserves. Cities use capital funds to even things out over time.

Finance Director Schmuck reviewed the Street Reconstruction Fund, 404, as found in the Agenda Packet.

Councilmember Gorham asked when the local share number is calculated. Finance Director Schmuck explained that, depending on the project, engineering will review it, and Public Works will work with the state to determine whether the project qualifies for any MSA dollars, based on the roads. Engineering will also determine the City's share, as some roads are shared with other cities. This also reflects outside grant funding. Public Works Director Morreim shared that the cost participation calculator is also used, so there are several Shorewood intersections along Highway 7, the largest being at 41.

Councilmember Gorham asked whether the number will worsen as the project grows. Public Works Director Morreim stated that, potentially, yes, but it could also improve with more funding mechanisms. The number is the best guess at this point, but the project is still three to four years out. The number will also be updated in the CIP. Finance Director Schmuck stated that, in looking at a ten-year CIP, years one and two are good estimated dollar amounts; years three through five are ballpark estimates being honed; and years six through ten are just ballpark estimates.

Councilmember Gorham stated that the number is based on the minimum scope, and as the project expands, Shorewood's share will increase. He read that MnDOT is revising its local share policy. Public Works Director Morreim stated that the number will not be zero. The policy stated that if the population is under 5,000, then the amount would be zero. He noted that the new policy is now based more on tax capacity, and, unfortunately, Shorewood has a significant tax capacity. He would check whether the numbers were run through under that policy. He pointed out that he mentioned there are cities around the lake with populations over 5,000, and their tax capacity is very high compared to other cities that are not on a lake.

Councilmember DiGruttolo stated that the memo states that Staff proposes bonding for this, which would avoid a large current levy contribution. She noted that this is true, but this does create future debt service, which is in the levy. It is not entirely accurate to say that it is not a levy thing. Finance Director Schmuck noted that it is a levy thing. Cities view debt differently. Either cities create levies on an annual basis to have money for a project, so people would be paying for ten years to get the money for a project and then the project is built, or other cities look at it as issuing debt so that the people who are using it over the ten years are the ones paying for it. Shorewood has always had a debt service process; there used to be a rolling process where debt would fall off and then come in so that things would stay net neutral. What happened is that the City provided one-time funding for a few years, then postponed some projects, and then four projects bunched all at once, so the City went from nothing to spiking for four years in a row. She noted that 2027 will roll off in 15 years, and that is when the City will start plateauing again, though there will still be some incremental increases. Councilmember DiGruttolo wanted to be clear that although it is not a current levy, it is a levy issue for the future. Finance Director Schmuck stated That Staff can review how bonds are structured and take various actions with the bonds. Various mechanisms can be used when cities begin structuring bond issuances.

Councilmember Sanschagrin stated that one item for next year is the Manor Road resurfacing, led by Greenwood. He asked whether the Council would approve that in the future. Public Works Director Morreim stated that the project is in 2028. That was brought to the City by Greenwood, and they wanted to do that in the CIP this year, but Staff told them no. The road does need improvements, and Staff talked to Greenwood about pushing that out by a few years to allow time to plan the project. As that project moves forward, the number is a general estimate, but the City will define a more precise scope before they feel comfortable adjusting it. Councilmember Sanschagrin noted that the road improvements only benefit one resident. Public Works Director Morreim stated that the project benefits many residents; many people live in the northeast part of town and use Manor Road quite a bit. Councilmember Sanschagrin noted that the document only shows one road. Public Works Director Morreim shared that it is not just the driveway; roads are part of a system that benefits more than just the residents abutting them. Councilmember DiGruttolo pointed out that $500,000 per resident does not seem accurate and that, given the project's optics, it does not seem right for Shorewood. City Administrator Nevinski shared that the project would need further clarification, including the traffic count and how many other people benefit from the road. The handouts were provided to give more context, but sometimes a larger discussion is needed.

Councilmember Sanschagrin read "Manor Road only serves one Shorewood resident's driveway." Public Works Director Morreim pointed out that there is only one driveway that abuts Manor Road. That would be a misrepresentation of what Staff was trying to say. If the information were taken literally, that would mean it is a driveway, which it is not. The road serves 400 to 500 cars a day, which may not seem like a lot, but many roads in Shorewood see the same volume, including Smithtown Road. Mayor Labadie added that Vine Hill Road is also a good comparison, with the middle of the road being a division between Minnetonka and Shorewood. Minnetonka has a lot of apartment buildings that need to come on the road, but when it comes time to do the road, Shorewood would cost-share in that road as well.

Mayor Labadie stated that Greenwood wants the project done already, but Shorewood asked them to push back the timeline. She asked what Shorewood's timeframe would have been if Greenwood did not want the project done now. Public Works Director Morreim stated it might have been a project in 2029 or 2031. Mayor Labadie pointed out that the focus needs to be on whether Greenwood wants this sped up and whether Shorewood wants to accommodate it. Public Works Director Morreim shared that Staff has pushed back significantly on Greenwood because Manor Road is their number one priority, but it is not Shorewood's. He added that the

$500,000 is conservative, but Staff has not conducted detailed scoping on the project; he is not comfortable saying that is the maximum, as no engineering has been done yet. He shared that, normally, scoping and engineering would have been done, and a good number would come in 2027. There is quite a bit of stormwater on this road for Shorewood, so there will be a few different options.

Councilmember DiGruttolo noted that the City rarely says no to projects or considers alternatives. She added that sometimes she would like to see the City discuss whether 40 smaller projects could have high impact, or whether one project costing $500,000 could affect 1,000 people. She noted that one is not better than the other; she wants to have the discussions. That is not something that is done, and that is frustrating for her. When she was in government, she was told This is the budget; stay within it.

Mayor Labadie asked whether the City ever refused to agree to Shorewood's half of the project on shared roads. Public Works Director Morreim stated that the City is addressing that issue on Minnetonka Boulevard. The City paid for part of it, but did not finish something that should have been done. He added that he has dealt with it in other cities, but it is not good for anyone. He stated that he could go back to Greenwood, tell them that Shorewood is not going to do the project, and see what they say. The project needs to be completed eventually, and if it is deferred for a few years, the City will face many issues. He added that this project would be in 2029, but would now be in 2028 in conjunction with another city. Shorewood did say no to the project for this year. Finance Director Schmuck shared that the Pavement Management Plan, including the scope of work and road scoring, is analyzed annually. So instead of saying what can be done for $200,000, the Staff is looking at the needs and where they are best met. Sometimes that could be a larger segment that will not make as many people happy. Looking at the slide that presented the Pavement Management Plan, if projects are not done along the way, costs go up sooner.

Councilmember DiGruttolo noted that her comment was not just about Streets and Pavement, but about all the things the City is trying to fit into the budget. Every year, the City asks for more and more money, pricing people out of the City. Making hard decisions is what leadership is. Not everything can be funded, and she is asking that leaders make harder decisions.

Councilmember Gorham noticed that Yellowstone Trail is back on for 2036 and there is a petition about this stretch. There is a gap in the City's connection to the trail system. He pointed out a significant gap between 2029 and 2036. This area of the trail has been considered before, but it would be good to take advantage of this big gap when there are no major capital outlays and to consider putting the trail in this area. Public Works Director Morreim shared that Vine Hill Road is in 2031, so there is not as much of a gap as it appears. He noted that Yellowstone Trail is included in the CIP because Staff has heard that residents would like to prioritize it. Councilmember Gorham noted that it would take some engineering. Public Works Director Morreim stated that it would be an expensive trail but would be heavily used.

Finance Director Schmuck reviewed the MSA Street Reconstruction Fund, 405, as found in the Agenda Packet.

Councilmember Gorham asked if the City fronts the money and then MnDOT reimburses the City. Finance Director Schmuck noted that to be true. Councilmember Gorham asked how the City plans to reimburse. Finance Director Schmuck explained that at this point the City has the contract dollars available, and those numbers are tracked on an ongoing basis. When the project is completed, and the checklist is done, those funds might not be reimbursed for a few years.

Councilmember Gorham asked whether the City has an MOU with MnDOT before letting. Finance Director Schmuck stated that the project will undergo a State aid review before it is let. Public Works Director Morreim stated that it will be an important component of the trail because state-aid design elements and watershed requirements must be followed. Councilmember Gorham asked how the City gets a commitment from MnDOT for the project. Public Works Director Morreim explained that the City goes through the review process; the plan is submitted with the engineer's estimate; MnDOT will have comments; and then MnDOT will approve it, which means the project can be reimbursed. All approvals must be obtained upfront. The project is done like most other projects, and then it gets reimbursed in the end. Councilmember Gorham asked how long after the project is completed the City is reimbursed. Finance Director Schmuck stated that this is a 2029 project and will probably not be completed until 2030. Depending on the time of year, reimbursement requests might not be submitted until the end of 2030 or the beginning of 2031, and then it takes about a month to review. Councilmember Gorham noted that the City would be out a couple million dollars in 2029 and might not get that back until 2031.

Finance Director Schmuck reviewed the Community Infrastructure Fund and Water Fund as found in the Agenda Packet.

Councilmember DiGruttolo asked whether the 4-by-4 water utility truck is in addition to the other trucks being bought. Public Works Director Morreim shared that the trucks are in both. Finance Director Schmuck explained that the truck is referenced because it is the funding source for it. It is a truck in the equipment fund, but the water fund will contribute $101,250 to the equipment fund as its share of the piece of equipment. It is also shared with the Sanitary Sewer Fund. Councilmember DiGruttolo noted that she did not see the numbers. Finance Director Schmuck stated that she was referring to a different truck. Public Works Director Morreim explained that the utility truck is in 2028 and shows on the 403 Equipment Fund. The pickup in the Water Fund is the utility pickup used and most commonly seen. Councilmember DiGruttolo asked how many trucks the City has in total. Public Works Director Morreim stated he would have to count exactly, but it is around 12. The pickups are the most used trucks, and the larger trucks are used less in the summer.

Councilmember Gorham asked what the difference is between Mill and Overlay and the striping in the Water Fund. Finance Director Schmuck explained that the Mill and Overlay is every other year, $2,000,000, within the Street Fund. Depending on the segments completed, water components beneath the surface are included, and that is what comes into the budget. There is also ongoing water main activity that is financed.

Finance Director Schmuck reviewed the Sanitary Sewer Fund as found in the Agenda Packet.

Councilmember Sanschagrin pointed out that it would be helpful to have the underlying assumptions driving the growth rates or year-to-year changes. He shared that more of that, in everything the Council is looking at for budgeting, is driving the numbers. Finance Director Schmuck stated that the numbers are inflated by $2,500 annually, as an earmark to manage things in the future. Councilmember Sanschagrin noted that this is what is happening with all of the lines.

Finance Director Schmuck reviewed the Stormwater Fund as found in the Agenda Packet.

Councilmember Gorham asked if the MSA covers stormwater. Finance Director Schmuck stated that the stormwater component of the project is not eligible. MSA dollars are based on road taxes and can only be used for roads, sometimes trails; it is only the surface.

Finance Director Schmuck is requesting public engagement and overall direction for the CIP and the Long-Term Financial Management Plan.

Councilmember DiGruttolo shared that when CIP projects are given to the Council, she would like to see the alternatives and the trade-offs. She would like to see what the City will not do, because money will be spent on something. She added that, for the CIP, the Staff is trying to keep the Long-Term Financial Management Plan within a band; she would like that band to be tighter. Public Works Director Morreim stated that offering options increases the cost of developing the CIP. Project options are identified during the scoping phase, following Council approval. That is something that can be done, but it will come at a higher cost. Councilmember DiGruttolo asked what that cost would be. Public Works Director Morreim stated that, depending on the projects, costs will range from $2,000 to $10,000 per project, with larger projects costing more. Councilmember DiGruttolo noted that she does not speak for all of Council, but that is what she would like to see: alternatives, tradeoffs, and creative thinking. That might actually go to the argument that a Staff Engineer is needed. She noted that, for all of these things, it would be great for Council to have data to back up the decisions. Public Works Director Morreim stated that if he has to go through every piece of equipment with that process, that will be unmanageable. If Council wants Directors to dedicate a lot of their time to CIP items, that can be done, but many other things will not get done.

Mayor Labadie noted that there is a point at which the Council must trust the department heads; if they say something is needed, the Council must act on their recommendation. Councilmember DiGruttolo agreed that if the department heads are only getting a certain amount of money, they would not have to come to Council to show those things because they stayed within the given budget. If Staff is going to come to Council asking for big projects, they will need to show data to back up why they need them, rather than saying it was in the CIP for 10 years; so that is what we are going with. Mayor Labadie stated that ten years is a good projection of what is to come. There are also situations where things might arise, making the budget not 100 percent predictable. Councilmember DiGruttolo agreed but pointed out that in personal budgets, if something comes up, you only buy what is in the budget. She pointed out that emergency services have to be paid for, so there has to be a trade-off, but since she has been on Council, there have been no trade-offs; it has only been to raise the levy. Mayor Labadie noted that as costs rise, the City's expenses will mirror the uptick in prices. Councilmember DiGruttolo stated that the property taxes should mirror that and the City should be getting more from people every year because property taxes are increasing. The City is going on top of that. She is asking that, as the representative of the people, residents are stressed out and being pushed out. Mayor Labadie noted that she did not hear any of that, only thank-you to the various departments. Residents noted that they loved living in Shorewood but were concerned about what is being done to amenities such as the SCEC and the parks. All those things cost, but the City should be proud of them. If the City wants to pay less, then something has to give, but the people that she has talked to are not willing to let the services the City provides slide. She noted that so many people are complimenting the City, and she receives no complaints.

Councilmember Gorham shared that he does not think the solution is for every director to go through their budget line by line. At one point, City Administrator Nevinski tells the directors they have reached a certain threshold and that the budget cannot go to Council until it is met. Then the directors review what can be removed to stay within the threshold, and those options are brought to the Council to decide what should be removed to meet the threshold, or the Council may decide to go beyond the threshold. Mayor Labadie agreed, and she thought it had been done at the beginning of the year. She noted that the Council did not want things over double digits. Finance Director Schmuck shared that is what Staff is still trying for. Councilmember Gorham shared that it is good, but then Staff presented a budget over ten percent without any context. Finance Director Schmuck stated that those things are being pulled together, but the projections did not have such an increase in public safety. Staff has been working on fine-tuning the numbers since receiving the budget from Public Safety. She noted that Staff is taking steps in the CIP to stay within the means, but the General Fund is difficult because the City does not control the two largest pieces of that budget. She shared that Staff is working on that.

Mayor Labadie noted that Council talked a lot, but still has the Reserve Policy overview. Finance Director Schmuck noted that the information was just provided and Staff is not asking for any action or direction regarding that. It is to give a summary of the Reserve Policy.

3. RESERVE POLICY OVERVIEW

Mayor Labadie asked if the Council had any questions that needed to be answered now. Seeing none, she noted that if the Council has questions regarding the Reserve Policy or the budget, they should contact Ms. Schmuck.

Sanschagrin moved, Gorham seconded, Adjourning the City Council Work Session Meeting of August 10, 2026, at 7:08 P.M. Motion passed 5/0.

ATTEST:

Sandie Thone

Sandie Thone, City Clerk

Jennifer Labadie

Jennifer Labadie, Mayor