CITY OF SHOREWOOD
CITY COUNCIL WORK SESSION
APRIL 27, 2026

City of Shorewood

5755 COUNTRY CLUB ROAD
CITY HALL COUNCIL CHAMBERS
5:30 PM

AGENDA

1. CONVENE CITY COUNCIL WORK SESSION

A. Roll Call

Mayor Labadie	______
Councilmember Maddy	______
Councilmember Sanschagrin	______
Councilmember Gorham	______
Councilmember DiGruttolo	______

B. Review Agenda

2. DISCUSSION

A. 2027 Budget — Goal Setting Discussion

3. ADJOURN

City of Shorewood

City Council Work Session Item 2.A.

Title/Subject: 2027 Budget — Goal Setting Discussion
Meeting Date: April 27, 2026
Prepared By: Marc Nevinski, City Administrator
Jeanne Schmuck, Finance Director

Attachments

1. Taxable Market Value-Net Tax Capacity
2. Property Tax Levy-Estimated Tax Rate
3. Figure 1 2025 Financial Management Plan
4. 2027 Budget Preparation Calendar

Background

City staff is beginning to work on the 2027 budget and is seeking insights from Council to help guide budget preparation and future budget discussions. The discussion will help staff better prepare a budget that reflects the Council's objectives and provide information that assists the Council in its decision making.

The chart below broadly shows what the 2027 budget might look like and is provided as an approximate reference point to assist in the discussion.

General Fund Levy:	**2026 Actual**	**2027 Concept**
Operating Levy	$3,576,464	$4.1 M
Fire	$ 982,406	$1.1 M
Police	$1,877,027	$2.1 M
SCEC		
Levy	$ 145,000	$153,000
Capital Fund Levies		
Park Improvement	$ 305,500	$355,500
Equipment	$ 215,000	$275,000
Street Improvement	$ 0	TBD
Community Infrastructure	$ 50,000	$ 50,000
Debt Service		
Total 2017-2023 Issuance	$1,095,586	$1.09 M
Totals / Levy %	**$8,246,983**	**$9.23M (12%)**

To increase understanding of the City's annual budget, the City started in 2025 to break out the levies for the various components of its budget. These include the following:

The **Operating levy** includes personnel costs, contractual obligations, and operational expenses.

Fire and Police levies fund Shorewood's portion of public safety costs. The figures shown above represent early estimates for 2027 and include operating and capital costs. Unknown costs currently include capital costs for building improvements and wages/benefits for the two police unions for the 2027 – 2029 contracts which are currently being negotiated.

The **SCEC levy** includes funding for operations of the SCEC not covered by user fees or outside revenue. The SCEC analysis is currently underway and will inform funding for certain investments and actions regarding the SCEC.

Capital Fund levies dedicate funds for investments such as improvements to parks, the replacement of major equipment, street and trail infrastructure, and deferred maintenance in city buildings. These funds include the Park Fund, Equipment Fund, Street Fund and Community Infrastructure Fund. The activities associated with these funds may be funded through tax levies, transfers, bond proceeds, grants or other funding sources. Notable projects listed in the 2026-2035 CIP for 2027 include:

- Park Fund - Freeman Park northern area playground equipment replacement.
- Equipment Fund – Replace single axel dump truck.
- Street Fund - Manor Road in collaboration with Deephaven, and mill & overlay work.
- Community Infrastructure Fund – Heating replacement at the Public Works facility.

In prior years, the City had made the decision to allocate equal amounts of levy dollars to its capital funds. This started with approximately $100,000 for each fund and increased by five percent each year. In 2025 it was determined that adopting a strategy of allocating this magnitude of dollars to the Park and Equipment capital funds was reasonable to levy for, met the City's needs, and avoided borrowing. However, for the Street Fund, trying to save for large, multi-million-dollar improvements was determined to not be achievable, so a strategy to bond or otherwise finance with reserves such projects was adopted. The Community Infrastructure Fund was funded with a modest allocation of levy dollars for 2026 but will need additional funds in 2027 beyond what is included in the above chart.

The **Debt Service** levies funds annual debt payments associated with projects or large purchases. Debt service payments from general governmental activities are funded by property taxes; debt service payments from enterprise activities are funded by user fees.

<u>Considerations for 2027 Budget</u>

- Public Works Facility Improvements – Recommendation to include high level planning, level costs in 2027 budget to inform financing and phasing options for future budget discussions.

- Update Pavement Management Plan for CIP.

- Incorporate Park Master Plan into CIP.

- Senior programming and services if the South Shore Senior Partners dissolves.
- Considerations related to engineering staffing.
- Asset management software and implementation.
- Strategic Priorities – What actions or investments are needed to achieve a Strategic Priority? Examples includes:
    - Vegetation Management initiatives – more equipment, contractor, training, reforestation or pollinator planting
    - Investments in traffic safety – speed signs, Hwy 7 improvements, capital improvements
    - Communications – expand resources or tools

Historical Information

Attached please find the following information:

- The City's historical taxable market value, net tax capacity, property tax levy, and tax rates
- Figure 1 from the 2025 Financial Management Plan. This shows the expected tax levy and rate based on information and plans in the spring of 2025. Ideally, these figures would be relatively consistent year over year, but fluctuations may occur due to projects or initiatives in the budget.
- The proposed 2027 budget calendar. If there are changes desired, now is the time to make them. Council had indicated in the January budget debrief that it wished to streamline the budget process to a degree.
- A link to the **County's 2026 Sales Book**. This informs tax capacity and documents valuation.

Strategic Alignment

Fiscal Responsibility

- Align City policies and practices with strategic direction
- Implement best practices to support sound financial management
- Maintain stable and predictable finances over the long-term

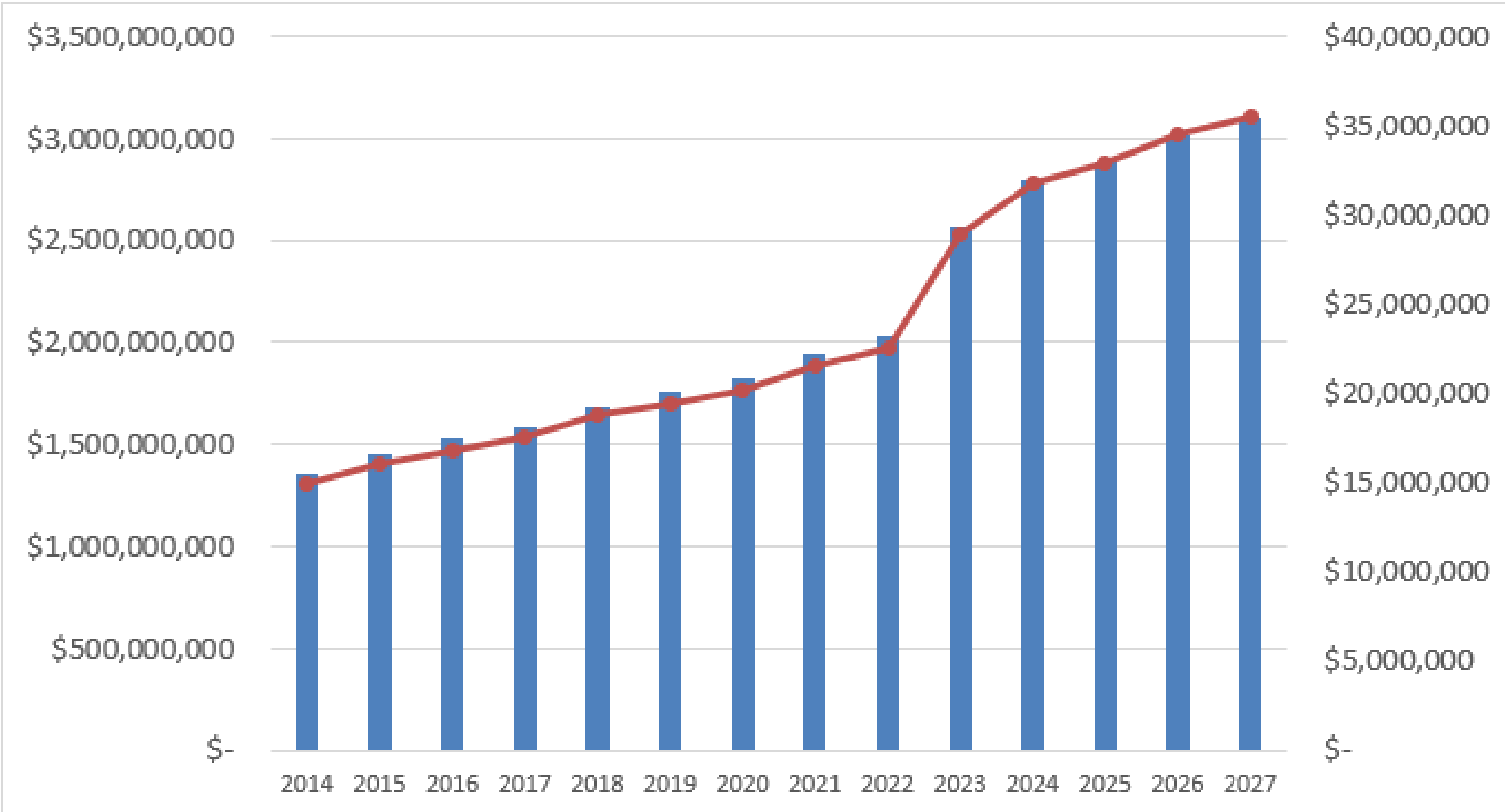
Starting the budget process by discussing general goals helps to set expectations and guide both staff and Council in preparing the budget.

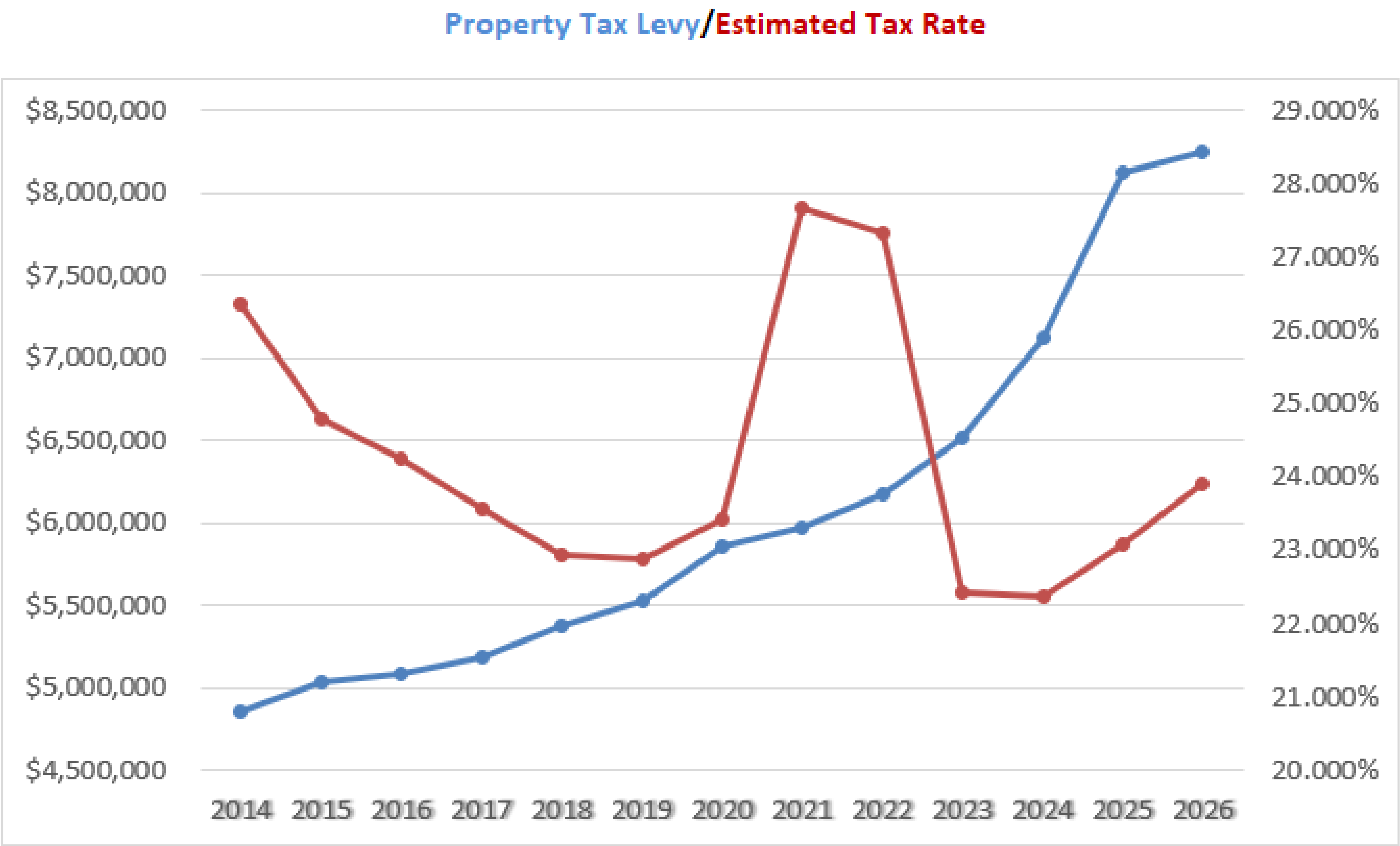
Discussion Requested

- What priorities does the Council have for the 2027 budget?
    - Are there specific projects or initiatives the Council wishes to advance or pull back from?
    - Are there specific outcomes the Council wishes to achieve with the 2027 budget?
    - What tradeoffs might exist for a priority, or what might the limits or conditions around that priority be? Are there options that should be explored?
- What has Council heard from residents that may have budgetary implications?

- Is there additional information the Council would like to see included in the budget process?
- Are there comments regarding engagement? Similar levels of engagement to last year are anticipated.

Taxable Market Value/Net Tax Capacity




Property Tax Levy/Estimated Tax Rate
$8,500,000
$8,000,000
$7,500,000
$7,000,000
$6,500,000
$6,000,000
$5,500,000
$5,000,000
$4,500,000
29.000%
28.000%
27.000%
26.000%
25.000%
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2021
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2023
2024
2025
2026

Figure 1
2025 Financial Management Plan

Figure 1 City Tax Levy and Tax Rate				
Tax Collection Year	Tax Levy	% Change Levy	Tax Rate Tax	Percent Change in Tax Rate
2025	$7,593,570	6.72%	23.072	3.2%
2026	$8,329,583	9.69%	24.689	7.0%
2027	$8,967,795	7.66%	25.940	5.1%
2028	$9,921,152	10.63%	28.042	8.1%
2029	$10,684,270	7.69%	29.556	5.4%
2030	$12,048,992	12.77%	32.668	10.5%
2031	$12,857,624	6.71%	34.140	4.5%
2032	$13,868,793	7.86%	36.067	5.6%
2033	$14,582,895	5.15%	37.133	3.0%
2034	$15,557,212	6.68%	38.791	4.5%
2035	$16,409,585	5.5%	40.063	3.3%

City of Shorewood

2027 Budget Preparation Calendar

(Subject to Change)

Date	Event
Monday, April 27, 2026	City Council Budget Work Session #1: Goal Setting Session - Schedule, Process, Council provide direction on initiatives and expectations for the 2027 budget. (City Administrator)
Monday, May 4, 2026	Departments' Budget roll out. Departments receive electronic access to the 2027 Budget Entry Instructions and Budget Calendar. Review use of Extended Budget module in Springbrook software. Administrator provides budget instructions and outlines City goals and challenges.
Friday, May 29, 2026	Personnel Requests due to Finance Department with City Administrator approval.
Friday, June 12, 2026	Fee Schedule revisions due to Finance Department.
Monday, June 22, 2026	Budget Requests due to Finance Department via Extended Budgeting. Capital Improvement Plan (CIP) Requests due to Finance Department (2027-2036).
Monday, June 22, 2026	City Council Budget Work Session #2: Personnel.
Friday, June 26, 2026	Updated Budget Book Information (Dept. Descriptions, **Budget Goals & Objectives**, **Dept. Statistics**, Staffing Levels, Changes/Challenges, and Budget Summary) due to Finance Department.
Monday, July 6, 2026	Directors Meet with City Administrator and Finance Director to review budget goals, issues, personnel, and CIP requests.
Monday, July 6, 2026	Obtain preliminary property valuations/net tax capacity from Hennepin County.
Monday, July 27, 2026	City Council Budget Work Session #3: 2027-2036 Capital Improvement Plan.
Friday, July 31, 2026	Last day for Department of Revenue to notify City of Local Government Aid amounts.
Friday, July 31, 2026	Finalize 2027 budget entries into Extended Budgeting in Springbrook.
Monday, August 10, 2026	City Council Budget Work Session #4: Long-Term Financial Management Plan.
Friday, September 4, 2026	Obtain preliminary property valuations/net tax capacity from Hennepin County.
Monday, September 14, 2026	City Council Meeting - 7:00 p.m. City Council approves preliminary 2027 Budget, sets proposed 2027 Tax Levy, and establishes Budget Hearing Date. Adopt 2027 fee ordinances and fee schedule.
Wednesday, September 30, 2026	Last day to certify proposed 2027 levy and budget hearing date to the County Auditor. Special for to State, if necessasry.
Monday, November 23, 2026	City Council Budget Work Session #5: Final Review - If necessary
Monday, December 14, 2026	City Council Meeting - 7:00 p.m. Budget Hearing - City Council approves final 2027 Budget, Tax Levies, and CIP.
Monday, December 28, 2026	Cities must certify the final property tax levy to the county auditor on or before December 28, 2026 (5 working days after December 20).