

CITY OF SHOREWOOD
CITY COUNCIL REGULAR MEETING
MONDAY, JUNE 9, 2025

5755 COUNTRY CLUB ROAD
COUNCIL CHAMBERS
7:00 P.M.

MINUTES

1. CONVENE CITY COUNCIL REGULAR MEETING

Mayor Labadie called the meeting to order at 7:01 P.M.

A. Roll Call

B. Pledge of Allegiance

Present: Mayor Labadie; Councilmembers Maddy, Sanschagrín, Gorham, and DiGruttolo; Acting City Attorney Asani; City Administrator Nevinski; City Clerk/HR Director Thone; Planning Director Griffiths; Director of Public Works Morreim (via electronic means); Park and Recreation Manager Czech; Finance Director Schmuck, and, City Engineer Budde

Absent: None

C. Review Agenda

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

Motion passed.

2. CONSENT AGENDA

Mayor Labadie reviewed the items on the Consent Agenda.

Sanschagrín moved, DiGruttolo seconded, Approving the Motions Contained on the Consent Agenda and Adopting the Resolutions Therein.

A. City Council Work Session Minutes of May 27, 2025

B. City Council Regular Meeting Minutes of May 27, 2025

C. Approval of the Verified Claims List

D. Accept Resignation of Administrative Assistant and Approve Recruitment

E. Cannabis Business Registration Authority Resolution, Adopting RESOLUTION NO. 25-054, "A Resolution Assuming Cannabis Registration Authority for the City of Shorewood in Accordance with MN Statute Section 342.22, as amended and Rescinding Resolution 25-017 Delegating Registration Authority to Hennepin County."

Motion passed.

3. MATTERS FROM THE FLOOR

Dwayne Lorelei, 5595 Eureka Road, stated that he had spoken at the April 28, 2025 regarding concerns of certain projects where water was put in the surrounding homeowners had not been assessed, but other projects homeowners were assessed. He noted that he has had conversations with City Administrator Nevinski a few times about this and explained that he had not been able to find an answer to his question. He stated that this was not fair or right and gave examples of recent projects on Birch Bluff, Strawberry Lane, and Peach Circle, where the residents were not assessed, and how much money the City could have brought in if there had been assessments. He discussed past assessment amounts, the current hookup fee of ten thousand dollars, and asked if the City would increase that fee over the next ten or fifteen years.

Mayor Labadie stated that the Council was planning to have a discussion about the City's water infrastructure later on the agenda, as well as future policy decisions, and invited Mr. Lorelei to stay and listen to their discussion. She noted that she expected it to be a lengthy discussion and explained that the meeting was being filmed, if people were unable to stay for the entire meeting.

Greg Larson, 25535 Orchard Circle, stated that they know the general timeframe when the change was made between properties that were assessed, such as along Riveira, and those that were not, such as along Glenn Road.

Councilmember Gorham stated that was not correct. Mayor Labadie explained that this issue was going to be discussed later on tonight's agenda.

Mr. Larson stated that if the City approached water like a business, it would not be that difficult, and there would not be problems. He stated that the City was in the business of selling water, which meant that they needed to understand the benefits and features of their product and compare it to the competition, which in this case, would be well water. He stated that they need to understand the costs, but also the marketing question of who wants this product, and noted that no business would spend millions of dollars before understanding the market for this product. He noted that there has never been a survey that has asked people whether they want water and what it would take for them to hook up. He stated that these questions were not asked, and he would consider the City spending this money without this information as malfeasance.

Mayor Labadie encouraged Mr. Larson to stay for the remainder of tonight's meeting to hear the Council's discussion related to water.

Christine Sanschagrín, 27725 Island View Road, explained that it was difficult for the people participating via Zoom to hear because there was background noise being heard from the staff area and suggested that they could mute their microphones. Staff and the Council tried some troubleshooting measures to see if they could address the audio issues.

4. REPORTS AND PRESENTATIONS

A. Deborah Zorn, Lake Minnetonka Conservation District

Deborah Zorn, Lake Minnetonka Conservation District, introduced LMCD Code Enforcement Manager, Tom Tully, and stated that they would be tag-teaming the presentation. Ms. Zorn gave a presentation that included an overview of the Lake Minnetonka Conservation District (LMCD),

strategic plan, current topics, including the summer rules brochure, rental watercraft license, and pilot program of nighttime bow fishing. Mr. Tully reviewed the 2026 budget, strategy behind the levy percentage change, aquatic invasive species, wakeboarding regulations, new watercraft speed limit, and overall LMCD regulations and City ordinances.

Councilmember DiGruttolo asked if the LMCD charges a fee for the rental sticker and if they expect the same percentage change to happen every year. Mr. Tully answered that they do charge twenty-five dollars per rental watercraft. He stated that now that the LMCD has stabilized, he expected that this would be the change and noted that they were not expecting future changes.

Councilmember Sanschagrín asked about the LMCD winter activities. Mr. Tully stated that usually during the winter months, they are following through with complaints from previous years, full regulations for snowmobiles, and also doing a lot of preparations for springtime.

5. PARKS

6. PLANNING

7. ENGINEERING/PUBLIC WORKS

A. Water Infrastructure

City Administrator Nevinski explained that following Council direction from their retreat, staff went back and dug into the water infrastructure background and history. He outlined the current assumptions being used and explained that they were projecting a deficit of four point five million dollars in 2035. He gave a presentation to the Council on the history of the system and policies in place; community input through surveys from 1991, 2011, and 2025, and the Mill Street project; details about the current west water system, and the separate east water system; water quality; financial considerations; and reviewed the nineteen possible options. He explained that the staff was looking for direction from the Council on how they want to proceed in relation to water issues.

Mayor Labadie thanked staff for pulling all of this information together and suggested that they address each of the nineteen options individually in order to give staff the direction they were requesting.

Councilmember Sanschagrín stated that he had some questions that he would like to ask before they move on to discuss each option individually. He noted that the projected deficit was the driving force behind their overall discussion and wanted to know more about how it was calculated. Finance Director Schmuck explained that the revenue was based on the ten percent rate analysis that the City current had in place, that they know that the revenues are falling short of the current expenditures, and that about seventy percent of the expenditures are fixed costs. She stated that currently, the City's debt service needs to subsidize their capital, so they made assumptions based on fifteen to twenty-year bond issuance, which was historically what the City had done. She clarified that the assumptions were based on the existing status quo.

Councilmember Sanschagrín referenced the ten-thousand-dollar connection charge and asked if there was a way to set the charges so they increased every year. Finance Director Schmuck stated that the City could do that and explained that the connection charge had not been adjusted since 1996.

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Councilmember Sanschagrín stated that he had sent an e-mail to City Administrator Nevinski with questions about some of the calculations that he did not understand and suggested that he ask his specific questions as they review each option.

Councilmember DiGruttolo stated that she felt the first question the Council should ask is what their vision is for Shorewood in the future, because whatever they decide today will factor into the assumptions for the community twenty years from now. She noted that one thing she has not heard was assumptions related to climate change with respect to water and water infrastructure, or the ages of homes and wells in that timeframe. She asked what kinds of characteristics they want to keep in the City, and noted that there were also considerations to be made about the age of the infrastructure and potential contaminants in wells. She noted that City Administrator Nevinski had stated in his presentation that there was not much capacity for expansion, but the packet stated that there were twelve hundred twenty-four parcels that could be developed and asked what would happen if all of them were developed. She explained that she asked that question because the City was already being forced by the Met Council to change the City's Comprehensive Plan and add more housing. She stated that the decisions the Council makes today will have profound effects on future generations and not just for the current residents. She stated that after they have this discussion and decide what they want the City to look like twenty years from now, it should be a bit easier for them to agree on some of the options presented.

Mayor Labadie stated that she agreed this was a generational decision that would impact the entire footprint of the City. She stated that the density proposals from the Met Council did not go through this legislative session, but they were looming and would be coming back around. She noted that with density, the neighborhoods that do not have water lines also do not have fire hydrants, which was a big thing they should be considering. She agreed with Councilmember DiGruttolo that the Council needed to look forward.

Councilmember Gorham stated that the City just cannot sit back and not do anything, and the sense of what is fair in this situation was not obvious. He stated that he had gone through the water journey while living on Riviera Lane and explained that they were not assessed, and he had gone door to door to solicit signatures, but not everyone decided to connect to the City water. He stated that the City cannot just keep going down this same road and needs to do something. He noted that he agreed that they needed to look at the long term, but the four-and-a-half-million-dollar deficit was a short-term consideration.

Councilmember Maddy stated that he had connections with emergency preparedness, and the City was in a good place because many other cities just have a single water source, which can fail. He stated that the City has multiple wells, but they are not treating them, so the water is kind of junky and full of iron and people do not want to pay for it. He noted that he would like part of the Council's discussion to be about the continuity of water supply and the quality of the water. He explained that he would like to see the City have a time scale to have everyone in the City connected, eventually, such as over the next decade.

Mayor Labadie stated that the testing numbers from the City water meet guidelines, but the iron was high. She stated that she can remember a conversation the Council had with City Engineer Budde about what it would take to improve the water quality, and the answer was a treatment facility, which had an exorbitant cost associated with it, but asked if there were smaller, more incremental steps that could be taken.

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City Engineer Budde acknowledged that there were smaller steps that could be taken and shared some examples of smaller treatment structures that could be used in some areas of the City, which would cost several hundred thousand dollars.

Councilmember DiGruttolo stated that the Council was getting wrapped around things like this before they had even decided what they wanted to do. She stated that the first thing the Council needed to decide was what they wanted for the future of the City and referenced Councilmember Maddy stating his opinion that in twenty years, he wanted to see the City be much closer to having water hook-ups City-wide. She stated that those kinds of things will help the Council make decisions about bonding and CIPs, and if that is what they decide, then they can start worrying about how it can be done, how it will be funded, and how they can make the water better. She stated that she did not think they should ask questions about how much something would cost to improve the water supply before they were sure that was what they wanted to do. She noted that she did not believe the cost of several hundred thousand dollars should be the deciding factor for whether or not the City would offer water to the City, and should be done the other way around.

Mayor Labadie stated that she agreed, but a question had been raised about the quality of water, and she wanted to make sure that people knew that the City had been discussing the issue for years. She noted that there is a large-scale way to remedy it, but there are also incremental steps. She agreed that it should not be the driving factor in what the City pursues, but it was good to know that there are options.

Councilmember Maddy stated that it was okay to drink iron, it can just turn the siding red, and asked City Engineer Budde if the City met all the requirements for drinking water. City Engineer Budde stated that the City does meet all the requirements for drinking water and assured the Council that it was tested frequently.

Councilmember Maddy stated that they may complain about the quality of the water, but wanted it to be known that it was all safe to drink.

Mayor Labadie stated that there were two main categories from the recent survey, with people saying that they did not want to hook up due to cost, and others who said they could not hook up because the infrastructure did not exist near their homes. She stated that one of the things the Council needed to decide was how the City can provide this to the community in an incremental, cost-effective way, so people can afford to hook up.

Councilmember DiGruttolo stated that she had done some of the math, and if the City decides that they want that to be the goal, there are ways to make the math work and also to make it as fair and equitable as possible. She stated that there are also ways to just get the City to break even in 2035, but reiterated that the City had not made a decision on what they wanted to do. She stated that she would urge the Council to make a decision where the population today and the population twenty years from now would be well-served by this decision.

Mayor Labadie asked Councilmember Gorham to share some of the incite he gained when he was speaking to his neighbors about hooking up to water. Councilmember Gorham stated that many of his neighbors wanted the water to be there for when they sold their property as an option for the future homeowner. He stated that some of the people who signed the petition liked the idea of City water, but did not plan to hook up. He stated that he saw a lot of logic in Option Two regarding implementing an organized connection program because that was a little of what he was able to do on his street, which made it easier for his neighbors to just make a phone call. He

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stated that the water quality was not really what they were seeing from the Mill Street comments, and was more about the barriers and the price. He asked how the City may be able to incentivize a window using things that were already sunk costs, like the money they had already invested in the street improvements, which he did not see in the staff report.

Mayor Labadie stated that they could add that and reminded the Council that staff were just looking for direction. She stated that with Option Two, the City could facilitate the water service, help people understand more about the connection, and would just be a good service to provide to the community.

Councilmember Gorham stated that he would like to see the City find a way to build some equity into this because he was sure there were people on his street whose barrier was finances.

Councilmember DiGruttolo stated that she agreed and noted that the majority of people on her street are on fixed incomes, so they do not have a lot of money to pay towards an assessment. She noted that they needed to be clear about access to the water and connection to the water. She stated that if the City had made things easier, her household would have connected, but it was too hard. She explained that she and some of her neighbors tried to do things on their own and got four different quotes and were being told different information about construction methods and timeframes. She stated that one thing that has not been explored was options for aid or grants, and helping people on fixed incomes navigate that process and paperwork.

Mayor Labadie stated that she would support staff assisting residents with the grant process, but did not want to give the impression that if they had a certain income or were a certain age that there would be a guaranteed program, because funding options are disappearing.

City Engineer Budde stated that many of the funding sources that exist flow through the Department of Health, and they are typically intended to improve City water or infrastructure that has known contaminants. He explained that he has had conversations with some of the City's funding experts about Shorewood and whether they may be able to get funding for a water treatment plan, and the answer is that they can get on the list, but would not rise to the top to enter the funding stream because they do not have enough money to fix the systems that have known contaminants. He stated that for getting the service connection to people's homes, there is some leniency provided within the City Code for certain criteria, such as age or income. He stated that the City can make some guidelines for this criterion and explained that they would typically be a deferred assessment, which would typically be the sale of the home.

Councilmember Sanschagrín stated that there are a fair number of residents in the City who value freedom over government intruding on their lives. He stated that he would like the Council to be aware of this so they do not end up crossing that line, and was in favor of looking at this like a business. He explained that he would like them to look at this from a perspective of how they can make their product something that is wanted by the market and noted that he was in favor of carrots rather than sticks. He stated that within the staff report, that was a mention of the potential need for increased capacity and asked about the current capacity.

Public Works Director Morreim stated that the City was fine on capacity with the current system, but if they expanded completely out there would be a capacity issue that would come up at least twenty years from now, and would need to be that everyone was connected.

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City Administrator Nevinski stated that the City's practices have not been consistent over time, and being fair and equitable will be a challenge due to the history of the City.

DiGruttolo moved, Gorham seconded, Directing Staff to Pursue Option 1, Improve Public Perception, for three to five years.

Councilmember Sanschagrín asked about the five-thousand-dollar price tag and what it was based on. Finance Director Schmuck stated that it would be costs associated with printing brochures, mailings, and other informational activities.

Councilmember DiGruttolo stated that, in addition to the general information about the system and water quality, the data comparing City water to private wells was important and should be included in the information released to the public. Finance Director Schmuck stated that the City had its data, but data regarding private wells, was private information for the homeowners. She stated that they have compiled this data on rental properties and can compile that, but outside of that, there was no requirement for private residences to provide that information to the City. City Engineer Budde stated that new wells are required to report the data to the City for arsenic, nitrate, and chloroform, and noted that it would not be the full spectrum but would cover many of the main talking points.

Councilmember Maddy stated that he would rather spend this money on pipes than on public awareness. Councilmember DiGruttolo disagreed and noted that much of the information provided in the meeting packet tonight was new information to her, as a well owner. Mayor Labadie stated that she has been talking about the water issues for many years in her role on the Council, and also found information in the staff report that was eye-opening and new. The Council discussed items that they felt were important to include in the information communicated to residents.

Motion passed.

DiGruttolo moved, Maddy seconded, to Direct Staff to Pursue Option Two – Implement Organized Connection Program that would possibly commence in 2026.

Councilmember Sanschagrín stated that he would like to see part of this process include a customer feedback survey after completion, so they can find out what they are doing well and what may need improvement. Councilmember DiGruttolo asked if the information of one to three thousand dollars was per resident or household. City Engineer Budde clarified that it was per household.

The Council discussed design work that may be necessary, what the ideal way may be to coordinate this work with contractors, and possible ways to set up an organized assessment process. Finance Director Schmuck stated that along with the program the City would be establishing a contractor and a way residents can get the work done at their homes in an organized fashion so the City could just pay their cost and would not have to assess that portion and did not have to be clarified in this process.

DiGruttolo withdrew the motion. Maddy withdrew his second.

Motion passed.

DiGruttolo moved to Direct Staff to Pursue Option Two, with the change to direct staff to develop options for an Organized Connection Program.

Motion passed.

Councilmember Sanschagrín asked about the calculations used in Option Three. Finance Director Schmuck explained that she had an error in her formula for this item and the dollar amount across ten years about be one million seventeen thousand five hundred sixty six.

Councilmember Gorham asked if any residents were adjacent to an Excelsior water main that had not been hooked up. Finance Director Schmuck acknowledged that there were some homes in that situation. City Engineer Budde noted that he would estimate there may be about two dozen properties in that situation. Councilmember Gorham stated that he wanted to be consistent.

City Administrator Nevinski noted that there are nuances to this that staff will need to dig into and bring those details back to the Council.

Gorham moved, DiGruttolo seconded, to direct staff to Pursue Option Three – Implement Water Availability Fee.

Motion passed.

The Council discussed Option Four, how the proposed rates were established, the public good benefits for all residents for things like fire hydrants, planned annual increases,

Maddy moved, DiGruttolo seconded, directing staff to pursue Option Four – Implement Infrastructure Fee.

Motion passed.

Councilmember Maddy pointed out that Fire Chief Mackey and Interim Police Chief Balzer had just arrived at the meeting. Mayor Labadie suggested that the Council pause their current discussion and move to the item related to the HVAC Chiller at the Public Safety building.

Labadie moved, Maddy seconded, to table discussion related to Item 7.A. Water Infrastructure, and 7.B., Mill Street Trail Watermain Improvement Project, City Project 24-07, with the intent of returning to their discussion following discussion of agenda Item 8.A.

Motion passed.

8. GENERAL/NEW BUSINESS

A. HVAC (Chiller) Replacement at Public Safety Building

City Administrator Nevinski outlined the issues the HVAC system at the Public Safety building had been having due to reaching its life expectancy. He outlined the anticipated costs which were not budgeted, the bidding process followed, and the cost split between the Fire and Police Departments according to the adopted formulas.

Councilmember DiGruttolo asked about the bidding process and why it cost thirty-six thousand dollars to put together a bid for one chiller. Fire Chief Mackey explained that the building has several variable air volume switches throughout the building, which were included in the bid, and there was also a component of switches that turn different units on and off, and there are also two compressors that run a big chiller on the outside of the building. He stated that when the building was constructed, there were things that were cut, such as not putting hail guards or lightning catchers on the units, which means the units have been hit by lightning numerous times over the years. He stated that this was beyond their scope of having to spec all the things that were involved with changing out a chiller, so they had to bring in a consultant to review everything, which took almost three months, so they could include all the scope and specs in the open, competitive bid process. He stated that this scoping piece was approved on the front end by the Advisory Boards. He noted that they had a hard time getting anyone to come out and even consider looking at the project, and were only able to get Alliance and Nordic to come out and look at it.

Councilmember DiGruttolo asked why they felt the cost had gone up forty percent in just seven months. Fire Chief Mackey stated that some of the feedback they got from the contractors was that the chillers themselves, because they are subject to tariffs, went up thirty-five percent, and then, following the labor negotiations were completed, labor costs also had a massive increase. He noted that one of the issues is that this project may seem like a large project to the City, but in this market, it was not really that big of a project. He explained that they had cut most of the VAVs out of the project and planned to limp them along as they go and had also gone back to the low bidder to see if there was anything else that could be cut, or work that the Departments could go themselves, to help bring the cost down, like removing tiles or painting ceilings, but there was essentially no negotiation because the contractors are already plenty busy and could walk away from this project.

Interim Police Chief Ballsrud stated that the original goal had been to get this started before the summer, which will not happen because they are six to eight months out before the chiller unit will arrive. He stated that if the other compressor goes out, the estimated cost to rent a chiller is around seventeen thousand dollars per month.

Sanschagrín moved, Maddy seconded, Adopting RESOLUTION NO. 25-056 “A Resolution Authorizing Expenditure of Funds and a Budget Adjustment for Unbudgeted HVAC Equipment (Chiller) Replacement at the Public Safety Building.”

Motion passed.

Mayor Labadie recessed the meeting at 9:45 p.m. and reconvened at 9:53 p.m.

Maddy moved, Sanschagrín seconded, to take items 7.A. and 7.B. off the table.

Motion passed.

#7 - ENGINEERING/PUBLIC WORKS – continued

A. Water Infrastructure – continued

Mayor Labadie reminded the Council that they were up to Option Five in their discussion.

Councilmember Sanschagrín asked how staff had come up with the proposed rates. Finance Director Schmuck gave an overview of the current rates and the proposed tier structure that added an additional tier. She reminded the Council that they would be reviewing information from the rate study at their next meeting.

The Council discussed the possibility of exploring the idea of charging more during times of drought, the possibility of having a higher flat rate rather than a tiered structure, the possibility of higher rates for the top usage tiers, and ways to phase changes in

Sanschagrín moved, Maddy seconded, directing staff to pursue Option Five – Modifying the Water Usage Rate Structure.

Motion passed.

City Administrator Nevinski noted that Option Six could be somewhat combined with Option Two in looking at options to bring back to the Council for consideration.

Maddy moved, Sanschagrín seconded, to direct staff to pursue Option Six – Allow Assessment of Complete Water Connection Costs.

Motion passed.

The Council discussed the current subdivision practices, the staff recommendation for an all-or-nothing approach for subdivision connections, and the likelihood that housing bills will be coming back before the legislature.

Maddy moved, DiGruttolo seconded, to direct staff to pursue Option Seven – Require New Subdivisions to Connect.

Motion passed 4-1 (Sanschagrín opposed).

DiGruttolo moved, Labadie seconded, to direct staff to pursue Option Eight – Require Connection Upon Sale of Home.

Motion passed 4-1 (Sanschagrín opposed).

The Council discussed what would be considered a 'complete reconstruction'.

Maddy moved, DiGruttolo seconded, to direct staff to pursue Option Nine – Requirement Connection Upon New Home Building Complete Reconstruct.

Motion passed.

The Council discussed Option Ten including, pros and cons of requiring connection following a watermain project, what could happen if a well fails and the difficulty of the City finding out when a private well fails, importance of a consistent policy, and having this concept more fleshed out before a determination is made, the possibility of requiring hook ups when there is a watermain project, but allowing people to continue using their wells, not running service to the home unless they were connected, efficiency of doing this work during the construction project, combining this

action with Option Two where the City helps provide coordination of hook ups, the possibility of changing the language from 'require connection' to 'promote connection', that this option was really mandating payment of a water access charge, not the actual connection, the importance of allowing residents to have autonomy and make their own choices but also with an eye to the future, and ways these fees may be paid or assessed.

Maddy moved, Gorham seconded, to direct staff not to pursue Option Ten – Require Payment of a Water Access Charge, without Requiring Connection, Following a Watermain Project.

Motion passed 4-1 (Sanschagrín opposed).

Councilmember Sanschagrín referenced Option Eleven and stated that he had done some of the math, and the value of the ten-thousand-dollar fee that was instituted in 1996 had a value of twenty thousand dollars now. He noted that he did not feel the City should make this change in one fell swoop and should manage it over time and suggested that they keep the fee the same through the end of 2025 and then notify all residents that the fees would be increasing by two thousand five hundred per year for the next four years until it gets to the point where it was covering all the costs, but could opt in now for the lower fee. City Administrator Nevinski stated that he felt staff had gotten some direction on this and could work on the details of when the incremental increase would begin, and did not need to solve this down to the last penny tonight.

The Council discussed the feedback the City had gotten related to cost, the idea that it may be too soon to discuss raising rates, the possibility of waiving or reducing connection fees where it was already available as a way to get people connected, the resentment and anger that approach may bring to residents who had paid the connection fee. City Administrator Nevinski suggested that staff bring back a more graduated, longer-term approach to an increase in the connection fee that still worked towards covering the costs.

The Council discussed whether making this change would be too much, too soon, infrastructure costs for the recent water projects in the City that ended up being around seventeen thousand dollars per property, City subsidizing these costs, generational benefits to the community, and the length of time the fee has been at ten thousand dollars.

Sanschagrín moved, Maddy seconded, directing staff to bring back options to the Council for a graduated approach to increasing the fees in periods for further discussion to pursue Option Eleven – Increase the Water Connection Fee.

Motion passed.

Councilmember DiGruttolo asked what the costs would be for Option Twelve. Mayor Labadie explained that City Engineer Budde had touched on this earlier, that there was a range of things, such as a water treatment plant that would be very expensive, but also other smaller incremental things that could be done as well. City Engineer Budde agreed and stated that this item was a very big moving target that had a lot of variables. Public Works Director Morreim reviewed estimated costs for the three bullet-pointed items in the staff report.

Councilmember DiGruttolo stated that the Council needed to know all the costs for these items if they were going to try to get everyone in the City connected to City water in the next twenty years. She referenced water quality and stated that it would be irresponsible of the City to tell people

that they have to be off of well water that was pretty good in hook up to water that was not as good as their well water that they had to pay for. Public Works Director Morreim stated that the biggest complaint the City receives is related to iron and noted that private wells also have iron, so many of the water quality issues would be the same and, in some cases, would be more significant in private wells than with City water. Councilmember DiGruttolo explained that the Council needed to know the costs of the options to be able to make good decisions.

Sanschagrín moved, DiGruttolo seconded, to direct staff to pursue Option Twelve – Improve Water Treatment.

Motion passed.

The Council discussed hesitancy with the support of pursuing Option Thirteen because there was too much room for subjective assessment, potential liability issues, and the possibility of looking into possible options in the future of tying hook-ups to home renovation projects.

Maddy moved, DiGruttolo seconded, directing staff not to pursue Option Thirteen – Require Connection Upon Large Home Renovation.

Motion passed.

The Council discussed requiring payment of the water access charge as in Option Ten. Finance Director Schmuck clarified that because of the way the Council had altered Option Ten, would negate this item, because this was requiring the connection to the existing watermain for the people that currently have water in front of their homes that were not connected.

The Council discussed the existing shortfall and the possibility of dividing the shortfall by the five hundred thirty-one households that have City water available but have not connected, and assessing those properties for the difference as a way to level the playing field. Finance Director Schmuck explained that the City's fee schedule had the fee set at ten thousand dollars and if she took the shortfall and divided it, as suggested, it would exceed that dollar amount and would not be able to meet the valuation justification through the four twenty nine process.

Mayor Labadie stated that she felt being consistent and treating everyone the same was important. The Council discussed the idea that requiring this payment could be considered a bait and switch, possible ways that this may be able to be done painlessly with a longer term payment plan, possibly splitting the fee for an up-front partial payment, and then if and when they hook up later require payment at the current rate, recollections about past discussions for the households that had water available but were not connected, the possibility of taking a wait and see approach for Option Fourteen after the City sees how some of their other changes shook out.

Sanschagrín moved, Maddy seconded, directing staff to not pursue Option Fourteen – Require Connection to Existing Watermain.

Motion passed.

Councilmember DiGruttolo explained that she was not in favor of pursuing Option Fifteen because it increased the risk and cost to the City and the Water Fund. Councilmember Maddy asked for a staff explanation of why this option had been included.

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City Engineer Budde explained that the City's current policy was that the City was responsible for any breaks that happen on the service from the main to the right-of-way line, and the homeowner was responsible for any repairs from the property line to their home. He stated that this option shifted it so the property owner would be responsible for the service from their home to the main. He noted that there are programs out there that would allow these costs to be covered under homeowners' insurance.

Sanschagrín moved, Maddy seconded, to direct staff not to pursue Option Fifteen – Amend City Code for Service Ownership.

Motion passed.

Councilmember DiGruttolo noted that she had questions on this that she had submitted to staff and referenced the statement that some cities had opted not to assess for improvement and funded them using general fund dollars or other resources. She asked which cities this referred to and if they were the same size as Shorewood.

City Engineer Budde stated that he was able to do a little research on her questions and noted that Mound switched from having an assessment policy to not assessing for things like this. He noted that this policy was all over the board for different cities related to assessments.

Sanschagrín moved, DiGruttolo seconded, to direct staff not to pursue Option Sixteen – Utility Assessments.

Motion passed.

The Council discussed the amount of interest there has been in hooking up to water for the Edgewood Road, Grant Lorenz Road, and Noble Road project, the idea behind this overall discussion of getting infrastructure, like fire hydrants in place throughout the City, ways to get resident feedback about their hesitancy even if it means going door to door, the existing project timelines for these projects that should allow for time to do some public engagement, how road projects are prioritized and placed on the improvement schedule, the possibility of revising the CIP plans, that there was no real sense of urgency for this item at the moment.

Maddy moved, DiGruttolo seconded, directing staff to revisit Option Seventeen – Delay City-Initiated Watermain Infrastructure Projects, at some point in the future.

Motion passed.

Councilmember DiGruttolo stated that Option Eighteen seemed like a tax increase and asked for an explanation from staff. Finance Director Schmuck explained that certain indirect costs that are supporting the Water Fund were charged there instead of the General Fund, for example, her staff time, so if that shifted back to the General Fund, there would need to be supplemental revenue or a property tax levy in order to cover those cost. She explained that the City wants the Enterprise Funds to be fully functioning as a business-type entity, which is why the indirect costs are charged out and are supposed to be self-sufficient.

Gorham moved, Sanschagrín seconded, directing staff not to pursue Option Eighteen – Reduce or Eliminate Water Utility Indirect Costs.

Motion passed.

DiGruttolo moved, Sanschagrín seconded, directing staff not to pursue Option Nineteen – Annually Levy to Supplement the Water Fund Shortfall.

Motion passed.

B. Mill Street Trail Watermain Improvement Project, City Project 24-07

City Engineer Budde explained the County was the lead agency for the construction of a pedestrian trail along Mill Street and was planning to advertise for bids in September, so if the City wanted to pursue extension of the water main along Mill Street in conjunction with their project, they would need to complete final design plans. He noted that staff had sent out a questionnaire to the twenty-five property owners who could potentially connect to the water main and gave a brief overview of the results. He explained that most people liked the idea of being able to connect at some time in the future, but not many were interested in connecting immediately. He reviewed estimated costs and outlined some of the potential savings that would be achieved by doing this in conjunction with the County's project. He noted that for the previous agenda item, the Council had given staff direction on water infrastructure items, but nothing had been formally approved, and asked if the City should just follow the status quo for this project.

Councilmember DiGruttolo stated that she was in favor of moving forward with this project under the new procedures that they just discussed, where the City charges a water access fee of ten thousand dollars for access to water. She stated that this would start them moving towards the overall vision they have talked about and would also take advantage of cost savings by working with the County. She stated that people have indicated that costs were a concern, so the City would need to figure out a way to make this the least painful financially for residents, such as a longer assessment timeframe.

DiGruttolo moved, Maddy seconded, Adopting RESOLUTION NO. 25-055, "A Resolution to Prepare Final Plans and Specifications for the Mill Street Trail Watermain Project, City Project 24-07".

Mayor Labadie asked if they should include language directing staff to follow the new procedures they had just approved earlier in the meeting.

DiGruttolo moved, Gorham seconded, Adopting RESOLUTION NO. 25-055, "A Resolution to Prepare Final Plans and Specifications for the Mill Street Trail Watermain Project, City Project 24-07", directing staff to follow the new procedures give in item 7.A., related to water access charges, to charge the \$10,000 water access fee, and encourage connection through the City-led organized connection program, as discussed.

Motion passed.

9. STAFF AND COUNCIL REPORTS AND DISCUSSION

A. Staff

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Finance Director Schmuck noted that staff would be bringing the Long-Term Financial Management Plan and the rate study information to the June 23, 2025, Council meeting.

City Administrator Nevinski reminded the Council that Tonka Splash would be held this coming weekend at Freeman Park. He noted that park tours were conducted for the Master Parks Plan, and they were working on surveys. He stated that the Light Equipment Operator posting just closed and explained that they had 28 applicants.

B. Mayor and City Council

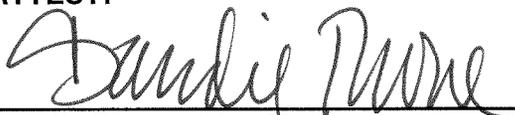
Councilmember Maddy stated that he had a quick meeting with Mayor Fletcher from Greenwood, Mayor Ringate from Excelsior and Long Lake, Orono, Minnetonka Beach, and Medina regarding possibly using the Excelsior Fire District model to create a cooperative fire services for their area.

10. ADJOURN

Sanschagrín moved, Labadie seconded, Adjourning the City Council Regular Meeting of June 10, 2025, at 12:19 A.M.

Motion passed.

ATTEST:



Sandie Thone, City Clerk



Jennifer Labadie, Mayor