

CITY OF RICHLAND CENTER

AGENDA ITEM DATA SHEET

Agenda Item: Resolution No. 2026-12, A Resolution Authorizing an Advance from the General Fund to Finance the Valley View Drive Street Project

Meeting Date(s): Budget Committee on 10/6/2026 and Common Council on 10/6/2026

Requested by: Ashley Oliphant, City Administrator

Background: The Council previously approved a \$191,500 interfund loan from the Water Utility with an anticipated 3.68% interest rate to finance the 2026 Valley View Drive street project. The City's financial advisor, Ehlers, has since recommended advancing the funds from the General Fund instead.

The request outlined in Resolution 2026-12 advances \$191,407.15 from the General Fund to the Pool 4 Projects Fund. The City will repay the General Fund by levying in full for debt service on its General Obligation Community Development Bonds, Series 2017A (TID debt), rather than abating that levy with tax increment as in past years. The repayment schedule is as follows: 2027: \$66,275.00; 2028: \$65,075.00; 2029: \$60,057.15.

The debt levy is the portion of the City's property tax that pays the principal and interest on borrowed funds. Unlike the operating levy, it is exempt from levy limits, which allows the City to borrow up to its debt limit of 5% of equalized value. The City's debt limit is \$24,879,515. That's 5% of the City's 2026 equalized value of \$497,590,300, which includes the TID. Currently, the City has used about 15% of its total debt capacity. For this reason, municipalities finance capital expenditures, such as street reconstruction, facility construction, and major equipment, through borrowing rather than the operating budget.

Unlike a household budget, where you might save in advance for a large purchase, a municipal budget constrained by levy limits cannot absorb inflation-driven increases in operating costs while also building reserves for capital projects. While borrowing carries an added cost in interest, aside from a referendum, it is the most reliable mechanism available to fund costly projects and equipment. It is an essential relief valve within a restrictive levy framework.

Financial Impact: With this advance, the total 2027 debt levy will rise from \$428,319 to \$494,594. This increase amounts to about 13 cents per \$1,000 in value.

Funding Source: General Fund

Recommended Action:

BUDGET COMMITTEE: Motion to recommend that the Common Council adopt Resolution No. 2026-12, authorizing an advance of \$191,407.15 from the General Fund to the Pool 4 Projects Fund in place of the previously approved Water Utility loan.

COUNCIL: Motion to adopt Resolution No. 2026-12, authorizing an advance of \$191,407.15 from the General Fund to the Pool 4 Projects Fund to finance the Valley View Drive street project, to be repaid without interest from the debt service levy in 2027 through 2029, in place of the previously approved Water Utility loan.

Attachment(s): Resolution No. 2026-12