

MEMORANDUM

TO: Mayor and City Council

FROM: Josh Solinger, Finance Director

DATE: October 28, 2025

TITLE: **RESOLUTION APPROVING 2026 FISCAL PLAN AND CAPITAL IMPROVEMENT PLAN**

RECOMMENDATION

Staff are presenting the finalized 2026 Fiscal Plan and 2026 Capital Improvement Plan for Council consideration asking to pass the resolution.

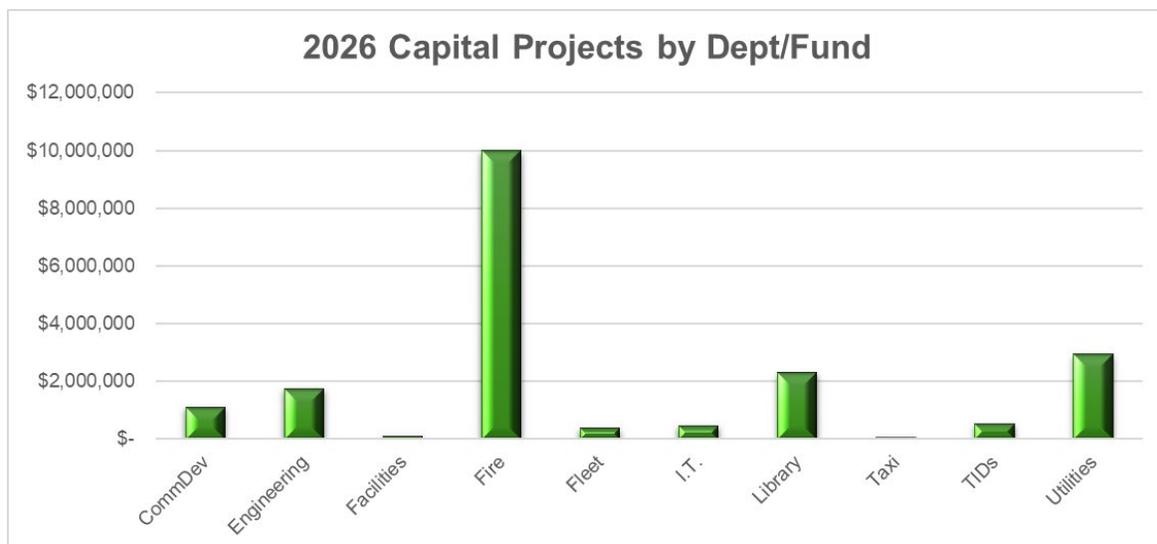
BACKGROUND

The Capital Improvement Plan (CIP) is a five-year plan for major investments and capital outlays. A 2026 Plan was compiled in lieu of a full plan due to the volume of projects staff are currently managing. The CIP includes projects recommended by department managers and supported by the City Administrator as relevant to Council priorities and ongoing operations. The Fiscal Plan is a long-range plan for financial strategies used to guide decision making about the CIP and Operating Budget.

DISCUSSION

Projects by Department/Fund

The 2026 CIP totals \$19,668,868 and emphasizes investments in existing assets or implementing existing plans. The largest category of expenses by department or fund is the Fire Department, primarily due to the fire station remodel. Utilities is the next largest category of expenses due to large projects such as Highview neighborhood electric infrastructure improvements and Lametti interceptor replacement. The Community Development Department is the third-largest category of expenses primarily due to the Kinni Corridor implementation.



Notable Projects in the Plan

The CIP includes a variety of large projects, some of which are transformational for the City service that the projects apply to.

Fire Station Remodel

The current fire station was constructed in 1955 and is 68 years old. The projects incorporates expanded training space, modernized communications equipment, a hose tower, expanded space for gear storage and cleaning, and one additional level for fitness and storage.

Library Projects

In addition to the \$4 million grant-funded projects currently underway at the Library, the CIP contemplates an additional \$2.3 million in private fundraising. The fundraising will be used for projects not accommodated by the grant funding, such as HVAC system replacements, new furniture and shelving, inspirational elements in the building, and wall manipulatives in the children’s area of the building.

Kinni Corridor Implementation (Design)

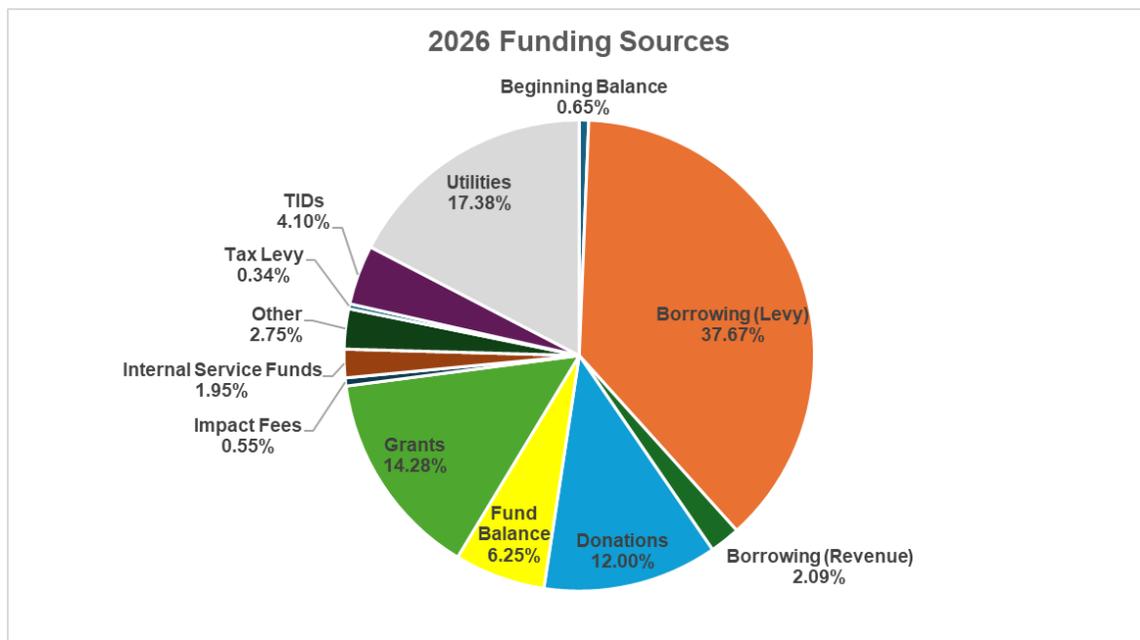
The CIP includes \$1 million in 2026 for the first year of a two-year process to design two dam removals, river restoration, and stormwater rehabilitation along the Kinnickinnic River. The U.S. Army Corps of Engineers (USACE) are facilitating the design process. The USACE process is expected to last approximately two years (2026-2027) and cost \$2 million total.

Lametti Interceptor Replacement

Approximately \$3.3 million will be spent over three years, the first portion of which will occur in 2026, to replace a 12- to 18-inch clay sewer main with 24-inch PVC main along the west side of the Kinnickinnic River. This will improve water infiltration into the sewer system.

Funding Sources Overview

Funding for the 2026 CIP is based on careful planning for all funding sources involved. Approximately 38 percent of the 2026 Plan is funded with debt service, primarily due to the fire station. The next largest funding category is utilities cash financing (17 percent). Grants represent 14 percent of the 2026 funding and donations represent 12 percent. Examples of grant- or donation-funded projects include the Kinni Corridor implementation and Library building projects.



Projects Excluded from Plan

A deliberative process of prioritization is used to determine what projects will move forward in 2026 and beyond. As part of the 2024-2028 Capital Improvement Plan, the City Council identified a variety of projects for the five-year period. As opportunities and challenges arise, the City Council can adapt to current needs due to their sound fiscal stewardship. The process of five-year prioritization and annual re-evaluation resulted in a plan that accommodates many community needs, but some projects of interest aren't included in 2026.

Hoffman Park Master Plan Implementation

This includes parking lots, a new pavilion, and a new entrance road. Some improvements have been made to ballfield lighting on the west end of the park.

Public Works Building Expansion and Renovation

Neither design nor construction are included for 2026 due to ongoing work on other City facilities such as the fire station.

New Regional Park

Long-range plans contemplate the addition of a fourth regional park in a location to be determined. A future project may include land acquisition, design, and construction.

Fiscal Plan

The CIP is integrated with the City's Fiscal Plan and is prepared in coordination with approved financial policies. Financial outcomes impacted by the CIP include the annual tax levy increase, targets for the allocation of the tax levy between spending categories, the General Fund's unassigned fund balance, and total indebtedness.

Annual Tax Levy Increase

The Fiscal Plan is built upon a Council policy requiring that tax levy increases, net of new growth, remain below four percent annually. The proposed 2026 tax levy totals approximately \$8,479,000, which is \$208,000 more than levied for 2025. The portion of the 2026 tax levy resulting from growth totals \$222,000, so the tax levy increase net of growth is less than zero, or -0.17 percent. Levy growth is limited by two factors – less than anticipated levy requirements for capital projects and no new debt issued in 2025.

The CIP requires approximately \$65,000 in tax levy for 2026, to be used for a police patrol vehicle replacement. Approximately \$1,197,000 in General Fund unassigned fund balance will be used for cash financing projects, such as the fire station remodel, which alleviates some tax burden on residents. Approximately \$7.2 million in debt is planned for issuance in 2026 for two projects – the fire station remodel and the Lametti sewer interceptor. The specific blend of fund balance and debt financing will be determined in early 2026. Debt issued in 2026 won't impact taxes until 2027.

Tax Levy Allocation

In addition to setting the tax levy and monitoring the tax burden on residents, the City also sets targets for how the levy is allocated. A component of good fiscal strategy is managing how much funding is used for new assets or services versus how much is used to maintain what the City already has. To that end, the City Council set targets for how much of the levy should be allocated among General Fund operations, Library operations, capital cash financing, and debt service for capital investments. The targets are intended to be guides that the City can manage based on a variety of internal and external financial realities.

Table 1. Tax Levy Allocation		
	Proposed 2026	Target
General Fund	75%	65%
Library	11%	10%
Debt Service	13%	20%
Capital Cash Financing	1%	5%

Because the City has ample unassigned fund balance, the 2026 CIP uses a significant amount of cash financing for one-time projects. This means the City can issue less debt and requires less tax levy for capital costs, shifting a larger percentage of the levy to operations and maintaining existing City assets.

Unassigned Fund Balance

The unassigned fund balance is a measure of how much savings the City has for unforeseen costs or strategic opportunities. The number is presented as a percentage of the operating budget. The City Council set a policy requiring a minimum unassigned fund balance of 40 percent of budgeted operating expenses, with a target of 50 percent. Any unassigned fund balance over the 50 percent target is intended for one-time uses, and unassigned fund balance over the 40 percent minimum may still be used for strategic opportunities at the Council's discretion.

The City enters 2026 in strong fiscal position. Approximately \$1.2 million of the General Fund's unassigned fund balance will be applied to capital projects budgeted in 2026. The specific amount of fund balance applied will be determined at the time the fire station borrowing is completed. However, the General Fund is still forecasted to end 2026 with approximately 55 percent unassigned fund balance, in part because of interfund loan repayments to the General Fund from the City's tax increment districts. The City will remain in strong fiscal position and ready to take advantage of strategic opportunities to serve the community.

Total Indebtedness

The State of Wisconsin has a statutory limit for the total General Obligation (G.O.) indebtedness communities may have. The limit applies specifically to G.O. debt because such debt is backed by a community's tax base. The State's limit is five percent of a community's equalized value, and the City Council set a policy further limiting total indebtedness to half of the State's limit.

Because the City issued no new G.O. debt in 2025, the City's indebtedness fell to 35 percent of the State limit. Planned debt in 2026 for the fire station and Lametti sewer interceptor will increase the City's indebtedness to 41 percent of the State limit. Indebtedness is forecasted to remain stable and well below the State and Council limits for the foreseeable future.

CONCLUSION

The 2026 CIP and Fiscal Plan are presented for review and approval by the City Council via resolution. The appropriation of capital funding will take place as part of the 2026 Budget approval in November. Thanks to the City Council's fiscal stewardship, the 2026 CIP enables the organization to provide a fire station for the future, begin a transformational project along the Kinnickinnic River corridor, make lasting improvements to a variety of infrastructure, and more. By using the Fiscal Plan as a compass, the City remains positioned financially to continue seizing strategic opportunities and meet the needs of a rapidly growing community.

2026 through 2026
Capital Improvement Plan
River Falls, WI
Funding Source Summary

Source	2026	Total
G.O. Bonds	7,221,680	7,221,680
Donations	2,475,000	2,475,000
Electric - Utility Funds	1,769,330	1,769,330
Fund Balance	1,697,500	1,697,500
Grant - Federal	1,400,000	1,400,000
Sewer - Utility Funds	908,570	908,570
Grant - USACE	650,000	650,000
Water - Utility Funds	636,906	636,906
Developer Contributions	448,000	448,000
Bonds - Revenue Electric	400,000	400,000
Tax Increment #8	305,500	305,500
Grant - FEMA	280,500	280,500
IT Fund	269,500	269,500
Tax Increment #13	257,500	257,500
Stormwater - Utility Funds	191,400	191,400
Tax Increment #19	171,000	171,000
Beginning Balance - 420	124,000	124,000
Park Impact Fees	106,000	106,000
Tax Levy	65,000	65,000
Insurance Proceeds	65,000	65,000
Building Maintenance	60,000	60,000
Grant - State	56,300	56,300
Tax Increment #15	51,000	51,000
City Hall Fund	45,000	45,000
Shared Ride Taxi	14,182	14,182
GRAND TOTAL	19,668,868	19,668,868

2026 through 2026
Capital Improvement Plan
River Falls, WI
Projects By Department

Department	Project #	Priority	2026	Total
Buildings				
PSB: Fire Building Design & Construction	16-410-018	2	10,000,000	10,000,000
Parks: Replace Front Steps Glover Schoolhouse	26-410-019	2	15,000	15,000
Buildings Total			10,015,000	10,015,000
Library				
Library: Capital Improvement Projects	26-251-013	1	2,300,000	2,300,000
Library Total			2,300,000	2,300,000
Electric				
Electric: Highview #1	24-610-003	2	400,000	400,000
Electric: Street Lights - Whitetail Ridge	24-610-012	2	314,000	314,000
Electric: Transformers	12-610-007	4	275,000	275,000
Electric: Distribution System Improvements	12-610-017	4	210,000	210,000
Electric: Underground Cable Replacement	12-610-006	4	160,000	160,000
Electric: New Subdivisions - Street Lights	12-610-005	4	118,000	118,000
Electric: Overhead to Underground Wire Conversion	20-610-013	3	100,000	100,000
Electric: Mini Excavator	26-610-002	1	100,000	100,000
Electric: Meters	12-610-003	1	80,000	80,000
Electric: Services	12-610-004	4	67,500	67,500
Electric: Battery Replacement North Substation	26-610-010	1	60,000	60,000
Electric: 2008 1 Ton Pickup	UT22808	1	55,000	55,000
Electric: Public Works Building Improvements	26-610-003	1	50,000	50,000
Electric: Convert Arterial Streets to Underground	20-610-012	1	25,000	25,000
Electric: Fault Indicators	16-610-006	1	12,500	12,500
Electric: Restore Lite	26-610-013	1	11,000	11,000
Electric: New Gatekeepers for AMI Infrastructure	26-610-012	1	10,000	10,000
Electric: Phase Trakker	26-610-014	1	9,000	9,000
Electric: Replace Garage Doors at Power Plant	26-610-001	1	6,000	6,000
Electric Total			2,063,000	2,063,000

Department	Project #	Priority	2026	Total
Engineering				
Transportation: Extend Locust Street	14-ENG-026	2	950,000	950,000
Hoffman/Greenwood Stormwater Infrastructure	26-ENG-002	2	388,500	388,500
Transportation: Glen Park Swing Bridge Rehab	18-ENG-005	2	305,500	305,500
Traffic Signal System Study	26-ENG-008	2	60,000	60,000
Standard Specifications Updates	26-ENG-012	3	30,000	30,000
Cascade Ave Pedestrian Improvements	26-ENG-001	2	20,000	20,000
Engineering Total			1,754,000	1,754,000

Community Development

Kinni Corridor - Implementation	16-410-011	2	1,000,000	1,000,000
Sterling Ponds Park Improvements	26-410-010	2	91,000	91,000
DeSanctis Park Improvements	26-410-007	2	15,000	15,000
Community Development Total			1,106,000	1,106,000

Sewer

Sewer: F-2 Lametti Interceptor	26-630-001	1	221,680	221,680
Sewer: Sanitary Sewer Pipe Slip Lining	12-630-032	1	187,250	187,250
Sewer: Manhole Rehab	26-630-002	2	100,000	100,000
Sewer: Collection System Replacements	12-MU-033	1	78,400	78,400
Sewer Total			587,330	587,330

Information Technology

IT: Access Control at Wastewater Treatment Plant	25-730-008	1	200,000	200,000
IT: Build Fiber Network to Police Department	25-730-006	2	100,000	100,000
IT: Laptop Computer Replacement Project	16-730-003	1	60,000	60,000
IT: Patrol Vehicle Laptop Replacement	20-730-004	2	46,000	46,000
IT: Access Control Addition	25-730-002	2	15,000	15,000
IT: C/W Switch Replacements	21-730-001	2	10,000	10,000
IT: Digital Signage - City Facilities	25-730-003	4	6,500	6,500
IT: Wireless Network Hardware Replacement	20-730-012	2	6,500	6,500
IT: Portable Video Camera	25-730-005	3	5,500	5,500
IT: Security Camera Replacement	20-730-013	1	5,000	5,000
IT: Video Conference Equipment Upgrade	20-730-011	1	5,000	5,000
IT: Zero Trust Network Access Software	25-730-007	1	5,000	5,000
IT: Replace UPS/Battery Backup Units	25-730-004	1	5,000	5,000
Information Technology Total			469,500	469,500

Department	Project #	Priority	2026	Total
Fleet				
Vehicles: Patrol Vehicle Replacement	PD2500	2	130,000	130,000
Vehicles: Rough Terrain Forklift Mustang	ST5709	1	70,000	70,000
Vehicles: 2006 Wood Chipper	ST4806	4	65,000	65,000
Vehicles: 2015 JD Mower 1585	PK10715	6	59,000	59,000
Vehicles: 1999 Forklift	ST3199	3	40,000	40,000
Vehicles: Trailer Replacement	TRLREPL	1	18,500	18,500
Fleet Total			382,500	382,500

Water

Water: Advanced Metering Infrastructure (AMI)	20-620-005	2	136,756	136,756
Water: Meters	12-620-024	1	74,900	74,900
Water: Fire Hydrant Replacement	12-620-023	1	32,100	32,100
Water: Replace Lead Goosenecks	22-620-004	2	16,800	16,800
Water: Sycamore Tower Inspection	23-620-007	1	8,000	8,000
Water: Mound Reservoir Inspection	22-620-001	2	8,000	8,000
Water Total			276,556	276,556

279 - TID 13

TID #13: Street Lights - Paulson Road	24-279-003	3	257,500	257,500
279 - TID 13 Total			257,500	257,500

285 - TID 19

TID #19: Mann Valley Corporate Park	14-285-003	1	171,000	171,000
285 - TID 19 Total			171,000	171,000

281 - TID 15

Connect River Falls	26-ENG-006	2	51,000	51,000
TID #15: Infrastructure 1/2 mile 1300 S. Main	20-281-008	2	50,000	50,000
281 - TID 15 Total			101,000	101,000

Taxi

Taxi: Replacement Taxi Van	14-230-001	1	70,482	70,482
Taxi Total			70,482	70,482

City Hall

City Hall: VAV Controller replacements/upgrades	26-710-001	2	30,000	30,000
City Hall: Conference Room Furniture Upgrades	26-710-006	3	15,000	15,000
City Hall Total			45,000	45,000

Department	Project #	Priority	2026	Total
Parks				
Parks: Replace Roof, Siding & Doors Larson Garage	26-410-021	1	45,000	45,000
Parks Total			45,000	45,000
Stormwater				
Stormwater: Collins Outfall	06-640-311	4	25,000	25,000
Stormwater Total			25,000	25,000
GRAND TOTAL			19,668,868	19,668,868