

# VILLAGE OF HOMEWOOD



## BOARD AGENDA MEMORANDUM

DATE OF MEETING: December 13, 2022

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**To:** Village President and Board of Trustees

**Through:** Napoleon Haney, Village Manager

**From:** Dennis Bubenik, Director of Finance

**Topic:** TRUTH IN TAXATION Hearing - 2022 Final Real Estate Tax Levy

### PURPOSE

It is necessary for the Village Board to discuss setting the yearly real estate tax levy under the rules applied to non-home rule communities. These rules are often referred to as “Tax Caps”. When the recommended tax levy exceeds 5%, the tax cap, rules require a separate hearing called the Truth in Taxation hearing. That hearing will lead off the Board’s meeting on December 13. The final real estate tax levy ordinances will be brought to the Board for a vote at the regular Board meeting of December 13.

### PROCESS

A tax levy is the amount of money a taxing body can request from the overall property taxes that are paid by residents within the taxing district.

Tax levy dollars provide approximately 9.5% of the revenue needed for general fund day-to-day operating expenses. They provide about 72% of the revenue to cover total pension/social security/Medicare expenses, and 100% of the revenue needed to pay General Obligation Bonds debt principle and interest expenses.

The rules for setting the levy are dictated by the State of Illinois and tax cap laws. The Village of Homewood’s tax levy is allowed to increase from the previous year’s levy based on the change in Consumer Price Index (CPI) for the preceding calendar year, and the change for new construction value for the coming calendar year.

The actual CPI is 7.0%. However, due to “tax caps”, this amount is capped at 5.0%. The change for new construction value will not be known until the summer of 2023, so at this time, we are required to make a best estimate. The Village is estimating 1.0%. This gives the Village a total of 6.0% increase over the prior year’s tax capped levy. Because the 6.0% increase is in excess of the 5.0% in the tax cap rules, the Village is required to publish and hold a Truth in Taxation Hearing at the December 13, 2022 Board meeting.

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Cook County had not released the tax capped levy amounts as of our November 8 discussion of the Draft 2022 real estate tax levy with the Village of Homewood Board. On November 8, we went ahead with the information we had at hand, and indicated to the Board that we would make the appropriate adjustments at the December 13 meeting, assuming Cook County would get the numbers out.

The State mandated consolidation of all the independently-run police pension and fire pension funds occurred in 2022, and should be an improvement in the long run, according to the State. The actuary report from the State arrived the week of November 28. It had \$515,549 in higher levy requirements than we anticipated on November 8. These additional pension levy requirements will be met here in non-home rule Homewood by an equal reduction of \$515,549 to the day-to-day operations levy.

The 6.0% increase is allocated between the cost of providing municipal services and meeting our pension obligations. An actuary calculates the Police and Fire Pension amounts. Within the actuarial report, we are provided with two options. There is a 100% pension-funded recommendation and a 90% funded recommendation. The Village has chosen the 90% funded option again for the 2022 tax levy.

Debt obligations are also included in the 2022 tax levy. This amount is not subject to tax cap rules and allows the Village to levy for the coming year's principle and interest payments on the previously issued 2020 General Obligation bond. The amount levied is \$534,770.

In conclusion, The Village of Homewood's levy is approximately 10% of the total real estate tax bill. For example, if a home's total property tax bill is \$6,000, only \$600 of the annual property taxes are allocated to pay for Homewood's high-quality police, fire, public works, and other municipal services.

### OUTCOME

The total 2022 real estate tax levy for the Village of Homewood's municipal operations, pension obligations, and debt service is \$6,941,564. This is an overall increase of 3.3%.

Dollars allocated to Police and Fire Pension based on the 90% funded option and social security/Medicare, increased by \$473,137. Tax levy dollars allocated to the day-to-day operating needs decreased by \$111,180.

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### FINANCIAL IMPACT

Increased pension funding levy requirements were met by an equal reduction to day-to-day operations levy. The final levy will be the basis for next fiscal year's property tax budget amounts.

- **Funding Source:** N/A
- **Budgeted Amount:** N/A
- **Cost:** N/A

### LEGAL REVIEW

Not required

### RECOMMENDED BOARD ACTION

Hold a Truth in Taxation hearing to lead off the Board meeting of December 13, 2022 where we can discuss the 2022 Real Estate Tax Levy.

### ATTACHMENT(S)

- Worksheet
- Graphs