

VILLAGE OF HOMEWOOD



BOARD AGENDA MEMORANDUM

DATE OF MEETING: November 8, 2022

To: Village President and Board of Trustees

Through: Napoleon Haney, Village Manager

From: Dennis Bubenik, Director of Finance

Topic: 2022 Draft Real Estate Tax Levy Discussion

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”. The final real estate tax levy ordinances will be based on this discussion, and will be brought to the Board for a vote in December.

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 & 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 (1) the change in Consumer Price Index (CPI) for the preceding calendar year and (2) the change for new construction value for the preceding 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 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 will be required to publish and hold a Truth in Taxation Hearing at the December 13, 2022 Board meeting.

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An item of note is that Cook County has not released the tax capped levy amounts as of yet. Should the numbers be available by the December 13, 2022 Board meeting, the levy recommendation can be adjusted. Any adjustments should be minor.

The 6.0% increase is allocated between the cost of providing municipal services and meeting our pension obligations. An actuary calculates the Police & 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 so that the allocation towards the day-to-day operations of the municipality will not be reduced.

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.

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 \$7,145,461. This is an overall increase of 3.83%.

Dollars allocated to Police and Fire Pension based on the 90% funded option and social security/Medicare decreased by \$165,865. Tax levy dollars allocated to the day-to-day operating needs increased by \$539,432.

It should be noted again that once Cook County completes their steps, the final 2022 Real Estate Tax Levy presented to the Board on December 13, 2022 may include adjustments as necessary.

FINANCIAL IMPACT

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

None required

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RECOMMENDED BOARD ACTION

Discuss the 2022 Real Estate Tax Levy and direct staff to publish a Truth in Taxation Hearing notice in the local newspaper, hold a Truth in Taxation hearing at the Village Board's December 13, 2022 meeting, and bring the appropriate 2022 real estate tax levy ordinances to the Village Board's December 13, 2022 meeting for approval.

ATTACHMENT(S)

- Worksheet
- Calculation
- Request from Police Pension Board & Fire Pension Board for additional tax levy dollars for the 2022 tax levy.