

VILLAGE OF HOMEWOOD



BOARD AGENDA MEMORANDUM

DATE OF MEETING: December 12, 2023

To: Village President and Board of Trustees

Through: Napoleon Haney, Village Manager

From: Amy Zukowski, Director of Finance

Topic: Transfer Unassigned Fund Balance to Capital Project Fund

PURPOSE

Board approval is needed to transfer \$2 million of unassigned fund balance from the General Fund to the Capital Projects fund. This transfer allows the Village to complete various capital projects that would have otherwise been funded by a 2023 bond issuance that the Village chose to forego. The transfer is also authorized under the Village's Fund Balance policy that was recently amended and approved by the Board of Trustees at the September 26, 2023 Board meeting.

PROCESS

Fund Balance Policy

At the September 26, 2023 Board meeting, the Board of Trustees passed a resolution approving an amended Fund Balance Policy for the Village's General Fund. The amended Policy requires the Village to maintain a minimum of no less than five (5) months of budgetary operating expenditures. Per definition, any fund balance over and above the 5 months of operating expenditure is considered **unrestricted funds** because the funding has not been obligated to spend. In section 4.2 of the amended Fund Balance Policy, four (4) spending priorities were listed intended to provide guidance on how these unrestricted funds should be used. The priorities to use unrestricted funding, in order of importance, are as follows:

1. Fund capital projects
2. Fund Non-TIF and Economic Development Incentives
3. Increase unassigned fund balance up to a maximum of six (6) months; Develop a rainy day or contingency fund
4. Contribute funding to pensions

Fiscal Year 2022-2023 Audit Results

The Village's final audit for fiscal year 2022-2023 reflected a significant increase to the Village's fund balance within the General Fund. The total addition to fund balance was \$4.66M. This fund balance was a collective result of (1) revenue collected by the new Ground Emergency

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Transport (GEMT) ambulance fees, (2) sales tax performing better than expected during the budget process, and (3) the Village's overall expenses were 95% of what was budgeted.

Under the amended Fund Balance Policy, which requires a minimum of five (5) months of budgetary operating expenditures, \$3.7M is available to use following the priorities listed above.

General Obligation Bond Delay

The Village is limited to issuing a non-referendum general obligation bond once every three (3) years of approximately \$2M (5% of Homewood's EAV - \$382M). These funds are used strictly for capital projects.

The Village's last bond issuance was in 2020. The final principal and interest payment was made in 2023. The decision to delay the issuing of another general obligation bond until next fiscal year allows the Village to keep an eye on interest rates in hopes that they will decrease during next year. However, the capital projects were budgeted assuming a new bond would be issued during this fiscal year 2023-2024.

Capital Projects

Staff recommends utilizing \$2M of the unassigned fund balance as prioritized in the Fund Balance Policy to replace the \$2M that would have been issued to the Village through a general obligation bond to fund capital projects that were budgeted for Fiscal Year 2023-2024.

The carryforward balance in the Bond Capital Project fund as of April 30, 2023, was \$595,603. These are the funds remaining to be spent from the 2020 General Obligation Bond. By adding the additional \$2M, the total capital dollars available in Fiscal Year 2023-2024 is \$2,595,603.

A list of capital projects to be funded with the \$2M is included. There is a separate list of the capital projects that will be funded with the remaining \$595,603 of bond funds. The costs are based on estimates at the time the budget was approved. Costs may have increased since then.

OUTCOME

Homewood is fortunate to have added to our fund balance through successful budget and audit processes in Fiscal Year 2022-2023 and to be able to utilize, through our Fund Balance Policy, the unassigned balance available to fund capital projects. The Village will look to issue a general obligation bond in 2024 to have more funding available for the ongoing capital needs of the Village.

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FINANCIAL IMPACT

With the use of unassigned fund balance, The Village is able to postpone issuing the next general obligation bond while continuing to fund capital projects in Fiscal Year 2023-2024.

- **Funding Source:** Unassigned fund balance within the General Fund to be transferred to the Capital Project fund, as well as remaining 2020 General Obligation Bond funds.
- **Budgeted Capital Projects:** \$2,595,603
- **Cost:** N/A

LEGAL REVIEW

Not Required

RECOMMENDED BOARD ACTION

Approve the transfer of \$2 million from the General Fund (Fund 01) unassigned fund balance to the Capital Projects Fund (Fund 37).

ATTACHMENT(S)

- List of Capital Projects
- Fund Balance Policy for the Village's General Fund