

## FY 2023-2024 BUDGET HIGHLIGHTS

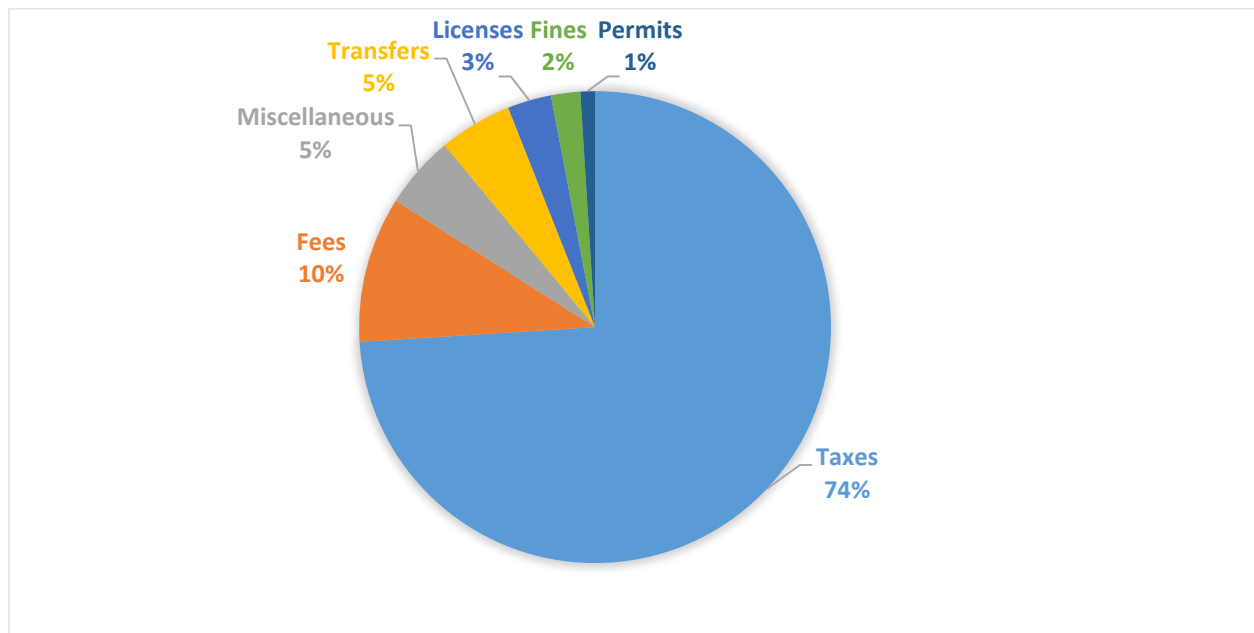
### GENERAL FUND

#### REVENUES

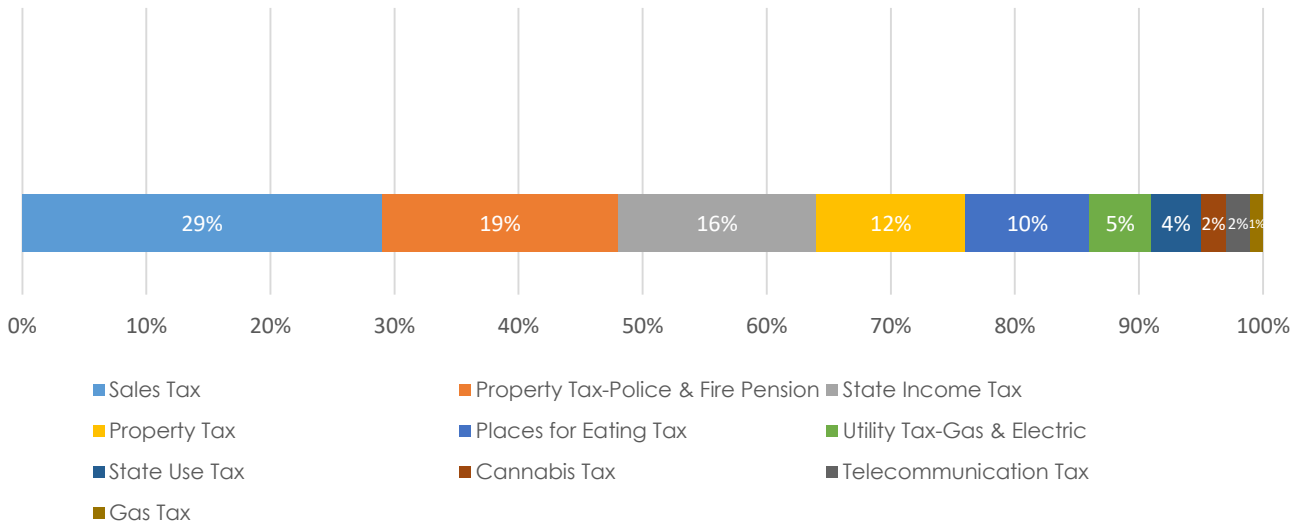
General fund revenues are the dollars collected in order to provide the general governmental services expected of a municipality. These services include all administrative, police, fire, and public works related services.

The Village's General Fund revenues come from a variety of sources.

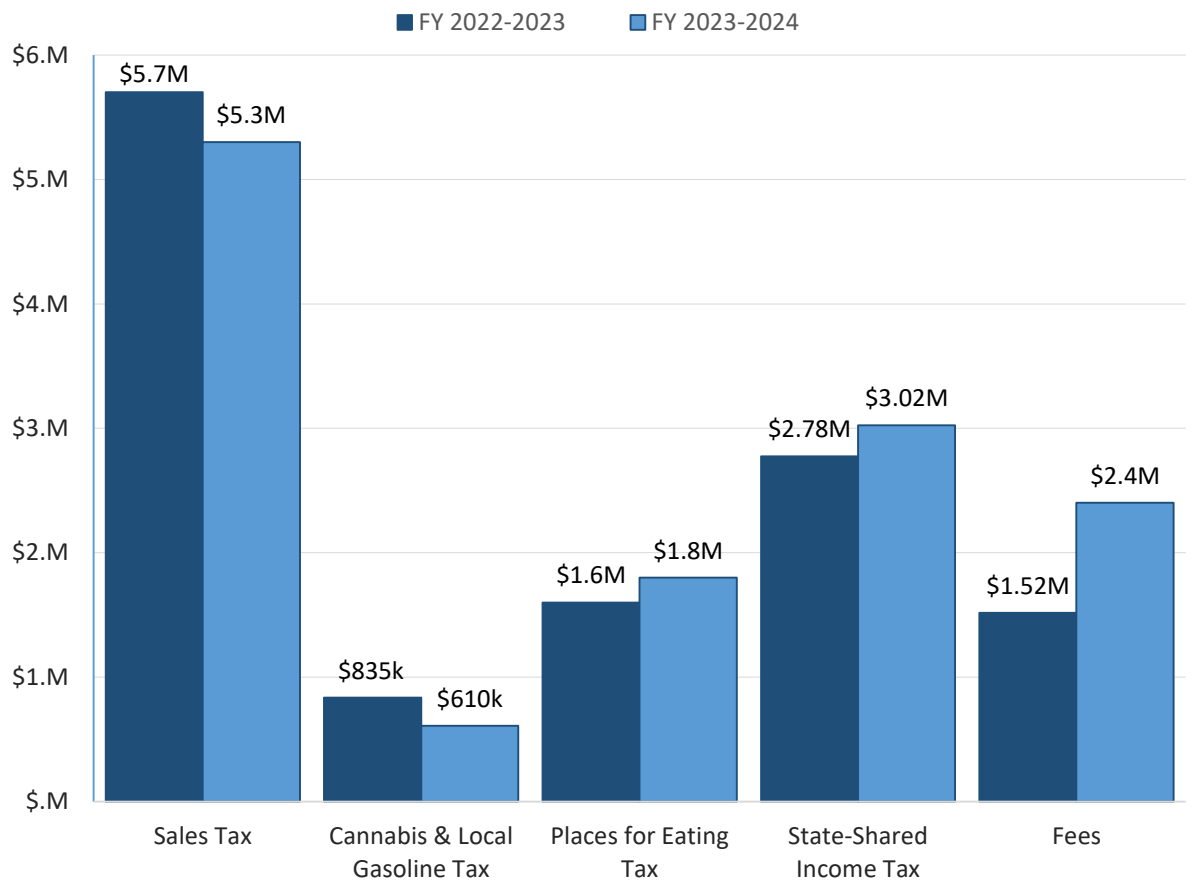
- Taxes – the largest classification of the overall general revenue budget (see chart below)
- Fees – ambulance, foreclosure registration, tower rental, and cable and natural gas franchise
- Licenses – vehicle stickers, business certificates, video gaming, and liquor
- Fines – parking and compliance, red light enforcement, municipal code violations, and court
- Permits – building and inspection fees
- Miscellaneous – comprised of employee health insurance contributions, interest income, and various other smaller revenue items



## General Fund Taxes



## Budgeted Revenue Comparison



- **Sales Tax: \$5,300,000**

- Sales tax is the Village's largest revenue source. The majority of Homewood sales tax is generated by people that live outside of the community. The Village initially projected a healthy increase in sales tax across our mix of retailers for the fiscal year 2023-2024 budget. However, with the news of Walmart closing in March 2023, the sales tax revenue projections were reviewed and adjusted down.
- The Village is continually looking for opportunities to increase our sales tax revenue through additional retailers both on the Halsted Corridor and downtown Homewood. The

Village was fortunate to add several new sales tax generating retailers in the past year, such as Bath & Body Works, Burlington, DTLR and various small businesses.

- We will continue to monitor whether the loss of Walmart will affect sales tax revenue generated by other retailers in the Halsted corridor.
- **Cannabis and Local Gasoline Tax: \$610,000**
  - We have seen a decrease in collected cannabis tax since it was first implemented in fiscal year 2021-2022. This is mainly due to the State allowing more locations to open statewide; saturating the market.
  - Gasoline tax is also projected to decrease with the loss of the Walmart Gas Center.
- **Places for Eating Tax: \$1,800,000**
  - The Village has seen great success with the generation of Places for Eating tax revenue.
  - The Village looks forward to several new restaurants opening within the next year.
  - Most of the places for eating tax is paid by non-residents who choose Homewood dining locations.
- **State-Shared Income Tax: \$3,024,550**
  - State-shared income tax revenue is distributed to local governments through the Local Government Distributive Fund (LGDF). LGDF is a state and local funding partnership instituted as part of the establishment of the State income tax in 1969. LGDF revenue helps local governments fund essential services and programs such as public safety, public health and basic infrastructure construction and repair. This shared revenue also reduces the amount of revenue local governments must collect through local taxes.
- **Fees: \$2,403,000**
  - Ambulance Fees: \$1,500,000
    - A new program Ground Emergency Medical Transportation (GEMT) offered through the federal government allows municipalities an opportunity to collect an additional Medicaid reimbursement for ambulance services, above and beyond what the state reimburses the Village for Medicaid claims. This subsidized program created by the federal government, generates additional revenue to the Village from ambulance service provided to Medicaid patients but does not financially impact the patients.
    - A portion of this revenue will need to be paid back to the State. This expense is reflected in the Fire Department budget.

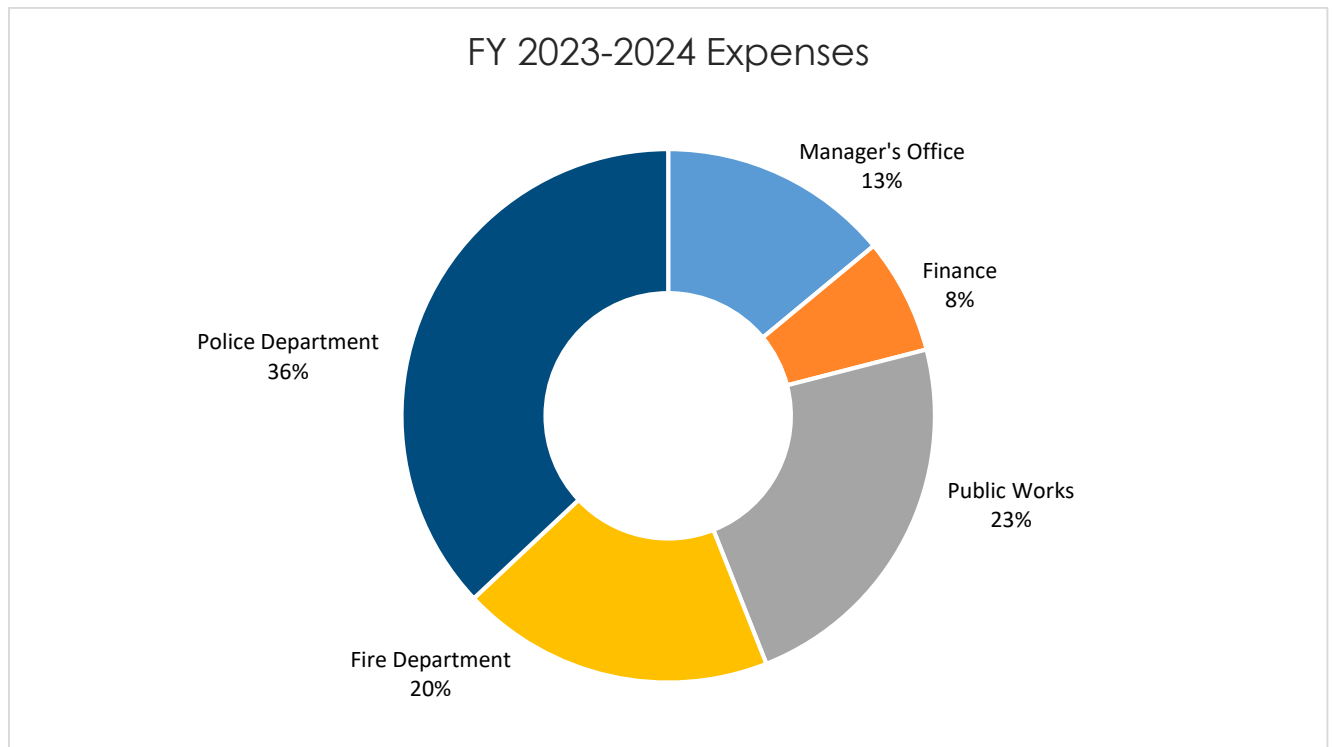
## Other Revenues

- **Property Taxes:**
  - In the State of Illinois, non-home rule units of government like Homewood, are subject to the Property Tax Extension Limitation Law (PTELL) and are limited in the size of their annual property tax extension to 5% or the increase in the Consumer Price Index (CPI), whichever is less.
  - The majority of the Village's share of overall property tax goes towards maintaining pension requirements. This means that less property tax revenue is available to be used for day-to-day operations.
- **Interest**
  - Interest income is increased due to increased investment return rates over the past 12 months.
- **Event Revenue**
  - Event revenues are increased due to the efforts in place to find event sponsors.
- **Casino**
  - Of note for future budgets, a south suburbs casino license was granted to the Village of East Hazel Crest and the Village of Homewood. Groundbreaking took place in the fall of

2022 with an anticipated opening date in 2024. This gaming revenue will assist in operating budgets starting in approximately 2025.

## EXPENSES

Public safety and public works dominate the expense responsibilities of most local governments. The specific line items of salaries and group insurance are the dominant line-item expenses. Public Safety and Public Works salaries are negotiated in union agreements, and insurance expense is based on claim data from the Village's insurance pool, IPBC. The Intergovernmental Personnel Benefit Cooperative (IPBC) is an intergovernmental agency created under Illinois statutes, which allows units of local government to band together for the purposes of insurance and is open to municipalities, counties, special districts, and intergovernmental agencies. The IPBC was established in 1979 and as of July 1, 2022 has over 150 members spread across the state of Illinois. The Village has been a member of IPBC since 2005. Expense highlights by department are listed as follows:



- **Manager's Office**
  - Overall, the Manager's Office budget is down 16% due to staffing changes over the last 12 months that have resulted in salary and group insurance savings.
  - Information Technology is decreasing by \$35,000 due to several leases coming to an end.
  - Economic and Community Development is showing a decrease of 6% due mostly to the end of the Zoning Ordinance Revision project. Some of those funds have been reallocated to the new Business Recruitment/Retention line item.
- **Finance**
  - Finance is up \$254,000 with a significant increase to the Risk Management Insurance (IRMA) line. The Village has seen an increase in worker's compensation claims over the last three years. We are working to implement a plan to help reduce these costs.

- **Public Works**
  - Several of the full-time line items in the Public Works budget appear to reflect a significant budget increase. This is due to a **payroll reallocation** requested by Finance that results in an **accounting change**. The Public Works Director was asked to simplify the payroll/benefits general ledger allocations for each employee. Rather than an employee being allocated 5% to one program and 10% to another and so on, employees are now allocated to no more than 2-4 programs. This resulted in some Water/Sewer employee allocations being moved to the General Fund. Overall, the Public Works programs are up 6% due to budgeted cost of living increases and expected merit increases. Group insurance accounts are up 8% due to anticipated premium increases and open enrollment changes.
  - The Sidewalk Grinding program reflects a decrease of \$30,000. This program will be funded with the use of the American Rescue Plan Act (ARPA) funds instead.
  - As most have seen, fuel and energy costs have increased. The Village is reflecting this increased cost in the fiscal year 2023-2024 budget.
- **Fire Department**
  - Due to nationwide challenges to recruit and retain part-time firefighters in the community, Homewood's part-time firefighter/paramedic program has been dissolved. The budget dollars for the part-time program have been reallocated to the department's overtime line item.
  - As mentioned above with ambulance fees, additional revenue is expected through the GEMT program; however, 50% of the GEMT revenue collected must be shared annually with State of Illinois. We've estimated \$400,000 to be paid to the State.
- **Police Department**
  - Overall, the Police Department budget is up just 1%.
  - The Police Department budget is mainly personnel costs. There have been a number of retirements and staffing changes that have resulted in overall salary savings.
  - The continuing nationwide challenge of police departments to recruit and retain officers will be Homewood's challenge as well.

## **WATER/SEWER FUND**

**Revenues:** The transition to Hammond/Chicago Heights from Chicago/Harvey was the dominant project in the Public Works Department during the past several years. This completed 12 million dollar project was funded without borrowing (incurring debt). Hammond water costs are more predictable for the coming 20 years based on the contract signed. Flossmoor's water purchase from Homewood will generate additional revenue for the water/sewer fund.

**Expenses:** Now that the water main transmission project is complete, the Village desires to rebuild the water/sewer fund's capital projects fund balance. There are a number of significant water/sewer projects that will need to be funded in the coming years and decades, such as the central water tower replacement.

## **MOTOR FUEL TAX (MFT)**

**Revenues:** Additional state dollars were allocated to local government MFT funds over the past several years. The final Rebuild Illinois (RBI) grant funds were received in fiscal year 2022-2023.

**Expenses:** The Village will continue with its annual resurfacing program; however, it is important to note that with any community with an aging infrastructure, there are more streets to be resurfaced each year than there is available funding.

## TIF FUNDS

**Revenues:** The growth of (Equalized Assessed Value) EAV\* in the TIF areas generates property tax increment/revenue to fund future projects.

- Two (2) of the Village's seven (7) TIFs are coming to the end of their 23-year life.
  - The Southwest TIF expired in December of 2022 (*Landmarks: Shell Gas Station, Aurelio's Pizza, Grant Orthodontics, Kirshner Vision Group, Lassen's Tap*)
  - The 187<sup>th</sup> Street/Dixie Highway TIF expires in December 2023 (*Landmarks: Cilantro Restaurant, Family Wine & Liquor, R.E.D.D. Driving School*).

**Expenses:** Qualifying economic development and infrastructure project expenses are funded when a TIF generates incremental property taxes.

\*EAV is the product of the assessed value of a property and the State Equalized Factor, which the Illinois Department of Revenue sets. In Illinois, counties are required to "equalize" property tax assessments so that the median level of assessment is at 33% of fair market value.

## DEBT SERVICE FUNDS

Debt Service Funds predominantly fund general capital improvements projects (highlighted below). The last bond was issued in September 2020 and had a 0.85% interest rate which was a record low rate. Market rates have risen considerably since 2020, which will impact the next bond issue planned for late 2023.

Being a non-home rule village limits the Village to issuing non-referendum general obligation debt once every three years, and the amount is limited to ½ of 1% of EAV. That equates to about a \$2,000,000 bond issue.

The Village has no long-term debt. Long-term debt is a legal obligation that typically does not mature for more than 10 years and often has a maturity date of 30 - 40 years depending upon the debt type. While this practice has worked well over the past years, there are increasing infrastructure needs that will need to be addressed over the coming years that will require more robust funding. Additional debt service options may need to be considered.

## AMERICAN RESCUE PLAN ACT (ARPA) FUNDS

The Village received a total of approximately \$2.5 million in ARPA funding. We've provided a summary within the budget of the projects recommended to be funded with these dollars. A few of the projects to highlight are - a new ambulance to replace our current 2015 ambulance, additional sidewalk replacement and grinding, vehicle purchases, and a new small business incentive program. The Village has until 2024 to obligate the ARPA dollars and 2026 to complete the projects/programs.

## GENERAL CAPITAL IMPROVEMENTS PROJECTS (CIP) FUNDS

As stated above, our last bond was issued in September 2020, with the next scheduled issue in late 2023. The Village has put together a list of capital projects to be funded with the remaining 2020 bond dollars and the upcoming 2023 bond funds.

## FUND BALANCE

In conjunction with conversations about revenues and expenses is the underlying Village policy of maintaining a General Fund fund balance of at least four (4) months of expenditure levels. With every budget, the Village hopes to add to fund balance, as this is our tool to keep service levels constant should another recession or economic catastrophe occur. The Village saw how important fund balance was during the housing crash of 2009. The Village exceeded its *conservative budget estimates* during the COVID year of 2020-2021. The Village saw various sales tax revenue increases, which assisted the Village in adding to fund balance. We are currently over our four (4) month policy; however, we do not consider this to be excessive but rather fiscally responsible. The Village continues to assess our fund

balance while keeping our taxpayers in mind and the loss of potential future sales tax dollars. The fiscal year 2023-2024 budget is projected to add a modest \$22,790 to fund balance.