VILLAGE OF HOMEWOOD

BOARD AGENDA MEMORANDUM **DATE OF MEETING: November 10, 2026**

To: Village President and Board of Trustees

Through: Napoleon Haney, Village Manager

From: Amy Zukowski, Director of Finance

Topic: 2026 Real Estate Tax Levy Discussion

PURPOSE

Staff will discuss the Village's annual real estate tax levy process with the Board of Trustees and provide options on the total requested 2026 levy. Based on the anticipated Board discussion and direction, a Truth in Taxation Hearing will be published and held prior to the December 8, 2026 Board meeting. The final real estate tax levy ordinances will be agendized on the December 8, 2026 Board meeting for approval.

PROCESS

A tax levy is the amount of money a taxing body can request from the collective group of property owners (through property tax) in a specific area or district. Once the tax levy amount is calculated, the taxing body will perform an "extension." A tax extension is the process used to collect the amount from the taxpayers. Generally, property taxes are collected from residents and businesses within the taxing district. For non-home rule communities like Homewood, tax levies have certain restrictions, limitations, and parameters that are set by the State of Illinois through rules contained in the Property Tax Extension Limitation Law (PTELL).

PTELL does not "cap" individual property tax bills, nor does it cap property assessments; rather, PTELL limits non-home rule taxing districts by allowing a tax levy to only increase from the prior year using the following parameters:

- based on the lesser of 5% or the increase in the consumer price index (CPI) for the year preceding the levy year, and
- by capturing property taxes for new construction within the district for the preceding calendar year.

Once the levy is approved by the Village Board and extended or issued to the property owners and tax dollars are received, the funds are distributed between General Fund operations and the Village's pension funds (Police, Fire, and Illinois Municipal Retirement Fund (IMRF) covering all non-police and non-fire personnel). It is important to note that all taxing agencies levy for their share of property taxes.

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Police and Fire Pension Funding as a Component of the Levy

Per the PTELL and State of Illinois Property Tax Code, municipalities are allowed to levy for pension funding requirements. Under the State Pension Code, the Village is to fund the Police and Fire Pension Funds at the required statutory minimum. The required statutory minimum is based on the State of Illinois' current mandate that our Police and Fire Pension Funds be 90% funded by 2040. The Homewood Police Pension Fund is currently funded at 56.2%, while the Homewood Firefighter's Pension Fund is currently funded at 74.2%. The State's Consolidated Pension Fund requirements are designed to accomplish the "90% by 2040" funding mandate.

The State Consolidated Pension Funds (police and fire) hired a creditable actuary, Foster & Foster Actuaries and Consultants of Naperville, IL, to calculate the statutory minimum amounts for each consolidated fund.

	Police Pension Fund	Fire Pension Fund
Statutory Minimum *(assumes 90% funding by 2040)*	$3,213,908	$985,208

Foster & Foster Actuaries and Consultants

The total increase to the levy for both Police and Fire Pension Funds is $249,187or 6% over the prior year extended levy.

Homewood's Police and Fire Pension Board – Levy Funding Request

The Homewood Police and Fire Pension Funds submitted letters requesting that the recommended contributions as calculated by Foster & Foster be used in the 2026 tax levy calculation. The respective letters are attached.

Village Staff Police and Fire Pension Levy Funding Recommendation

Village staff recommends that the statutory minimum amount calculated by the consolidated funds actuary be used for the 2026 tax levy. This methodology is consistent with the prior three (3) tax levies (2023, 2024, and 2025) where the consolidated funds actuarial amount was also used. The Village will continue to levy the consolidated funds actuary amount going forward in order to work to achieve the 90% funded target by 2040 per State statute.

Pension Levy Funding vs. Levy Funding for General Operations

After levying the statutory minimum for the Police and Fire Pension Funds, the remaining tax dollars from the levy are allocated towards IMRF Pension, Social Security, and Medicare employer costs (FICA), audit expenses, risk management insurance premium costs, and all other day-to-day operating expenses (including salaries) within the General Fund.

Staff has prepared two options for the Board to consider for the portion of the levy that falls under PTELL.

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Option 1 – Flat Levy

The levy under Option 1 reflects no change to the tax-capped portion of the levy. The 2026 levy request amount would be **$7,859,840**.

While the overall levy does not increase under Option 1, there is a significant impact to the General Fund portion of the tax levy due to the increased funding requirements for the Police and Fire Pension Funds.

OPTION 1	2025 Final Levy Extension	2026 Levy Request	% of Levy
All Pensions (Police, Fire, IMRF)	$4,453,183	$4,709,116	66.32%
Risk Management Insurance	$1,195,850	$1,200,000	16.90%
Social Security/Medicare	$443,459	$490,000	6.90%
General Fund	$1,008,561	$701,937	9.88%
Total Tax-Capped Levy	**$7,101,053**	**$7,101,053**	**100%**
Fire Pension (non-capped)	$12,463	$12,100	
2024 G.O. Bond Debt Service	$784,023	$746,687	
Total Levy	**$7,897,539**	**$7,859,840**	

Option 2 – Prior Year Extended Levy plus the lesser of 5.0% or CPI increase plus new construction

The levy under Option 2 maximizes the tax-capped portion of the levy request. The total 2026 levy request amount would be **$8,085,447**.

Using the PTELL guidelines, the actual CPI for the preceding year is 2.68%. Because the CPI is less than 5%, the Village would capture the full 2.68% increase under the PTELL parameters. The Village is also allowed to estimate the change for new construction, which adds to the overall Equalized Assessed Valuation (EAV). The Village estimates a conservative 0.5% increase due to no new major construction or Tax Increment Financing (TIF) Districts expiring in 2026.

Under Option 2, the Village's 2026 levy will see a total 3.18% increase (2.68% for change in CPI and 0.5% for new construction). This would provide an additional $225,606 towards General Fund operations.

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OPTION 2	2025 Final Levy Extension	2026 Levy Request	% of Levy
All Pensions (Police, Fire, IMRF)	$4,453,183	$4,709,116	64.27%
Risk Management Insurance	$1,195,850	$1,200,000	16.38%
Social Security/Medicare	$443,459	$490,000	6.69%
General Fund	$1,008,561	$927,544	12.66%
Total Tax-Capped Levy	**$7,101,053**	**$7,326,660**	**100%**
Fire Pension (non-capped)	$12,463	$12,100	
2024 G.O. Bond Debt Service	$784,023	$746,687	
Total Levy	**$7,897,539**	**$8,085,447**	

Debt Payment Obligations and the Tax Levy

Debt payment obligations are allowed to be included in the tax levy; however, it is important to note that debt payments are not governed by the PTELL. The Village issued a non-referendum General Obligation Bond in the amount of $2,611,269 in September 2024. The general obligation bond funds will be used to complete numerous capital infrastructure projects over the next several years. The principal and interest payments required to repay the 2024 bond issuance will be included in the next couple of levies. With this debt, $746,687 is included in the 2026 tax levy.

Village's Portion of the Total Tax Bill

On the 2025 tax bills, the Village of Homewood's portion is approximately 10.5% of the total real estate tax bill. For example, if a resident's total property tax bill is $10,000, only $1,050 of the annual property taxes paid are allocated to cover the cost for quality amenities and high-level services that are provided by the Village of Homewood. Some examples of such services and amenities include police and fire public safety services, public works services including snow removal and tree removal/reforestation, and the downtown events series including farmers market. We anticipate that the Village's portion will remain the same on the 2026 tax bills.

Below is a summary of the tax bill percentages by taxing district over the past three (3) years.

Taxing District	2023 Tax Bill	2024 Tax Bill	2025 Tax Bill
Village of Homewood	9.95%	10.96%	10.54%
Schools (District 233, 153, 161)	70.88%	70.24%	71.25%
Park District	5.40%	5.41%	5.37%
Library	3.98%	4.00%	3.91%
Community College	3.03%	3.06%	3.04%

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Below is a summary of the tax bill percentages of surrounding communities.

Community	Percent of Tax Bill	Community	Percent of Tax Bill
Homewood *	10.54%	Lansing	19.13%
Calumet City	35.04%	Markham	41.16%
Chicago Heights	36.49%	Matteson	9.68%
Country Club Hills	33.21%	Oak Forest	17.38%
Dolton	25.81%	Orland Park	5.26%
East Hazel Crest	13.61%	Park Forest	37.80%
Flossmoor	17.42%	Richton Park	15.05%
Ford Heights	17.30%	South Holland	20.77%
Harvey	35.79%	Tinley Park	13.58%
Hazel Crest	34.15%	Thornton	34.15%

* Average of 4 Townships

OUTCOME

Under **Option 1**, the total 2026 real estate tax levy for the Village of Homewood would remain flat compared to the 2025 levy. However, the General Fund would receive less funding towards the day-to-day operations to provide the high-level services our residents deserve. Because the PTELL limiting rate is calculated from the prior year's final tax extension, this option would also permanently lower the base for future levies, and the foregone revenue would not be recoverable in later years.

Under **Option 2**, the total 2026 real estate tax levy for the Village of Homewood would increase by 3.18% (2.68% - increase in CPI and 0.50% - capturing of new construction) and would allow the Village to maximize the tax levy. This would provide an additional $225,606 to the General Fund to help cover rising costs the Village is experiencing in purchases of supplies and materials, contractual costs, insurance premiums, and pension costs.

The portion of property taxes that goes directly to the Village's General Fund under Option 2 is approximately 7% of the overall budgeted revenues. These are important dollars that help to fund the day-to-day operating expenses of the Village.

It is recommended that the Board move forward with Option 2, which allows the Village to maximize the tax levy. An increase to the tax-capped portion of the levy of 3.18% allows an additional $225,606 to be added to the General Fund to help cover rising costs the Village is

experiencing in purchases of supplies and materials, contractual costs, insurance premiums, and pension costs.

	2025 Final Levy Extension	Option 1	Option 2
All Pensions (Police, Fire, IMRF)	$4,453,183	$4,709,116	$4,709,116
Risk Management Insurance	$1,195,850	$1,200,000	$1,200,000
Social Security/Medicare	$443,459	$490,000	$490,000
General Fund	$1,008,561	$701,937	$927,544
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2024 G.O. Bond Debt Service	$784,023	$746,687	$746,687
Total Levy	**$7,897,539**	**$7,859,840**	**$8,085,447**

FINANCIAL IMPACT

The final tax levy will be used to create and develop Homewood's next fiscal year's (FY 2027-2028) budget amounts.

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

LEGAL REVIEW

None required

RECOMMENDED BOARD ACTION

Discuss the 2026 Real Estate Tax Levy and provide staff direction on which option to move forward with; and, publish a Truth in Taxation Hearing notice in the local newspaper to be held prior to the December 8, 2026 Board meeting; and, prepare the real estate tax levy ordinances for approval.

ATTACHMENT(S)

- 2026 Proposed Tax Levy – Options 1 and 2
- Request from Homewood Police Pension Fund Board for 2026 tax levy dollars
- Homewood Police Pension Fund Municipal Compliance Reports
- Request from Homewood Fire Pension Fund Board for 2026 tax levy dollars
- Fire Pension Fund Signed Municipal Compliance Reports