

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: Truth in Taxation Hearing – 2023 Final Real Estate Tax Levy

PURPOSE

The Village of Homewood falls under the Property Tax Extension Limitation Law (PTELL). Under the PTELL, when the recommended tax levy exceeds 5.0%, a Truth in Taxation hearing is required. The final 2023 Real Estate Tax Levy ordinances will be brought to the Board of Trustees for a vote at the regular Village Board meeting on December 12, 2023.

PROCESS

The Village Board discussed setting the annual real estate tax levy under the rules applied to non-home rule communities. 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 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,
- capturing property taxes for new construction within the district for the preceding calendar year.

Homewood's 2023 Tax Levy

The actual CPI for the preceding year is 6.45%; however, the Village will only be able to capture 5.0% of the CPI increase under the PTELL. The Village will also need to estimate the change for new construction, which adds to the overall Equalized Assessed Valuation (EAV). The Village generally estimates a conservative 1.0% increase; however, with the Southwest Tax Increment Financing (TIF) District coming to an end, we are able to capture an additional 1.0% of new construction as the Southwest TIF comes back on the tax rolls*. The Village is estimating a total of 2.0% of new construction.

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**As a reminder, a good portion of the property tax dollars collected in the Southwest TIF went into the Village's TIF fund. Now that the TIF has expired, these property tax dollars are distributed to the Village's General Fund and to the various taxing districts.*

The 5.0% increase in CPI plus the 2.0% of new construction gives the Village a 7.0% total increase over the prior year's final tax extension levy. The final 2022 tax extension under the PTELL was \$6,336,995. The recommended 2023 tax levy under the PTELL is \$6,780,585.

The 7.0% increase is allocated between the cost of providing municipal services and meeting our pension obligations. \$3,411,832 or approximately 50.0% of the levy is 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. \$3,368,753 or approximately 50.0% of the levy is allocated towards the Police and Fire Pension Funds.

Police & Fire Pension Funding

Under the State Pension code, the Village is required to fund the Police and Fire Pension Funds at the required statutory minimum. The required statutory minimum is based on the State of Illinois' mandate that our Police & Fire Pension Funds be 90% funded by 2040.

	<u>Police Pension Fund</u>	<u>Fire Pension Fund</u>
Statutory Minimum (<i>assumes 90% funded by 2040</i>)	\$2,554,782	\$813,971

The statutory minimum amounts to fund the Police and Fire Pension funds are determined by the consolidated funds' actuaries.

General Operations Funding

The levy amounts for both IMRF and Social Security/Medicare are not limited by a rate set forth by Statute. The amounts are determined based on what is sufficient to cover and meet the costs and requirements of each program.

The amounts allowed to be levied for the following are limited based on a rate set forth by the Statute.

1. Corporate
2. Fire Protection
3. Police Protection
4. Street and Bridge
5. School Crossing Guard

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The Audit and Risk Management Insurance levy amounts have no rate limit. The amount levied should be sufficient to cover the costs of the audit and worker's compensation costs.

There is a significant increase (+40.82%) to the risk management insurance levy amount. The Village has seen a considerable increase in our annual premiums due to a number of substantial worker's compensation claims over the last five (5) years. The Village is allocating a higher amount to this line of the levy to capture the majority of the premium costs, while also working closely with our risk management insurance provider, Intergovernmental Risk Management Agency (IRMA), to put a plan in place to help decrease our risk and costs.

Debt Payment Obligations

The Village has no debt obligation to include in the 2023 tax levy. The last principal and interest payments for the current 2020 General Obligation Bond issue were captured through the 2022 Real Estate Tax Levy and no new general obligation debt has been issued. With no new debt on the Village's books, over \$500,000 was removed from the 2023 tax levy resulting in a small, but relevant amount of property tax savings for our residents.

Village's Portion of the Total Tax Bill

The Village of Homewood's levy is approximately 11% of the total real estate tax bill. For example, if a resident's total property tax bill is \$8,000, only \$880 of the annual property taxes paid are allocated to cover the cost for quality amenities and high-level services provided by the Village of Homewood (i.e., downtown event series, farmers market, snow de-icing, salting, and removal, tree removal/reforestation, police, fire, public works, and other municipal services).

OUTCOME

The **total** 2023 Real Estate Tax Levy for the Village of Homewood's municipal operations, pension obligations, and debt service is **\$6,791,915**, which is an overall decrease of 1.71% from the prior year's extended tax levy. This is due to the removal of the over \$500,000 in debt service obligations.

Tax levy dollars allocated to the Police and Fire Pension funds increased by \$35,151 (1.05%) over the prior year. Tax levy dollars allocated toward the IMRF pension fund, FICA costs, audit expenses, risk management insurance premium costs, and the day-to-day operating expenses of the Village increased by \$408,439 (13.6%).

FINANCIAL IMPACT

The final 2023 tax levy will be used to create and develop Homewood's next fiscal year's (FY 2024-2025) budget amounts.

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

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LEGAL REVIEW

Not required

RECOMMENDED BOARD ACTION

Hold a Truth in Taxation hearing to discuss the 2023 Real Estate Tax Levy.

ATTACHMENT(S)

Worksheet