

VILLAGE OF HOMEWOOD



BOARD AGENDA MEMORANDUM

DATE OF MEETING: February 25, 2025

To: Village President and Board of Trustees

Through: Napoleon Haney, Village Manager

From: Amy Zukowski, Director of Finance

Topic: Fiscal Year 2025-2026 Draft Budget Discussion

PURPOSE

The Village's most important planning document that is prepared, discussed, and implemented annually is the municipal budget. The municipal budget details all of the expenses and revenues that the Village of Homewood needs to provide quality services for its citizens for a full fiscal year – in this case, May 1, 2025 through April 30, 2026. During the budget preparation process, the Village analyzes estimated revenue collections and prepares a subsequent spending plan for the upcoming fiscal year. At the conclusion of staff discussions and analysis, the recommended budget is prepared and presented to the Board of Trustees for further discussion.

PROCESS

The budget approval timeline begins with the draft budget discussion on Tuesday, February 25, 2025. A Public Hearing will be held on March 11, 2025, and an ordinance will be prepared for Board approval during the regular Board of Trustees meeting on March 25, 2025.

General Fund

The General Fund is the main operating fund for the Village. It provides the financial support to provide municipal activities, programs, and services to residents through police, fire, public works, and general government operations.

General Fund Recap

The overall health of the Village's finances within the General Fund continues to be very good. Following excellent audit results from last fiscal year ending April 30, 2024, the Village was able to maintain the required minimum of five (5) months of fund balance (operating expenditures), which equates to approximately \$11.2M, and staff was authorized by the Board to move \$2.3M of unassigned/available reserves to fund capital projects.

Upcoming General Fund Budget (Fiscal Year 2025-2026)

The upcoming fiscal year's 2025-2026 draft budget has nearly \$27.9M budgeted for total General Fund revenues. General Fund expenses are expected to be approximately \$27.8M. *At this time, the budget is projected to finish with a surplus of \$128,876.*

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General Fund Revenues (Fiscal Year 2025-2026)

Some of the General Fund revenues that we typically highlight in the Fiscal Year 2025-2026 budget include sales tax, gaming tax, use tax, and ambulance fees.

Sales Tax

Village activities, programs, and services are heavily dependent on sales tax revenue. Sales tax is our largest General Fund revenue source at nearly 30% (\$6.2M) of all taxes collected, while property taxes used for general operations are just 12% (\$2.5M).

The Fiscal Year 2025-2026 budget is based on projected “actual revenue” that will be collected through the remainder of the current fiscal year ending on April 30, 2025. Staff also factors in an increase for general inflation.

Gaming Tax

The upcoming Fiscal Year 2025-2026 budget will be Homewood’s first full-year budget that will show and track gaming tax revenue. The Wind Creek Casino opened in November 2024. Thus far, the Village has received three (3) monthly payments from the Illinois Gaming Board. It is important to note that 50% of the gaming tax received is to be paid to the Public Benefit Fund for the next four (4) years. The Public Benefit Fund was created to promote education and public health in the Southland community.

Based on our recent payments, \$1.1M is being budgeted in the upcoming fiscal year. Once a full year of payments have been received, staff will have a better projection of the anticipated annual revenue for future budgeting purposes.

Use Tax Decline

Use Tax is due when you purchase merchandise from a person or business that did not collect Illinois sales tax, such as through infomercials or the internet. It is a tax designed to distribute the tax burden fairly among Illinois consumers and to ensure fair competition between Illinois and out-of-State businesses. It is referred to as the “Leveling the Playing Field Act.” A Use Tax is applied:

- when you buy goods from businesses located outside Illinois and bring them into Illinois or
- when you have the goods delivered to you from businesses located outside Illinois.

The Fiscal Year 2025-2026 budget reflects a \$420,000 reduction in State Use Tax. The Illinois Municipal League (IML) provides to each municipality a per capita revenue estimate of the State use tax allocation to local governments. Homewood’s estimated per capita amount this year is \$19.60. The per capita amount last year was \$42.50.

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Effective January 1, 2025, retailers previously obligated to collect and remit Illinois Use Tax on retail sales sourced outside of Illinois and made to Illinois customers are now subject to destination-based retailers' occupation tax (ROT). This change caused a significant reduction in the amount of Use Tax expected to be received. However, a portion of this should be offset in Sales Tax.

Ambulance Fees (GEMT) | Budget Procedure Change

A change from previous years' budgets, the ambulance fee revenue line item will now reflect the **net** projected ambulance fee revenue the Village expects to receive after remitting 50% of the Ground Emergency Medical Transportation (GEMT) revenues that are collected back to the State. In prior years, the GEMT amount shared with the State was estimated and budgeted for in the Fire Department's budget.

General Fund Expenses (Fiscal Year 2025-2026)

The primary costs that impact nearly all municipal budgets are salaries and group health insurance. These two combined costs represent **over 60%** of the Village's General Fund budget. Most of Homewood's staff, and General Fund expenses, similar to most municipalities, come from Police, Fire and Public Works.

Manager's Office & Finance Department

Both the Manager's Office and Finance Department budgets have a couple of accounts that are noteworthy for discussion. Because the Economic & Community Development budget falls under the Manager's Office, the Village's non-TIF incentives are budgeted under this office. The incentives may include sales tax sharing, places for eating tax rebates, or business incentives for renovations. The Finance Department budget hosts the Village's annual contribution to our Risk Management Insurance Pool (*IRMA) that covers costs for our comprehensive coverage, including workers' compensation, auto, and general liability. *IRMA - *Intergovernmental Risk Management Agency*).

Public Works

The Fiscal Year 2025-2026 Public Works Department budget includes increased costs for escalating concrete costs and contractual services. To increase efficiency and effectiveness, Public Works will contract out our mowing services. This necessary changes is precipitated in part by the increased difficulty in hiring responsible summer staff. Public Works will also contract with a tree service company to assist with the Village's tree trimming program. This specific contract will enable Landscape & Maintenance Division to catch up on the Village-wide tree trimming and return to a *best-practices* and expected five (5)-year maintenance program. Our current tree-trimming program is on an eight (8)-year cycle.

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Fire Department

The Fiscal Year 2024-2025 Budget includes funding for three (3) new firefighter/paramedics. After recent recruiting efforts and testing, an entry-level hiring list was created and the hiring process is in progress.

Two (2) new lease programs are included in the Fiscal Year 2025-2026 budget. The first lease is to purchase new Fire Department radios that are part of the combined E-COM/SouthCom Radio Use Lease Agreement that includes a seven (7)-year lease payment schedule. The second lease covers the cost to replacement cardiac monitors. The Fire Department was able to secure a 0% interest, four (4)-year lease to replace and maintain the monitors.

Police Department

The Police Department's recent recruiting efforts have resulted in continued hiring successes during the current Fiscal Year 2024-2025. All but one (1) of the police vacancies have been filled and funding for an additional three (3) police officers are included in the FY 2025-2026 budget.

Water and Sewer Fund

The Water and Sewer Fund is an enterprise fund that operates in a manner similar to a private business. Water and sewer charges/fees pays for the salaries, capital projects, and other expenses incurred exclusively from water and sewer related operations. The intent is that the cost of providing water and sewer services to the community will be recovered primarily through user charges (i.e. water bills). This means that the water and sewer rates should be sufficient to cover the ongoing costs of operations, maintenance, administration, and capital needs within the Water and Sewer Fund. No Village tax dollars (*neither property tax nor sales tax nor any other tax*) are used to pay for any of the costs associated with water and sewer services.

The Village has a number of significant water and sewer capital projects that will need to be funded in the near future, such as the central water tower replacement, lead line replacement project, and various water main replacements. The Village is currently completing a water rate study in order to ensure that the Water and Sewer Enterprise Fund is able to produce sufficient funding to sustain itself while supporting critical upcoming capital projects. Some alternative funding sources will be discussed as part of the Village-wide Five-Year Capital Improvement Plan.

Tax Increment Financing (TIF) Funds

The Village has been extremely successful with our use of TIF districts as a tool to assist in promoting and completing economic development projects in Homewood. TIF districts are used to accomplish economic development projects in blighted and/or underdeveloped areas. In a traditional TIF district, the property tax base is frozen for a period of up to 23 years, and any additional property tax revenue generated by new development is directed into a TIF fund.

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The Village currently has six active (6) TIF districts: Northeast, Downtown TOD, Dixie Highway/Miller Court, Kedzie Gateway, East CBD, and 183rd West TIF. Each TIF is included in the budget and includes the TIF creation and expiration dates, most recent audited balance, and current obligations charged to the TIF funds. The Village plans to create two additional TIF districts (North Halsted TIF) agendized for the February 25, 2025 meeting; and, the Harwood TOD TIF that will appear on a future Board agenda.

Debt Service Funds

Debt Service Funds are typically used to fund general capital improvement projects. As a non-home rule community, we are limited to issuing non-referendum general obligation debt once every three (3) years. The amount is also limited to 0.5% of our Equalized Assessed Valuation (EAV). This currently equates to a maximum bond issuance of approximately \$2,000,000 that must last for three (3) years.

The Village issued a non-referendum General Obligation Bond in September of 2024 in the amount of \$2,611,269 at a 3.4% interest rate. The debt service (payment) for this bond will be repaid annually through property tax collections.

Capital Funds

One of the main challenges the Village will undertake over the next three years, is identifying sources to fund capital projects. The capital budget for all funds (*general capital, water capital, bond capital*) in Fiscal Year 2025-2026 totals \$11.7M, this excludes any potential grant funding that may be utilized for projects.

The General Capital projects will be funded with 2024 General Obligation Bond proceeds in conjunction with unassigned balance/available funds that were transferred from the General Fund. Although this year's funding allows for the Village to complete a number of critical capital projects, further discussions will be required to identify funding for the remaining four years of our Five-Year Capital Improvement Plan (CIP).

OUTCOME

Overall, while the Village must find solutions to solve normal municipal capital funding challenges, the Village's overall financial position remains extremely strong. Based on the direction received from the Board of Trustees after the draft budget presentation, a Public Hearing will be held on March 11, 2025 and an ordinance will be prepared for Board approval during the regular Board of Trustees meeting on March 25, 2025.

FINANCIAL IMPACT

None

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LEGAL REVIEW

Not required

RECOMMENDED BOARD ACTION

Discuss the Fiscal Year 2025-2026 Budget as presented.

ATTACHMENT(S)

- FY 2025-2026 Draft Budget
- FY 2025-2026 Draft Budget Highlights