

# VILLAGE OF HOMEWOOD



## **BOARD AGENDA MEMORANDUM**

**DATE OF MEETING: March 10, 2026**

**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 \$3.3M of unassigned fund balance from the General Fund to the Capital Projects fund. This transfer will provide funding for Fiscal Year 2026-2027 capital projects. The transfer is 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 five 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, intending 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 2024-2025 Audit Results*

The Village's final audit for fiscal year 2024-2025 reflected a significant increase to the Village's fund balance within the General Fund. Under the amended Fund Balance Policy, which requires a minimum of five (5) months of budgetary operating expenditures, \$5M is available to use following the priorities listed above.

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During the December 9, 2025 Board meeting, an ordinance was approved which allocated \$1.6M of the \$5M available to the Police & Fire Pension Funds. The \$1.6M will be paid to the Pension Funds over a three (3) year period to assist in making up for a shortfall in pension funding due to property tax collection shortfalls over the past decade.

## *Capital Projects*

Staff recommends utilizing \$3.3M of the unassigned fund balance as prioritized in the Fund Balance Policy to fund capital projects during Fiscal Year 2026-2027.

The \$3.3M will be added to the estimated \$2M in General Capital funds that are expected to be available as of April 30, 2026. There is also estimated to be \$1.2M available in the Bond Capital Project fund as of April 30, 2026.

## **OUTCOME**

Homewood is fortunate to have added to our fund balance through successful budget and audit processes in Fiscal Year 2024-2025 and to be able to utilize, through our Fund Balance Policy, the unassigned balance available to fund capital projects. However, the Village will need to consider alternative and consistent funding options for capital going forward, as it is not expected that significant fund balance will be available year after year.

## **FINANCIAL IMPACT**

- **Funding Source:** Unassigned fund balance within the General Fund to be transferred to the Capital Project fund
- **Transfer Amount:** \$3,300,000
- **Cost:** N/A

## **LEGAL REVIEW**

Not Required

## **RECOMMENDED BOARD ACTION**

Approve the transfer of \$3.3 million from the General Fund unassigned fund balance to the Capital Projects Fund to fund Fiscal Year 2026-2027 capital projects.

## **ATTACHMENT(S)**

Fund Balance Policy for the Village's General Fund