

VILLAGE OF HOMEWOOD



BOARD AGENDA MEMORANDUM

DATE OF MEETING: January 10, 2023

To: Village President and Board of Trustees

Through: Napoleon Haney, Village Manager

From: Dennis Bubenik, Director of Finance

Topic: Contingency Fund Transfers

PURPOSE

Good government procedures require realistic estimates of revenues and expenses for the yearly budget of the government body. However, since the budget is built on estimates, there can be situations during the actual budget year that could not have been anticipated when the budget was approved. Many municipalities have contingency policies in place to handle these unexpected challenges to the budget.

The contingency fund can be used to cover costs for critical items that were either not budgeted for, or items that increased in cost above what was budgeted. There are four accounts that experienced unanticipated expenses since the current budget was passed, and require a transfer of funds from the Contingency Account to the respective line items. The transfer of these funds requires Board approval.

PROCESS

The Village of Homewood created a contingency fund that became operational during the current FY2022-2023 budget year. The contingency fund appears as a line item in the Finance Department's budget and is budgeted each year. The budget is equal to 1% of the total general fund expenses. The general fund is where we find the day-to-day operating expenses required to provide local government services.

This contingency fund is not to be used to circumvent the budget process and fund those expenses that did not make it through the approval of the budget. Attached is the Homewood Contingency policy, which clearly defines when and how funding can be utilized.

At the six-month point of the 2022-23 budget year, four accounts have experienced expense levels that could not have been anticipated at the approval of our 2022-23 budget back in April 2022. The four line item expenses are detailed on the attached document.

VILLAGE OF HOMEWOOD



OUTCOME

Transferring funds from the Contingency Account will supplement the budget line items that have been affected by unanticipated expenses after the budget was passed in April 2022.

FINANCIAL IMPACT

- **Funding Source:** General Fund (*Contingency Fund Line Item*)
- **Budgeted Amount:** \$230,000

LEGAL REVIEW

Not required

RECOMMENDED BOARD ACTION

Approve the transfer of \$120,000 from Contingency Account - Finance Department as follows:

- \$20,000 to Labor Relations *Manager's Office* - litigation costs
- \$60,000 to Accident Repairs *Police Department* - vehicles repairs
- \$20,000 to Fuel *Police Department* - increases in fuel costs
- \$20,000 to Fuel *Public Works Streets Department* – increases in fuel costs

ATTACHMENT(S)

- Budget Policy on Contingency Account
- Recommended use of Contingency account January 2023