# VILLAGE OF WINNEBAGO

# MEMORANDUM

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| **Prepared By:** | Joseph Dienberg, Village Administrator |
| **To:** | Committee of the Whole |
| **Date:** | August 14, 2026 |
| **Subject:** | 6-Month Budget Review |

**Overview:** Staff has completed a review of Village revenues and expenditures through approximately the first six months of the 2026 budget year. Based on this review, the Village's overall financial position remains stable, with no significant concerns regarding General Fund revenue or the General Fund's projected year-end position. Several individual expense line items are projected to exceed budget and will require continued monitoring or future line-item transfers; however, all three General Fund departments are currently projected to remain within their total departmental budgets.

Year-end projections were developed using the most appropriate method for each revenue or expense. For revenues received relatively evenly throughout the year, staff generally annualized year-to-date collections. State-shared revenues were compared against the most recent Illinois Municipal League estimates, while property taxes, contractual revenues, and other known amounts were projected using the applicable levy, agreement, or expected payment schedule.

Expenses that occur consistently throughout the year were generally annualized based on year-to-date activity. Known contractual obligations, planned purchases, seasonal expenses, and one-time costs were adjusted separately rather than relying solely on a straight-line projection. Because personnel costs represent the Village's largest operating expense and can be affected by payroll timing, vacancies, overtime, insurance elections, and benefit rates, most personnel line items were conservatively projected at their full budgeted amounts unless a different year-end amount could be reasonably established.

These projections are intended to provide a reasonable planning estimate based on the information currently available. They will continue to change as additional revenues are received, projects are completed, and remaining obligations become clearer.

**2026 General Fund Revenue:** General Fund revenue is projected to total approximately $2,162,600, which is approximately $19,200 above the adopted budget of $2,143,400.

Overall revenue collections are holding close to expectations. Income tax, replacement tax, local use tax, telecommunications excise tax, police fines, interest income, and ComEd utility tax are currently projected above budget. These increases are partially offset by sales and related taxes, which are projected to finish approximately $5,900 below budget, along with several smaller revenue sources that are not expected to reach their budgeted amounts.

Interest income continues to benefit from current cash balances and interest rates. However, staff does not recommend relying on interest income to support ongoing operating expenses because both balances and rates may change.

At this point, there are no significant revenue red flags. The overall projection remains close to the adopted budget, with projected collections approximately 0.9% above budget.

**2026 General Administration Expenses:** General Administration expenditures are projected at approximately $370,600, compared with a departmental budget of approximately $481,100. This would place the department approximately $110,500 under budget at year-end.

The largest portion of the projected savings is the $42,800 contingency amount, which is intended to remain unspent when possible and provide flexibility for unanticipated expenses or future capital needs. Codification expenses are also projected approximately $24,900 below budget based on activity to date. Additional savings are projected in software and equipment maintenance, IT services, professional fees, conferences, training, travel, and office and computer equipment.
A limited number of Administration line items are projected to exceed budget, and will be watched closely to be conservative through the rest of the year. Staff will present line-item transfers if needed at the appropriate time.

The Administration projection conservatively holds most salary and benefit accounts at their full budgeted amounts. Therefore, the projected departmental savings are primarily associated with operating expenses, contingency, and budgeted projects or services that have not been fully utilized.

**2026 Public Works/Street Department Expenses:** General Fund Public Works expenditures are projected at approximately $857,300, compared with a departmental budget of approximately $924,700. The department is currently projected to finish approximately $67,400 under budget.
Public Works expenses are more difficult to project on a straight-line basis because street maintenance, tree work, stormwater work, equipment maintenance, snow preparation, and capital projects are seasonal. Staff therefore reviewed year-to-date spending alongside known work planned for the remainder of the year.

Several line items are projected below budget, including street-project engineering, building maintenance, vehicle maintenance, equipment purchases, general engineering, and operating supplies. The projection continues to recognize that additional vehicle and equipment maintenance may occur during the fall as equipment is prepared for winter operations. It also includes anticipated costs for the tractor snowplow and other known remaining purchases.

A small number of line items are projected above budget, including grounds maintenance, professional services, tree removal and trimming, telephone and internet, and stormwater maintenance. These individual variances are comparatively minor and are offset by savings elsewhere in the department. The Public Works projection also includes the anticipated General Fund street-project expenditures.

**2026 Police Department Expenses:** Police Department expenditures are projected at approximately $990,100, compared with a departmental budget of approximately $1,012,600. The department is currently projected to finish approximately $22,500 under budget.

The most significant projected overage is police overtime. Overtime is projected at approximately $23,800, or approximately $8,800 above the $15,000 budget. This reflects actual overtime incurred to date and the expected continuation of coverage needs during the remainder of the year.

Fuel is projected at approximately $22,500, which is approximately $4,500 above budget. These accounts will need to be monitored and may require line-item transfers before the end of the year. These overages are currently offset by projected savings in audiovisual communications, Lexipol, office and computer equipment, uniforms, training, cellular phones, IT services, and software maintenance. Personnel and benefit accounts have generally been held at their full budgeted amounts despite the current vacancy, providing a conservative projection and recognizing that staffing costs may change as recruitment continues.

Although the Police Department is projected to remain within its overall budget, its available margin is smaller than those of the other General Fund departments. Overtime, fuel, staffing changes, and unanticipated equipment costs will therefore require close monitoring through the remainder of the year.

**General Fund Summary:** Total General Fund expenditures are projected at approximately $2,218,000, compared with the adopted expenditure budget of approximately $2,418,400. Total expenditures are therefore projected to finish approximately $200,400 below budget.

With projected revenue of approximately $2,162,600, the General Fund is currently projected to use approximately $55,400 in existing reserves during 2026. The adopted budget anticipated using approximately $275,000 in reserves. The current projection therefore represents an improvement of approximately $219,600 compared with the adopted budget.

While the General Fund is not projected to produce a year-end surplus, its projected use of reserves is substantially less than originally budgeted. There are no current concerns regarding the overall 2026 bottom line.

**Summary of Other Funds:** The Motor Fuel Tax Fund is projected to receive approximately $148,500 in revenue during 2026. Due to delays in receiving the necessary approvals from the Illinois Department of Transportation, the planned road project will not be let during the current construction year. Staff is therefore projecting no additional significant MFT expenditures for the remainder of 2026 beyond costs already incurred. The unspent project funds will remain available for the project when it is able to move forward.

The Community Development Fund is projected to receive approximately $176,700 in revenue, approximately $35,900 below budget. The largest revenue shortfall is associated with development escrow activity, which is dependent on the timing and level of private development. Permit revenue is also projected below budget. These reductions are partially offset by higher liquor-license revenue due to two new applicants. Expenditures are projected at approximately $118,900, leaving the fund in a positive operating position for the year.

The Strategic Reserves Fund is projected to receive approximately $13,500 in interest income and incur approximately $30,000 in professional-service expenses. Use of this fund will continue to be limited to Board-approved strategic purposes and available accumulated balances.

The Water Operations and Maintenance Fund is projected to receive approximately $1.94 million in revenue. The current revenue projection is affected by the timing of utility billing and should not be viewed as a reduction in actual water-system revenue.

Through June, the Village recorded approximately $166,800 in water sales, $101,100 in fixed administrative charges, and $238,600 in capital charges. Annualizing those collections produces projections of approximately $333,500 in water sales, $202,200 in administrative charges, and $477,100 in capital charges. Administrative-charge revenue is currently tracking above budget, while water sales and capital charges appear slightly below budget. However, the timing of billing affects the six-month comparison, and additional collections will be recorded as the billing cycle catches up.

The Village’s major Sift Street water-system improvement project is also underway, making the timing of construction expenditures an important factor in the fund’s year-end position.

The Village is working with Fehr Graham on a comprehensive water-rate study. That study will evaluate operating revenue, current rates, capital charges, debt obligations, ongoing system expenses, and long-term infrastructure needs. The larger policy discussions regarding the financial condition and sustainability of the Operations and Maintenance Fund will occur when the water-rate study is presented to the Village Board. Accordingly, the six-month review is intended to provide an interim snapshot rather than a complete analysis of the fund’s long-term needs.

The Village Events Fund remains affected by the cancellation of the 2026 fireworks show and the related vendor costs. The savings experienced by the cancellation this year will roll into next year's show.

**2027 Revenue Projections:** Preliminary 2027 General Fund revenue is projected at approximately $2,165,800. This is approximately $22,400, or 1%, above the adopted 2026 revenue budget.

The 2027 projection uses the most current available information for each revenue source. State-shared income tax, replacement tax, local use tax, and other per-capita revenues are based on Illinois Municipal League estimates when available. Property-tax revenue reflects preliminary levy assumptions. Sales and related taxes are projected using recent collection trends, while contractual and fee-based revenues are based on known agreements, established rates, and reasonable activity assumptions.

The estimate remains intentionally conservative. Interest income is held at $80,000 and is not treated as a dependable source of long-term operating growth. One-time revenues, grants, asset sales, development-related income, and transfers are generally excluded unless there is a reasonable expectation that they will occur.

**2027 Budget Process:** The 2027 budget process began with departmental worksheets distributed in late July. Departmental projections and initial budget requests are due to the Village Administrator by Friday, August 28. Staff's goal is to begin presenting the proposed budget to the Village Board on October 7 and complete the process before Thanksgiving.

Initial General Fund departmental spending caps have been established as follows:

- Administration: $526,800;
- Public Works: $585,000; and
- Police Department: $1,032,700.

These initial maximums were developed using each department's modeled share of uncommitted General Fund revenue: approximately 22% for Administration, 28% for Public Works, and 50% for the Police Department. The methodology connects each department's operating plan to the recurring revenue reasonably available after accounting for shared and fixed obligations. The caps may be adjusted as revenue, insurance, benefit, and other cost information is refined.

The preliminary worksheets assume a 15% increase in health-insurance premiums, current employee insurance elections, existing vacancies being filled, and wage increases of up to 5% based on the amounts authorized by ordinance. Updated IMRF, IDES, insurance, and other benefit rates have not yet been finalized. These assumptions will be updated before the final budget is presented.

Capital funding will be one of the most significant issues in the 2027 budget. The General Fund does not currently have sufficient dedicated revenue to sustainably address all vehicle, equipment, facility, and infrastructure needs. One-time cash balances may support projects for which funds have been intentionally accumulated, but they do not provide a long-term replacement plan.

Department heads have therefore been directed to identify efficiencies, distinguish essential services from discretionary expenses, and explain any service implications if current operations cannot be maintained within the assigned spending limits. Staff will return to the Board with updated projections, departmental requests, capital needs, and any policy decisions necessary to produce a balanced and sustainable 2027 budget.