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Trustees look favorably on 2022-23 Homewood budget

By ERIC CRUMP

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Homewood's economy has weathered the COVID-19 pandemic better than expected so far, and that's one factor that contributed to a fairly rosy budget outlook for the coming year.

At the village board meeting Tuesday, April 12, Finance Director Dennis Bubenik walked trustees through the plan for the 2022-23 budget year, highlighting overall stability with modest increases in revenue that will allow the village to make progress on several projects residents have asked for.

"There will always be a greater demand for local government services than we have revenue to pay for those services, but through the budget discussions we will balance the services we can provide with the revenues we have to pay for those services," Bubenik said.

There is \$153,600 in the capital budget for 183rd Street improvements. The Public Works Department unveiled a plan on March 22 for its next steps in making the street safer. One big project is the installation of traffic lights at 183rd and Center Avenue. Engineering work is slated to begin soon.

In a related effort, the budget will support the Police Department's expanded efforts to control speeding on 183rd Street and other major streets in the village.

The capital budget also includes money for three TIF district projects, improvements to the parking lot in the Southgate shopping area, renovations to a building the village is in the process of acquiring at 1221 175th St. and infrastructure work in the Dixie Highway/Miller Court district, which will be home to Homewood Brewing Company.

The village manager's office will add a planner position that was eliminated in 2010 as a result of the Great Recession.

The budget also includes improvements to two key reserves, Bubenik said.

About \$76,000 will be added to the fund balance. The village operates on a policy of having enough savings to operate for four months if necessary. Bubenik underlined how important that balance had been in recent economic downturns, including the recession that began in 2009 and in the first months of the COVID-19 pandemic in 2020.

"Fund balance is used to stabilize the services we can provide when the economy slows, like in a recession," he said. "Our revenues will go down, and we'll utilize our fund balance to keep service levels constant."

The other reserve is a contingency fund that Bubenik said the Finance Department has been trying to establish for two decades, setting aside from \$10,000 to \$50,000 when it could.

"It just wasn't enough," he said. "This year we have 1% of our budget, about \$230,000. That is an example of good local government fiscal management."

The contingency fund will be used in emergencies, those situations when the village encounters expenses that could not be anticipated during the budget process.

To make sure the fund is used properly, the Finance Department submitted to the board a draft policy to define the circumstances that would count as emergencies. Bubenik said contingency funds typically are used for such things as major equipment failures or unforeseen legal expenses.

What makes the contingency fund and other initiatives possible is projections of healthy sales tax revenue. Bubenik said sales tax proved resilient during the worst of the pandemic, too.

"Sales tax surprisingly did well during the COVID-19 pandemic. That was because of our vendor mix," he said. "For example home improvement and grocery stores, those were quite busy."

Sales tax makes up the biggest portion of Homewood's revenue. The budget anticipates an 8% increase, bringing in about \$5.7 million. The second biggest source of revenue, property taxes, is expected to remain flat at a little more than \$2.2 million.

Bubenik said about two-thirds of the village's property tax revenue goes to pension obligations.

The village is also benefiting this year from federal pandemic funding through the American Rescue Plan Act. About \$1.2 million was received in October 2021, and another \$1.2 million is expected in October 2022. That money will be set aside for projects, Bubenik said.

Other revenue sources are expected to improve in the coming year.

The Motor Fuel Tax Fund, which pays for street maintenance and improvements, received a boost from the state's Rebuild Illinois infrastructure program, although Bubenik said the increase might be offset by increasing costs.

The Local Government Distributive Fund, a program that sends a portion of state sales tax revenue to municipalities, will see an increase for the first time in years. The percentage municipalities receive was reduced in 2011 from 10% to 6%. It has fluctuated some since. This year, the legislature approved an increase from 6.06% to 6.16%.