MEMORANDUM

TO: Finance and Administration Committee

FROM: Tim Sexton, Finance Director

DATE: August 17, 2026

SUBJECT: 2025 General Fund Waterfall Distribution and Property Tax Levy Transfer

Purpose

The purpose of this memorandum is to provide the Finance and Administration Committee with the final 2025 General Fund "Waterfall" distribution and the 2025 Corporate Levy amount to be transferred in 2026, consistent with the Village Board's February 2025 policy direction.

Background

In February 2025, the Village Board approved suspending Waterfall distributions to the Pension Stabilization Fund and Economic Development Fund reserves for three years, covering 2024 through 2026. During this period, available Waterfall resources that otherwise would have been distributed to those reserves are instead being prioritized for the Building Reserve Fund to support future Public Safety Building construction.

The Board has also strategically dedicated property tax revenue from the Corporate Levy toward the Building Reserve Fund. These policy decisions are intended to build resources for significant future public safety facilities while reducing the amount that ultimately may need to be financed.

2025 General Fund Year-End Results

The General Fund ended 2025 with revenues exceeding expenditures by $4.85 million. The table below summarizes the primary revenue and expenditure variances that contributed to the year-end result.

Revenue / Expenditure	Favorable / (Unfavorable) Variance
Sales Tax	$1,247,780
Local Use Tax	($619,940)
State Income Tax	$1,465,553
Amusement Tax	$259,862
Places for Eating Tax	$394,070

Revenue / Expenditure	Favorable / (Unfavorable) Variance
Building Revenue	$488,128
Emergency Medical Services	$489,502
Building Plan Review	$252,529
Personal Services Expenditures	$966,514
All Other Expenditures	($93,998)
Total 2025 Year-End Revenues Over Expenditures	**$4,850,000**

The largest favorable revenue variances were State Income Tax and Sales Tax. Personal Services expenditures were also approximately $967,000 under budget. These favorable results were partially offset by Local Use Tax revenue coming in approximately $620,000 below budget and other expenditures exceeding budget by approximately $94,000.

2025 Waterfall Distribution

The $4,850,000 year-end surplus is available for distribution through the Waterfall. In accordance with the Waterfall policy and the Board's February 2025 direction, the 2025 distribution is as follows:

Fund / Reserve	2025 Distribution
Emergency Reserve	$184,678.30
Revenue Stabilization Reserve	$129,277.81
Economic Development Fund	$0
Pension Funds / Pension Stabilization	$0
Building Reserve Fund	$4,536,043.89
Total 2025 Waterfall	**$4,850,000.00**

The Emergency and Revenue Stabilization Reserve contributions bring those reserves to their respective policy targets based on the 2026 General Fund budget. After satisfying those requirements, the remaining $4,536,043.89 is directed to the Building Reserve Fund.

MEMORANDUM

Corporate Levy Funding for the Building Reserve

To make the timing easier to understand, the table below shows both the property tax levy year and the year the Village collects the related revenue:

Property Tax Levy	Year Revenue Is Collected	Amount Dedicated to Building Reserve
2023 Levy	2024	$585,000
2024 Levy	2025	$1,284,501
2025 Levy	2026	$1,038,120
2026 Levy	2027	No dedicated transfer anticipated*

**The 2026 levy revenue collected in 2027 is expected to be needed to support the General Fund budget.*

Summary

The total amount being transferred to the **Building Reserve Fund** is **$5,574,163.89**, consisting of:

- **$1,038,120** from the 2025 Property Tax Corporate Levy collected in 2026, which is already included in the approved 2026 budget; and
- **$4,536,043.89** from the 2025 General Fund Waterfall.

Staff will present a **2026 Budget Amendment of $4,850,000** to the Village Board to authorize the 2025 Waterfall transfers:

- Emergency Reserve: **$184,678.30**
- Revenue Stabilization Reserve: **$129,277.81**
- Building Reserve Fund: **$4,536,043.89**

Including the Corporate Levy transfer already budgeted, **total 2026 transfers related to the 2025 Waterfall and 2025 Property Tax Levy are $5,888,120.00**. No action is necessary from the Finance and Administration Committee.