



AGENDA

FINANCE COMMITTEE MEETING

August 26, 2024 - 6:30 PM
Mundelein Village Hall - Board Room
300 Plaza Circle
Mundelein, IL 60060

- I. CALL TO ORDER
- II. ATTENDANCE
- III. MINUTES APPROVAL
 - A. **Motion** to approve the Finance Committee Meeting Minutes from June 24, 2024.
- IV. PUBLIC COMMENTARY
- V. GROCERY TAX DISCUSSION
 - A. Grocery Tax Law and Home Rule Sales Tax Options
- VI. ADJOURNMENT
 - A. **Motion** to Adjourn the Financial Committee Meeting.

The Village of Mundelein, in compliance with the Americans with Disabilities Act, requests that persons with disabilities who require certain accommodations to allow them to observe and/or participate in this meeting, or who have questions about the accessibility of the meeting or facilities, to contact the ADA Coordinator at 847-949-3200 to allow the Village to arrange accommodations for those persons.

I. CALL TO ORDER

CALL TO ORDER

Trustee Schwenk called the meeting to order at 7:12 PM. Trustees Schwenk, Juarez, and Ross were present.

II. ATTENDANCE

ATTENDANCE

Board Attendance

PRESENT: Trustee Schwenk, Trustee Juarez, Trustee Berman Ross, Mayor Lentz
ABSENT: Trustee Meier

Village Attendance

Village Attendance: Public Works & Engineering Director Boeche, Village Administrator Guenther, Assistant Finance Director Limperatos, Fire Chief Lark, Police Chief Seeley, Community Development Director Orenchuk, and Assistant Village Administrator Monroe, Attorney Cahill
Absent: Building Director Sellas

III. PUBLIC COMMENTARY

PUBLIC COMMENTARY

There was no public commentary.



IV. PUBLIC HEARING

PUBLIC HEARING

A. FY2025 Budget Appropriation Ordinance

PUBLIC HEARING

Committee Chairman Schwenk read the report:

A legal notice was published as required by state statute in a newspaper with general circulation in Mundelein (Daily Herald) on June 14, 2024. The draft of the ordinance has been available in the Customer Service Office at the Village Hall for public review.

APPROPRIATIONS

CORPORATE	46,010,000
SPECIAL PURPOSE	29,935,000
WATER/SEWER	20,935,000

96,880,000

1. Appropriations are the legal limits for Village Expenditures. For FYE 2025 the amount is \$96,880,000.
2. To date, there have been no written comments received by the Village with respect to the proposed ordinance.
3. The prior year total appropriation was \$83,390,000.

V. FINANCE CHAIR'S COMMENTS

FINANCE CHAIR'S COMMENTS

None.

VI. TRUSTEES' COMMENTS

TRUSTEES' COMMENTS

None.

VII. ADJOURNMENT

ADJOURNMENT

RESULT: Passed [Yes 3, No 0, Abstained 0]
MOVER: Trustee Daniel Juarez
SECONDER: Trustee Jenny Berman Ross
AYES: Erich Schwenk, Daniel Juarez, Jenny Berman Ross
NAYS: None
ABSTAIN: None

The Finance Committee Meeting adjourned at 7:14 PM.


Village Clerk

To: Mayor and Board of Trustees
From: Linda Miller, Finance Director
For: Finance Committee Meeting of August 26, 2024
Subject: Grocery Tax Law and Home Rule Sales Tax Options

Financial Impact:

N/A

Attachments:

1. Grocery Tax Law and Home Rule Sales Tax Options Presentation

Background:

The meeting is to discuss the options related to the State of Illinois Grocery Tax Law signed into law on August 5, 2024, and our Home Rules Sales Tax Rate.

During our Fiscal Year 2025 budget, information was available that the State of Illinois was going to eliminate the 1% tax on groceries as part of the State of Illinois' next fiscal year budget, which would begin July 1, 2024. In order to compensate for this loss of revenue, an ordinance was passed by the Village of Mundelein to raise the Home Rule Sales tax .25% effective July 1, 2024, which raised the total Mundelein Sales Tax Rate from 8.00% to 8.25%.

The State of Illinois did sign into law the elimination of the 1% tax on groceries effective January 1, 2026, and under this new law allows municipalities to impose their own local grocery tax by ordinance.

The statewide repeal of the grocery tax will occur later than we expected during our Fiscal Year 2025 budget. We were expecting this elimination to occur July 1, 2025, but the recent law indicates the repeal will be January 1, 2026. Also, at the time of the Fiscal Year 2025 budget, it was anticipated the grocery tax would be completely eliminated, but the new law does allow for municipalities to impose their own grocery tax by ordinance.

The attached presentation provides three options to consider regarding our Home Rules Sales Tax Rate and the Municipal 1% Grocery Tax.

Recommendation:

The Board will consider the three options in the presentation.

GROCERY TAX LAW AND HOME RULE TAX OPTIONS



Presentation to the Village Board
August 26, 2024
6:30 PM
Village Hall

GROCERY TAX LEGISLATION

- House Bill 3144 was signed into law on August 5, 2024. This new law will eliminate the state's 1% tax on groceries.
- During our FY25 Budget meeting, this new law was anticipated with an effective date of 7/1/24 to correspond with the State's new budget fiscal year start date. The Village approved a .25% Home Rule Sales Tax increase to help offset this revenue deficit.
- Unknown at the time of our budget, this law will now eliminate the state's 1% tax on groceries on January 1, 2026 rather than the anticipated date of July 1, 2024.
- This new law allows municipalities to impose their own local grocery tax by ordinance effective January 1, 2026.

HOME RULE SALES TAX AND GROCERY TAX OPTIONS



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OPTIONS TO CONSIDER:

Option 1 – Do Nothing

Keep Home Rule Sales Tax increase of .25% which was effective 7/1/24, and do not implement 1% grocery tax on January 1, 2026.

Option 2 – Back to Way Things Were

Reduce Home Rule Sales Tax by .25% effective 1/1/25, and implement 1% local grocery tax on January 1, 2026.

Option 3 – Implement Village Grocery Tax

Keep Home Rule Sales Tax increase of .25% which was effective 7/1/24, and implement 1% grocery tax on January 1, 2026.

HOME RULE SALES TAX & GROCERY TAX OPTIONS

REVENUE COMPARISON



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	HR Sales Tax	Grocery Tax	Total
Option 1 – Do Nothing			
No Change to Home Rule Sales Tax (8.25%) & No Grocery Tax			
FY25	\$.70 M	\$1.00 M	\$1.70 M
FY26	\$1.20 M	\$.92 M	\$2.12 M
FY27	\$1.20 M	\$.00 M	\$1.20 M
Option 2 – Back to Way Things Were			
Decrease Home Rule Sales Tax .25% (8.0%) & Implement Grocery Tax			
FY25	\$.60 M	\$1.00 M	\$1.60 M
FY26	\$.00 M	\$1.00 M	\$1.00 M
FY27	\$.00 M	\$1.00 M	\$1.00 M
Option 3 – Implement Village Grocery Tax			
No Change to Home Rule Sales Tax (8.25%) & Implement Grocery Tax			
FY25	\$.70 M	\$1.00 M	\$1.70 M
FY26	\$1.20 M	\$1.00 M	\$2.20 M
FY27	\$1.20 M	\$1.00 M	\$2.20 M

HOME RULE SALES TAX & GROCERY TAX OPTIONS

OPTION 1 – DO NOTHING

Leave Home Rule Sales Tax Increase of .25% in Place & Do Not Implement the Grocery Tax

PRO'S

- Minimal impact to taxpayer from Home Rules Sales Tax Increase.
(No adverse feedback received when increase occurred 7/1/24.)
 - Taxpayer will save on grocery purchases since no Grocery Tax will be charged.
 - Home Rules Sales Tax paid by both residents and nonresidents.
 - No Burden to Business Owners who implemented changes for 7/1 Home Rule Sales Tax change.
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CON'S

- Taxpayer pays slightly more on discretionary purchases.
- Revenue decrease from no grocery sales tax may increase need to identify other funding sources.
- Recessionary financial environment will result in less revenue as drop in discretionary purchases will cause decline in Home Rule Sales Tax.

HOME RULE SALES TAX & GROCERY TAX OPTIONS

Option 2 – Back to Way Things Were

Decrease Home Rule Sales Tax .25% & Implement Grocery Tax

PRO'S

- Taxpayer sales tax rate declines back to 8.00%.

CON'S

- Burden on Business Owners to Update Their Operations for Sales Tax Change a second time in one year.
- Home Rule Sales Tax revenue decline may result in need to identify other funding sources.

Option 3 – Implement Village Grocery Tax

Leave Home Rule Sales Tax Increase of .25% in Place & Implement Grocery Tax

PROs

- Minimal impact to taxpayer (No adverse feedback received when increase occurred 7/1/24).
- Tax paid by both residents and nonresidents.
- No Burden to Business Owners who implemented changes for 7/1 Home Rule Sales Tax change.
- Revenue increase may lessen need to identify other funding sources.

CON'S

- Taxpayer pays slightly more on discretionary purchases.

HOME RULE SALES TAX & GROCERY TAX

NEXT STEPS for ordinances needed for changes . . .

HOME RULE TAX RATE CHANGE

- Bring ordinance to September 9, 2024 Board meeting to reduce Home Rules Sales .25% bringing the Mundelein sales tax rate to back to 8.00% effective January 1, 2025.
- The Village of Mundelein will begin to see the decrease in revenue from the sales tax decrease in April 2024.

GROCERY TAX IMPLEMENTATION

- Bring ordinance no later than September 8, 2025 Board meeting to allow Grocery Tax of 1% effective January 1, 2026.
- The Village of Mundelein will begin to see the revenue from the grocery tax in April 2026.

QUESTIONS

REFERENCE MATERIALS

Estimated* Annual Financial Impact of the Proposed Elimination of the 1% Grocery Tax on Illinois' Municipalities

(As of 9:00 a.m. 5/31/2024)

Municipality	Population	Estimated Annual Loss
Algonquin	29,700	\$2 million
Alsip	19,063	\$670,000
Arlington Heights	77,676	\$1.3 million
Aurora	180,542	\$4.5 million
Bannockburn	1,013	\$555,506
Barrington	10,722	\$612,600
Batavia	26,098	\$1.1 million
Bedford Park	602	\$900,000
Bensenville	18,813	\$500,000
Benton	6,709	\$30,764
Bloomington	78,680	\$2 million
Bolingbrook	74,022	\$1.75 million
Bourbonnais	18,164	\$735,000
Bradley	15,419	\$800,000
Buffalo Grove	43,212	\$1.5 - 1.9 million
Burr Ridge	11,192	\$200,000
Cary	17,826	\$400,000
Champaign	88,302	\$2,703,704
Charleston	17,286	\$350,000
Chatham	14,437	\$300,000
Chicago	2,746,388	\$60 - 80 million
Clinton	7,004	\$250,000
Coal City	5,705	\$80,000
Coffeen	647	\$44,000
Collinsville	24,366	\$1.2 - 1.5 million
Countryside	6,420	\$700,000
Crest Hill	20,459	\$100,000
Crete	8,465	\$300,000
Creve Coeur	4,934	\$89,713
Crystal Lake	40,269	\$1.3 million
Darien	22,011	\$372,127

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*Estimates provided by each municipality. To submit an estimate, please email IMLLegislation@iml.org.

Estimated* Annual Financial Impact of the Proposed Elimination of the 1% Grocery Tax on Illinois' Municipalities

(As of 9:00 a.m. 5/31/2024)

Municipality	Population	Estimated Annual Loss
Decatur	70,522	\$2 million
Deerfield	19,196	\$500,000
DeKalb	40,290	\$750,000
Des Plaines	60,675	\$1,413,149
East Moline	21,374	\$579,702
Effingham	12,252	\$600,000
Elburn	6,175	\$118,838
Elgin	114,797	\$1.1 million
Flossmoor	9,704	\$200,000
Fox Lake	10,978	\$250,000
Freeport	23,973	\$800,000
Geneva	21,393	\$600,000
Genoa	5,298	\$100,000
Glen Carbon	13,842	\$1 million
Glencoe	8,849	\$200,000
Hanover Park	37,470	\$493,477
Hawthorn Woods	9,062	\$65,000
Herrin	12,352	\$350,000
Hickory Hills	14,505	\$440,000
Highland Park	30,176	\$1 million
Homer Glen	24,543	\$700,000
Homewood	19,463	\$650,000
Huntley	27,740	\$424,827
Joliet	150,362	\$3 million
Justice	12,600	\$65,000
Kankakee	24,052	\$1,059,000
La Grange Park	13,475	\$230,000
Lake Forest	19,367	\$408,913
Lake Zurich	19,759	\$1.76 million
Lexington	2,090	\$15,600
Libertyville	20,579	\$750,000 - \$800,000

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*Estimates provided by each municipality. To submit an estimate, please email IMLLegislation@iml.org.

Estimated* Annual Financial Impact of the Proposed Elimination of the 1% Grocery Tax on Illinois' Municipalities

(As of 9:00 a.m. 5/31/2024)

Municipality	Population	Estimated Annual Loss
Lily Lake	1,032	\$748
Lisle	24,223	\$245,000
Lockport	26,094	\$1 million
Lombard	44,476	\$500k - \$1.5 million
Machesney Park	22,950	\$250,000
Macomb	15,051	\$300,000
Mahomet	9,434	\$350,000
Marion	16,855	\$1.68 million
Mattoon	16,870	\$475,000
Midlothian	14,325	\$126,000
Milan	5,106	\$570,000
Mokena	19,887	\$850,000
Montgomery	20,262	\$800,000
Morris	14,613	\$1.5 million
Mount Carmel	7,015	\$147,000
Mount Vernon	14,600	\$1,217,141
Mundelein	31,560	\$500,000
Naperville	149,540	\$3.5 million
Niles	30,912	\$2.3 million
Normal	52,736	\$2.6 million
North Aurora	18,261	\$700,000
North Riverside	7,426	\$850,000
Northbrook	35,222	\$1.8 million
Northlake	12,840	\$550,000
Oak Lawn	58,362	\$2.2 million
O'Fallon	32,289	\$1.2 million
Olney	8,701	\$600,000
Oregon	3,604	\$43,000
Orland Hills	6,893	\$392,000
Orland Park	58,703	\$2.5 million
Oswego	34,585	\$1 million

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*Estimates provided by each municipality. To submit an estimate, please email IMLegislation@iml.org.

Estimated* Annual Financial Impact of the Proposed Elimination of the 1% Grocery Tax on Illinois' Municipalities

(As of 9:00 a.m. 5/31/2024)

Municipality	Population	Estimated Annual Loss
Palatine	67,908	\$1.25 million
Palos Heights	12,068	\$350,000 - \$400,000
Palos Park	4,899	\$211,000
Park Forest	21,687	\$100,631
Peoria	113,150	\$4 million
Peotone	4,150	\$160,000
Plano	11,847	\$540,000
Princeville	1,636	\$231,759
Prospect Heights	16,058	\$600,000
Quincy	39,463	\$920,000
Red Bud	3,804	\$52,000
River Forest	11,717	\$1,170,768
River Grove	10,612	\$190,000 - \$200,000
Rock Island	36,636	\$1 million
Rockford	148,655	\$7 - 8 million
Rolling Meadows	24,200	\$500,000
Romeoville	39,863	\$900,000
Schaumburg	78,723	\$3.1 million
Sesser	1,888	\$30,000
Shiloh	14,098	\$450,000
Shorewood	18,186	\$500,000
Skokie	67,824	\$1.5 million
South Chicago Heights	4,026	\$400,200
South Elgin	23,865	\$212,286
South Holland	21,465	\$526,000
Sparta	4,095	\$200,000
Spring Grove	5,487	\$410,000
Springfield	114,394	\$3.8 million
St. Charles	33,081	\$1.6 million
Sterling	14,764	\$500k - \$1 million
Sugar Grove	9,278	\$200,000

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Estimated* Annual Financial Impact of the Proposed Elimination of the 1% Grocery Tax on Illinois' Municipalities

(As of 9:00 a.m. 5/31/2024)

Municipality	Population	Estimated Annual Loss
Sycamore	18,577	\$717,086
Tinley Park	55,971	\$1.8 million
Urbana	38,336	\$1 million
Vandalia	7,458	\$175,000
Vernon Hills	26,850	\$1.75 million
Washington	16,071	\$500,000
West City	656	\$311,174
Western Springs	13,629	\$580,000
Westmont	24,429	\$1 million
Wheaton	53,970	\$2.1 million
Wheeling	39,137	\$660,000
Wilmette	28,170	\$550,000
Wilmington	5,664	\$72,000
Winnebago	2,940	\$120,000
Winnetka	12,744	\$240,000
Woodridge	34,158	\$300,000
Woodstock	25,630	\$257,439
Yorkville	21,533	\$298,888

*Estimates provided by each municipality. To submit an estimate, please email IMLegislation@iml.org.

FY25 ESTIMATED SALES TAX AND HOME RULE SALES TAX BASED ON 1ST QUARTER ACTUAL RECEIPTS

OPTION 1 - DECREASE HOME RULE							
	FY25 BUDGET	FY25 BUDGET INCREASE	FY25 BUDGET 25% MAY-JUL	YTD Q1 ENDING 07/31/24	YTD OVER/ (UNDER)	HOME RULE EST OCT-MAR *	FY25 EST. OVER/ (UNDER)
SALES TAX	6,850,000	8%	1,712,500	1,647,000	(65,500)		(262,000)
HOME RULE SALES TAX	5,900,000	1%	1,475,000	1,359,000	(116,000)	600,000	136,000
FY25 ESTIMATE TOTAL							(126,000)

OPTION 2 - LEAVE HOME RULE INCREASE IN PLACE							
	FY25 BUDGET	FY25 BUDGET INCREASE	FY25 BUDGET 25% MAY-JUL	YTD Q1 ENDING 07/31/24	YTD OVER/ (UNDER)	HOME RULE EST OCT-APR *	FY25 EST. OVER/ (UNDER)
SALES TAX	6,850,000	8%	1,712,500	1,647,000	(65,500)		(262,000)
HOME RULE SALES TAX	5,900,000	1%	1,475,000	1,359,000	(116,000)	700,000	236,000
FY25 ESTIMATE TOTAL							(26,000)

* Estimated Home Rule .25% Increase Based on \$1,200,000 per fiscal year