



TOWN OF KENSINGTON

Fiscal Year 2021-2022 (FY22)
Operating Budget & Capital
Improvement Plan (CIP)



TOWN OF KENSINGTON

OPERATING BUDGET & CAPITAL IMPROVEMENT PLAN (CIP)

Fiscal Year 2021-2022 (FY22), July 1, 2021 – June 30, 2022

Mayor

Tracey Furman

Town Council

Darin Bartram

Nate Engle

Conor Crimmins

Bridget Hill-Zayat

Administration

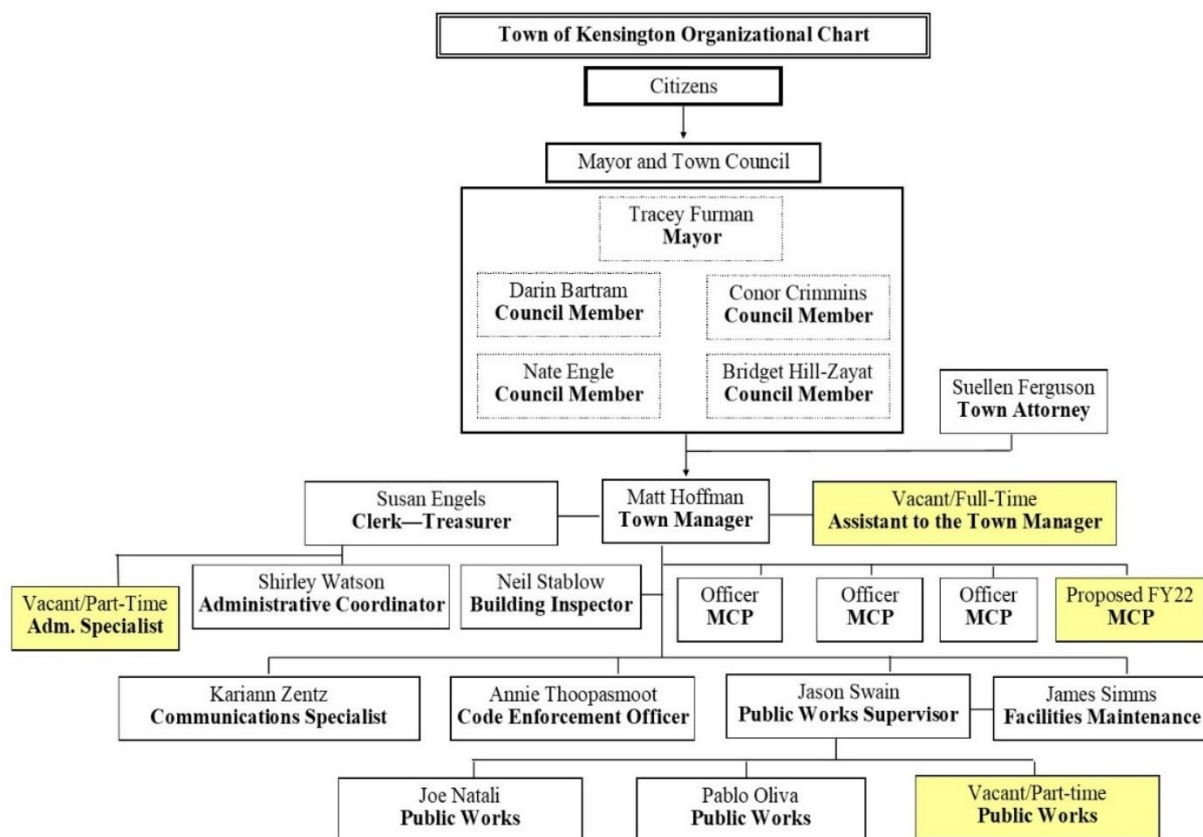
Matthew Hoffman

Town Manager

Susan Engels

Clerk – Treasurer

TOWN OF KENSINGTON ORGANIZATIONAL CHART



BUDGET MESSAGE

FISCAL YEAR 2021-2022 (FY22)

April 9, 2021

Mayor and Kensington Town Council:

I am pleased to submit our Fiscal Year 2021-2022 (FY22) Budget for discussion and review at the upcoming Public Hearing scheduled for April 12, 2021, at 7:00 pm. Included within the FY22 Budget document is an overview of the Town's General Fund, consisting of anticipated revenues and expenses during the fiscal year, along with details of the Town's Capital Improvement Plan (CIP).

Following a year of uncertainty with respect to revenues from the ongoing global pandemic due to COVID-19 (Coronavirus), we have a better understanding this fiscal year of our revenues and the impact that COVID-19 has had on our local and regional economy. While the Town of Kensington has seen limited losses in revenue from the pandemic and subsequent commerce restrictions, we will continue to be cautious over the course of the fiscal year to maintain a healthy balance between revenues and expenses.

The priority of the Town within this Budget will remain on providing excellent direct line services to our community and to continually improve the quality of life for our residents and business community.

THE BUDGET PROCESS

The Town operates under a fiscal year, in accordance with Article VIII, "Finance", of the Town Charter, which states that the Town's fiscal year shall begin on the first day of July and shall end on the last day of June each year. The budget process began in February 2021 with the Town's Administration reviewing the current fiscal year (FY21) actuals and the audited financial statements from FY20. Internal discussions by the Town staff to evaluate service needs were held in late February and the Town Manager and Clerk-Treasurer began formulating the expected revenues and expenses.

The Town's Administrative staff met with Mayor Furman and Council Member Crimmins and Hill-Zayet (Audit Committee Co-Chairs) to review the preliminary FY22 Budget. The FY22 Budget Ordinance (Ordinance No. O-02-2021) was introduced at the March 8, 2021, Town Council Meeting and the Public Hearing has been scheduled for Monday, April 12, 2021, 7:00 pm. The Town mailed postcards to our residents advising of the Public Hearing and provided a link to the Budget Ordinance and a detailed copy of the FY22 Budget on our website.

CURRENT FISCAL YEAR (FY21)

Our latest projections for FY21 suggest that revenues will exceed expenses by approximately \$700,000 at the end of the fiscal year (June 30, 2021). This is primarily a result of conservative spending during the current fiscal year due to revenue uncertainty from the global pandemic; stable revenue streams through our income and property taxes; and deferring certain expenditures (filling vacant positions) until a greater clarity on our economic situation could be determined. Any surplus from the current fiscal year (FY21) will be apportioned to the FY23 CIP Budget.

The American Rescue Plan Act adopted in March 2021 will provide state and local jurisdictions with recovery funds to offset revenue losses due to the global health pandemic. The Town of Kensington is expected to receive a total of \$1,946,571 over two fiscal years (FY21 and FY22), with the first distribution anticipated prior to the end of the current fiscal year. The American Rescue Plan Act funds have restrictions on what expenditures they may be used for and we are awaiting clarity from the Treasury Department, along with Maryland Senators Cardin and Van Hollen, on whether the funds may be used for certain capital improvement projects.

BUDGET OVERVIEW

The current fiscal year Budget was designed to clearly identify future revenues and expenses by adding certain line items to control costs. Unfortunately, the global pandemic and fiscal uncertainty over the past year has prevented the Town staff from fully implementing the Budget process designed last year. However, the idea behind our approach, which would allow us to better understand individual budget lines in an effort to more accurately project future revenues and expenses, will once again be organized within the FY22 Budget.

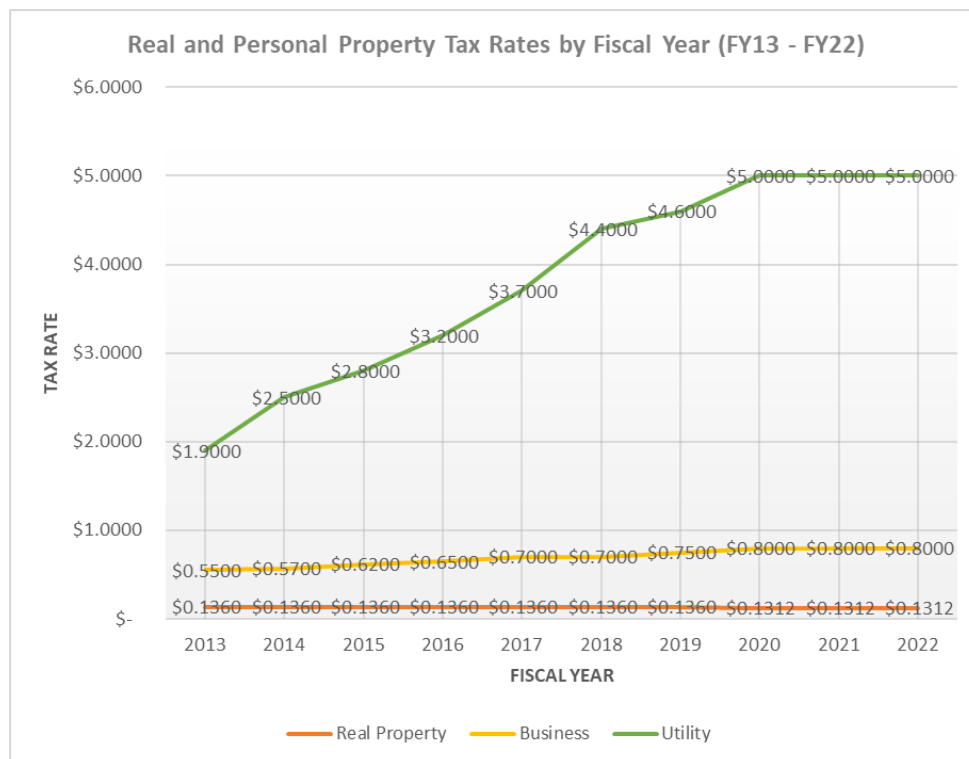
FY22 Budget Revenues

Revenue – Tax Rates

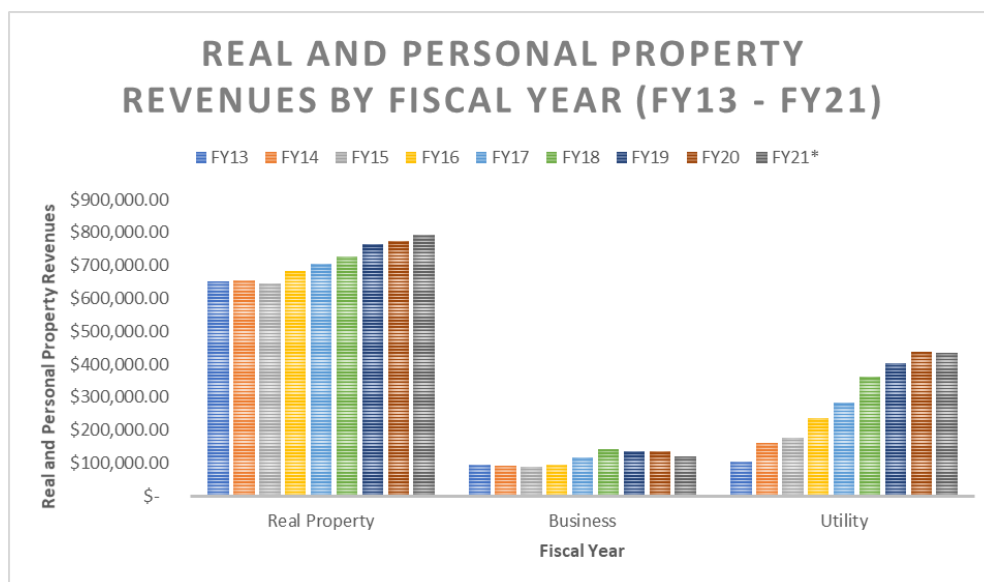
- The **Real Property tax rate will remain at (\$0.1312) per \$100 of assessed value** and is projected to generate an additional \$15,778 over last year due to revised assessments on certain properties within the Town.
 - The Town was exempted by the Maryland Department of Assessments and Taxation for the fiscal year, as our revenues will be less than \$25,000 more than last year at the current Real Property tax rate (\$0.1312).
 - The Real Property tax rate will remain at (\$0.1312) for the third consecutive fiscal year.
- The **Personal Property tax rate for Businesses will remain at (\$0.80) per \$100 of assessed value** and revenues are expected to remain consistent to last year with an estimated revenue increase of \$3,734.

- The Personal Property tax rate for Businesses will remain at (\$0.80) for the third consecutive fiscal year.
- The **Personal Property tax rate for Utilities will remain at (\$5.00) per \$100 of assessed value** and revenues are expected to remain consistent to last year with an estimated decline in revenues of \$6,849.
 - The Personal Property tax rate for Utilities will remain at (\$5.00) for the third consecutive fiscal year.

Real and Personal Property Tax Rates by Fiscal Year



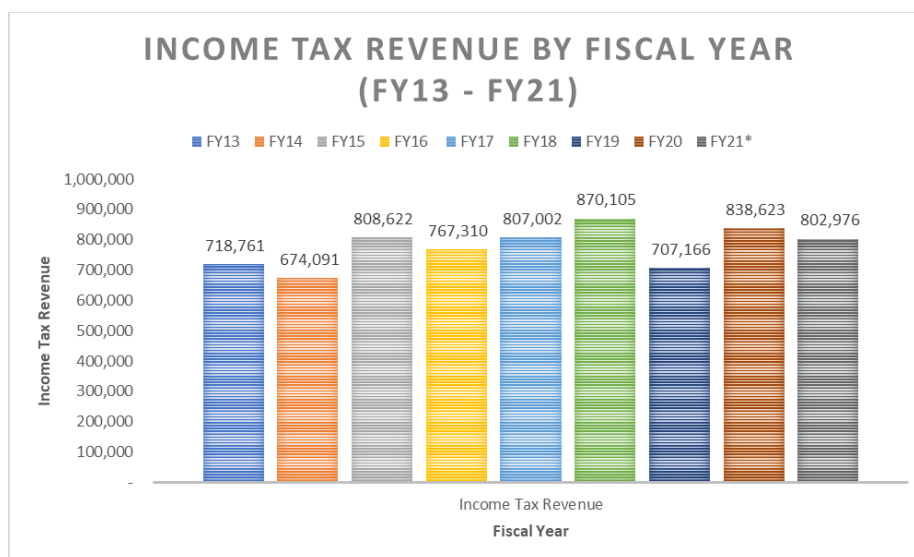
Real and Personal Property Tax Revenues by Fiscal Year



Revenue – Other Taxes

- We have projected a modest increase of \$11,175 for revenues attributed to income taxes compared to FY21. Our current projections for June 30, 2021 suggest that income tax revenues will be \$134,151 more than projected for FY21.
 - Income Tax revenue is an unpredictable revenue due to many variables. Our Income Tax projections are very conservative and are based on the information we have available at the time of budget preparation.

Income Tax Revenue by Fiscal Year



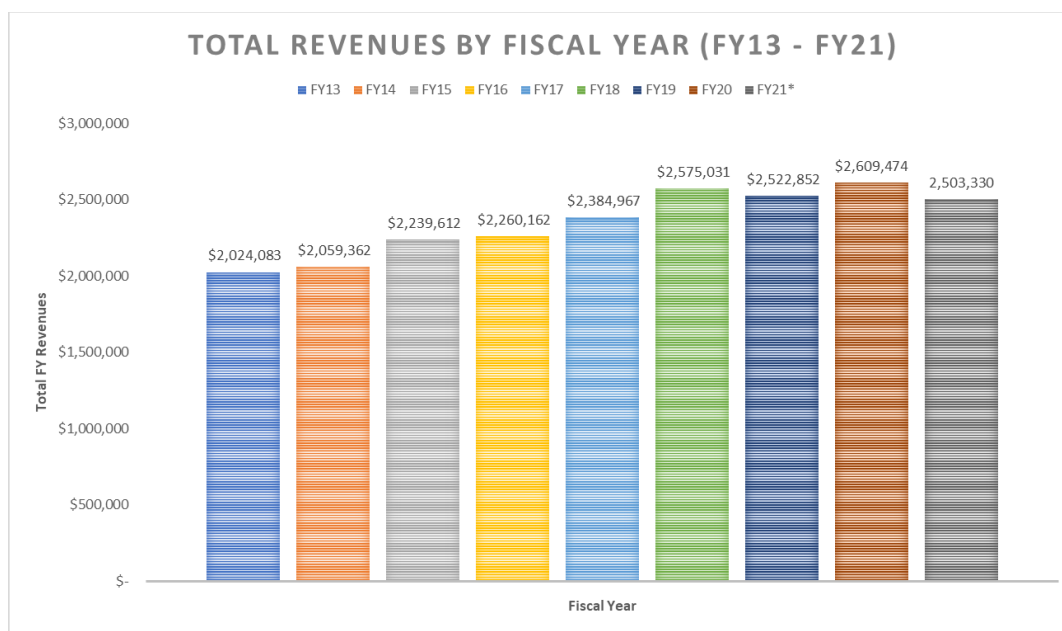
*FY21 Projected

Revenue – Intergovernmental

- The County Executive has proposed a new formula for calculating the County's tax duplication payment, which proposes a 60 percent reimbursement for transportation and 95 percent reimbursement for park maintenance. This proposal would increase the Town's tax duplication payment by \$45,773 to \$202,582 for FY22. However, the County Executive has cautioned municipalities that this will need to be approved by the County Council and may be phased in over two years.
 - The Town has budgeted for a \$156,809 tax duplication payment.
- Highway User Revenues are distributed by the State of Maryland, which is based on the number of registered vehicles within a locality. The funds are allocated to help offset costs for road improvements and we anticipate a slight decrease this year due to less than expected revenues generated by the State through the gasoline tax.
 - The Town has budgeted for a \$95,613 HUR payment.

Revenue - Overall

Overall, the Town's projected revenues are solid when compared to previous fiscal years. The global pandemic has caused a reduction in some revenues; however, we have seen increases in other revenues, such as building permit fees.



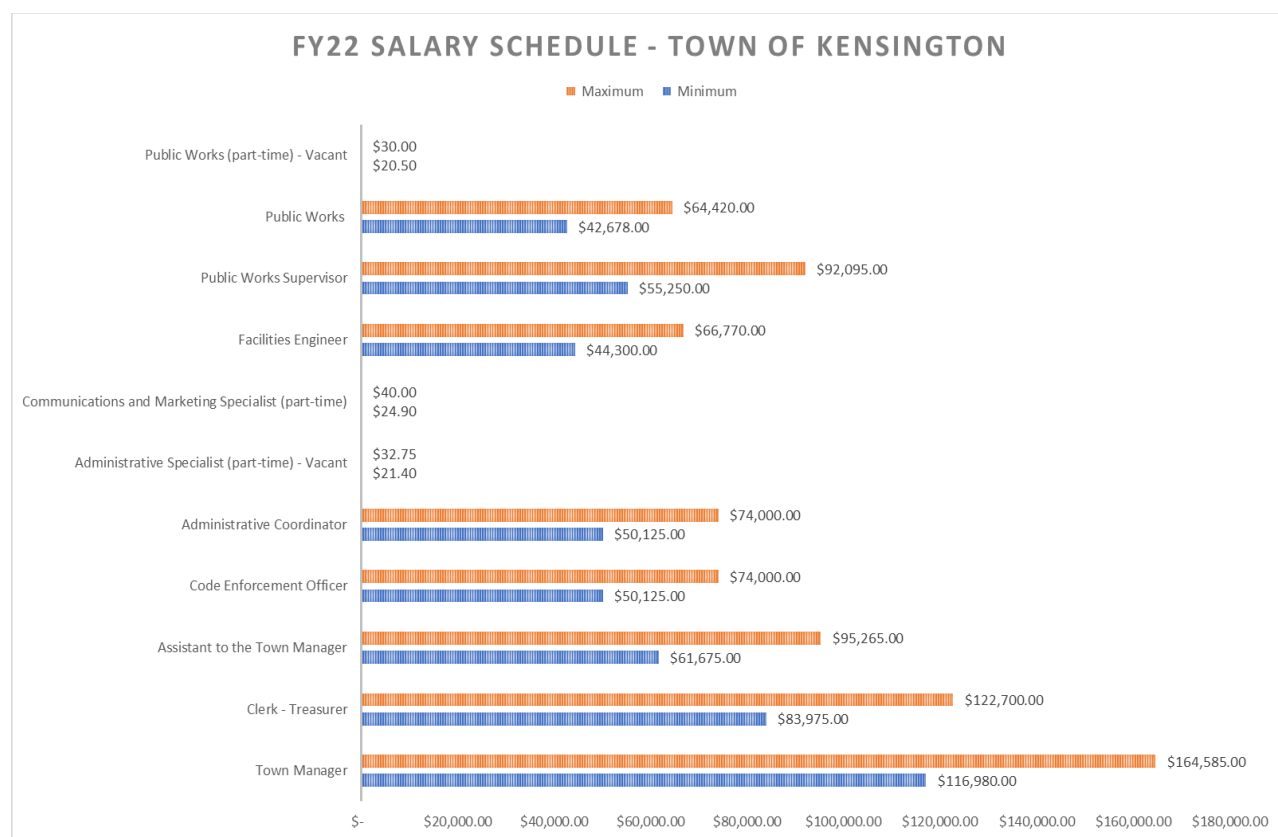
*FY21 Projected

FY22 Budget Expenditures

Personnel – General Government; Public Safety; and Public Works

The Town's Budget proposes a 1.5 percent Cost-of-Living Adjustment (COLA) and up to a 2.5 percent merit increase for all full-time employees for FY22. For reference, a 1.6 percent COLA and 2.4 percent merit was proposed for full-time staff last fiscal year; however, no increases were awarded in lieu of uncertain revenue streams due to the global health pandemic.

- We expect to fill the currently vacant Assistant to the Town Manager position by June 30, 2021.
- We have provided funding for additional part-time administrative help, if necessary.
- We have provided funding for a part-time/seasonal Public Works employee, if necessary.
- We are proposing to expand our Public Safety Budget to allow for the hiring of a fourth Montgomery County Police Officer (9 hours per week) in anticipation of increased patrolling as we progress through the existing pandemic. This would provide for up to 36 hours a week of total enforcement by our Montgomery County Police Officers through the secondary employment agreement.



Professional Services

The FY22 Budget will include funding for professional services consulting to support the Town Manager and the Development Review Board (DRB) in their review of projects for redevelopment; an emergency Short Message System (SMS), text based communication system (textmygov); updated software for the Town's online building permits and services platform; and printing for Town Election voting by mail, if necessary.

Economic Development and Commercial Revitalization

The FY22 Budget proposes a \$27,000 increase from FY21 to help with economic and marketing campaigns for our business community as we progress through the global pandemic. The increase in funding will focus on marketing materials, along with community art and event programs.

Parks and Recreation

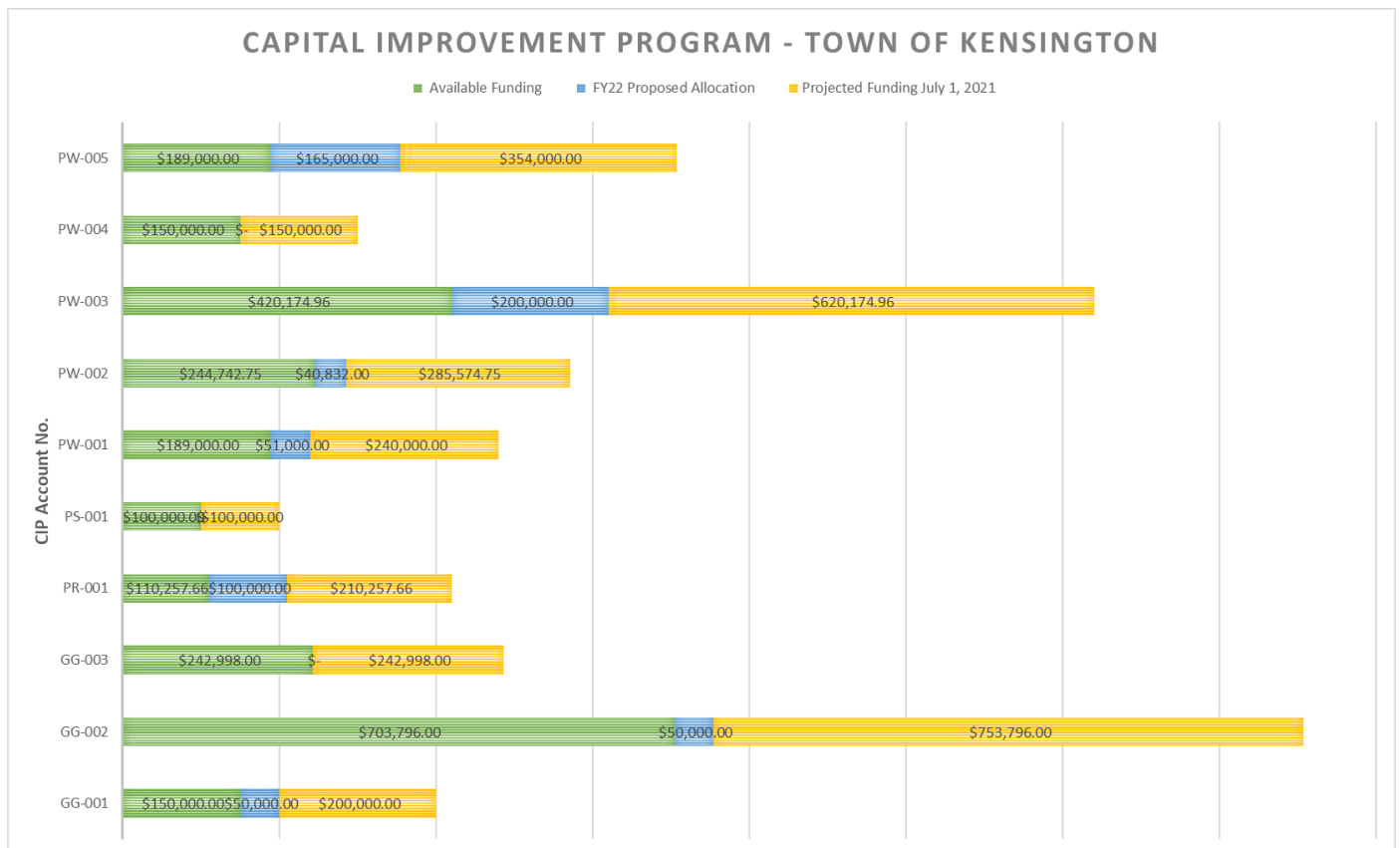
The FY22 Budget proposes an additional \$10,000 to our Landscape and Vegetation Management program to hire a landscaping company (Shorb Landscaping) to help maintain the gardens at Clum-Kennedy Park.

Town Municipal Events

The FY22 Budget proposes funding for the annual Labor Day Parade and Festival in September, along with a proposed OctoberFest. County health regulations will determine if either event is feasible; however, we are requesting funds for the events if the opportunity arises.

Capital Improvements Program (CIP)

The Town has a non-lapsing CIP that funds our infrastructure and capital assets. The CIP program is directly funded by any surplus from the previous fiscal year. FY20 yielded a surplus of \$710,906, of which an estimated \$656,832 will be allocated to our CIP.



CIP Accounts

GG-001 – Facilities Capital Reserve – This is a reserve fund for various capital projects and may be used as a transfer account to fund other CIP programs or projects.

GG-002 – Property Acquisition – This is a fund account for the purchase of land specifically related to a new Public Works facility.

GG-003 – Town Hall Improvements – This is a fund account for improvements at Town Hall.

PR-001 – Town Parks and Playground Improvements – This is a fund account for improvements and renovations at Town Parks.

PS-001 – Street Light Program – This is a fund account for the maintenance or upgrade of streetlights within the Town.

PW-001 – Bridge Reconstruction & Renovation Program – This is a fund account for the reconstruction and/or renovation of all bridges under the Town's jurisdiction.

PW-002 – Equipment & Vehicle Replacement Program – This is a fund account for the purchase and/or replacement of Town equipment and vehicles.

PW-003 – Pavement Management Program – This is a fund account for street maintenance and reconstruction.

PW-004 – Public Works Facility Improvements – This is a fund account for improvements or construction of a new Public Works facility.

PW-005 – Storm Drain Reconstruction & Renovation Program – This is a fund account for the maintenance and reconstruction of storm drains within the Town's jurisdiction.

Proposed FY22 CIP Projects

1. Bridge maintenance and repairs to the Kensington Parkway, Kent Street, and Frederick Avenue bridges. Estimate: \$120,000 - \$150,000.
2. Town Hall veranda and parapet repairs. Estimate: \$100,000 - \$120,000.
3. Town Hall mortar joint repairs. Estimate: \$60,000.
4. Hydrological storm drains analysis and mapping. Estimate: \$50,000 - \$75,000.
5. Street repair and resurfacing of certain Town streets, including the annexation area. Estimate: \$500,000.
6. Replace the existing Ford F-250 with a Ford F-350 w/lift gate and plow package. Estimate: \$35,000.
7. Purchase a utility vehicle for various Town events and needs. Estimate: \$35,000.