



TOWN OF KENSINGTON

Fiscal Year 2022-2023 (FY23)
Operating Budget & Capital
Improvement Plan (CIP)



TOWN OF KENSINGTON

OPERATING BUDGET & CAPITAL IMPROVEMENT PLAN (CIP)

Fiscal Year 2022-2023 (FY23), July 1, 2022 – June 30, 2023

Mayor

Tracey Furman

Town Council

Darin Bartram

Nate Engle

Conor Crimmins

Bridget Hill-Zayat

Administration

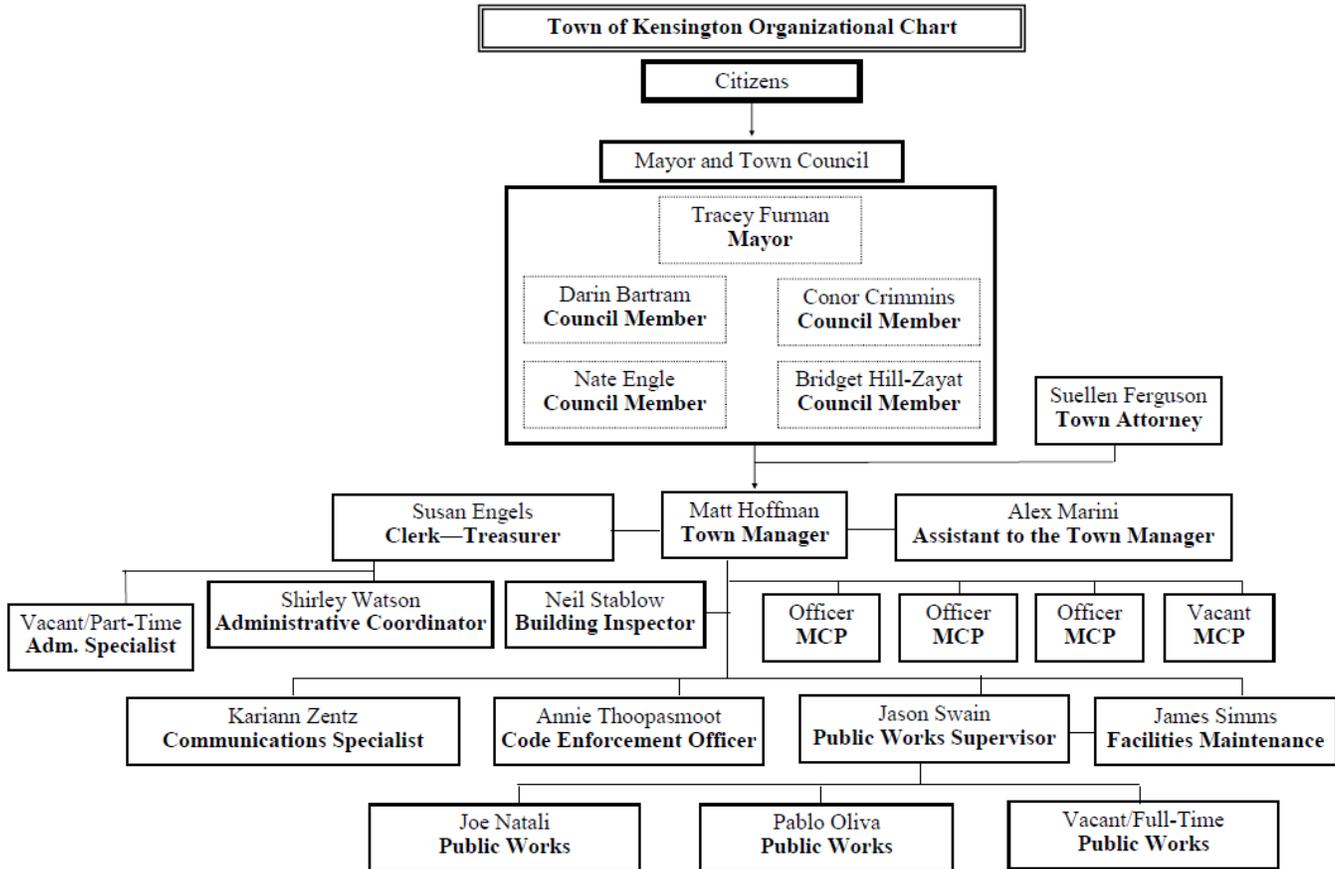
Matthew Hoffman

Town Manager

Susan Engels

Clerk – Treasurer

TOWN OF KENSINGTON ORGANIZATIONAL CHART



BUDGET MESSAGE FISCAL YEAR 2022-2023 (FY23)

April 8, 2022

Mayor and Kensington Town Council:

I am pleased to submit our Fiscal Year 2022-2023 (FY23) Budget for discussion and review at the Public Hearing scheduled for April 11, 2022, at 7:00 pm. Included within the FY23 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 continued uncertainty with respect to revenues from the ongoing COVID-19 global pandemic, we have a clearer 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 2022 with the Town's Administration reviewing the current fiscal year's (FY22) actuals and the audited financial statements from FY21. 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 (Audit Committee Co-Chair) to review the preliminary FY23 Budget in early March. The FY23 Budget Ordinance (Ordinance No. O-02-2022) was introduced at the March 14, 2022, Town Council Meeting and the Public Hearing has been scheduled for Monday, April 11, 2022, 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 FY23 Budget on our website.

CURRENT FISCAL YEAR (FY22)

Our latest projections for FY22 suggest that revenues will exceed expenses by approximately \$500,000 at the end of the fiscal year (June 30, 2022). 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 the vacant Public Works position). Any surplus from the current fiscal year (FY22) will be apportioned to the FY24 CIP Budget.

The American Rescue Plan Act (ARPA) adopted March 2021 provides state and local jurisdictions with recovery funds to offset revenue losses due to the global health pandemic. The Town has been awarded \$2,294,670, which will be distributed through two equal payments, of which, the

Town received the first distribution earlier this fiscal year. The Treasury Department clarified restrictions pertaining to the ARPA funds earlier this year, following many questions by localities across the country, and we have confirmed that the funds may be used for storm water and other capital improvement projects.

The Town is currently in the process of hiring an engineering firm to draft a request for proposal (RFP) for a storm drain analysis. Once completed, the majority of the ARPA funds will be allocated to projects outlined within the storm drain analysis to address storm water and flooding concerns within the community.

BUDGET OVERVIEW

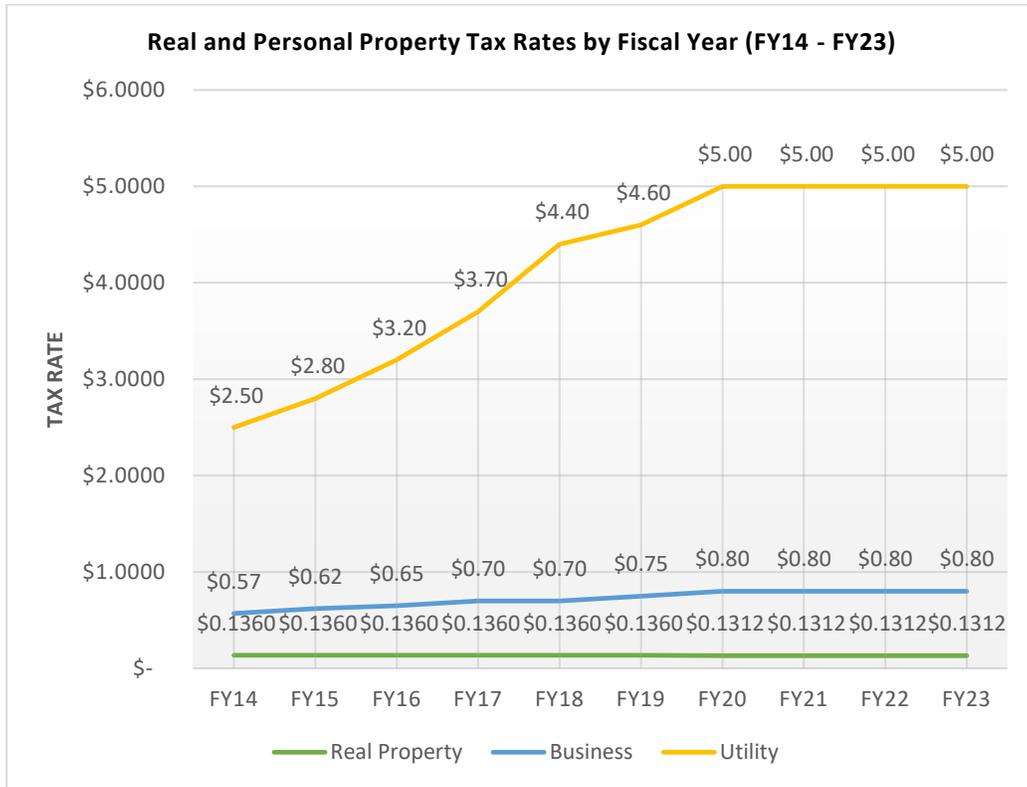
The FY23 Budget was designed to maintain our existing service levels to our residents and business community with the understanding that continued inflation may challenge Town operations with respect to expenditures. However, due to increased funding commitments from Montgomery County following our tax duplication agreement, along with a slight increase from the State with Highway User Revenues, we are happy to announce that tax rates on Real Property, Personal Property, and the Utilities, will remain unchanged for FY23.

FY23 Budget Revenues

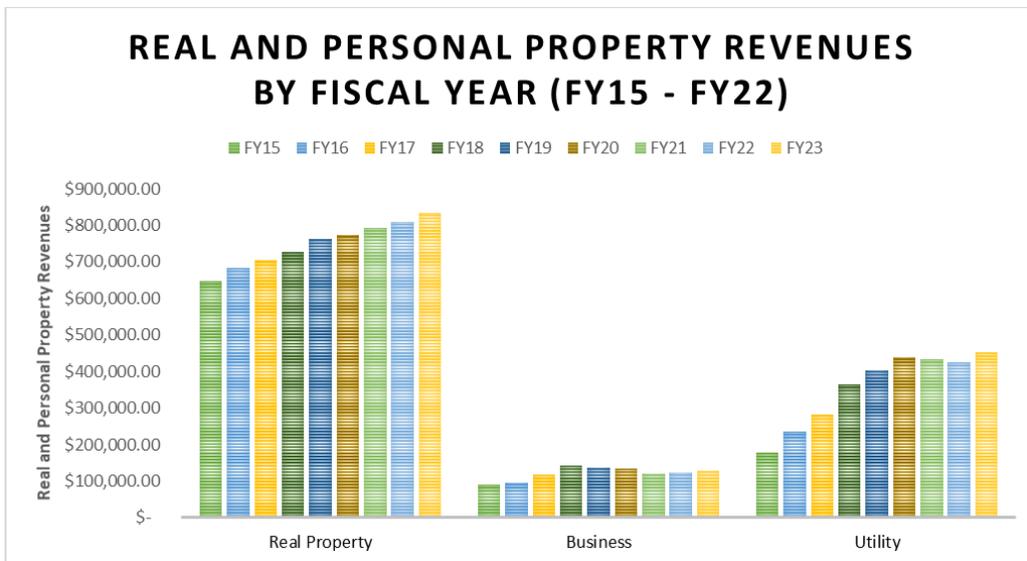
Revenue – Tax Rates

- The **Real Property tax rate will remain at (\$0.1312) per \$100 of assessed value** and is projected to generate an additional \$26,027 over last year due to a number of new homes being built within the Town and property reassessments in 2022 by the State's Department of Assessments and Taxation.
 - 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) following reassessments by SDAT.
 - The Real Property tax rate will remain at (\$0.1312) for the fourth 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 with last year with an estimated revenue increase of \$5,821.
 - The Personal Property tax rate for Businesses will remain at (\$0.80) for the fourth 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 with last year with an estimated increase in revenues of \$25,885.
 - The Personal Property tax rate for Utilities will remain at (\$5.00) for the fourth consecutive fiscal year.

Real and Personal Property Tax Rates by Fiscal Year



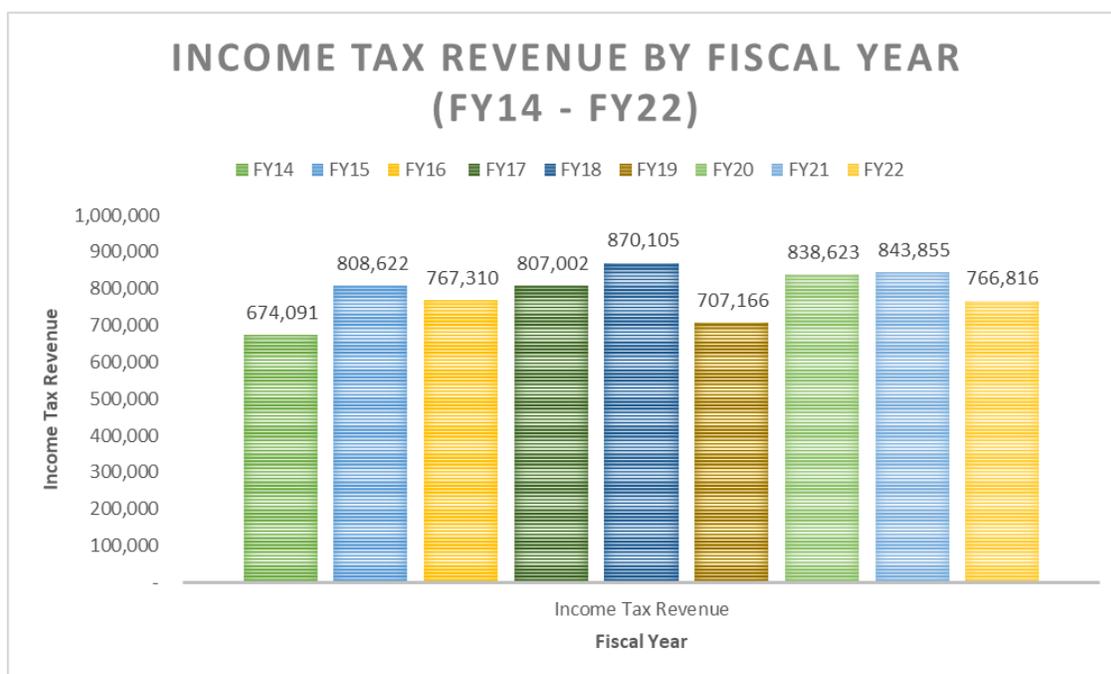
Real and Personal Property Tax Revenues by Fiscal Year



Revenue – Other Taxes

- Aside from FY19, the Town has seen stable income tax revenues over the last five fiscal years; however, we remain conservative with our income revenue projections in FY23 by forecasting revenues of \$680,000, which is the same we budgeted in FY22. Our current projections for June 30, 2022, suggest that income tax revenues will be \$86,816 more than budgeted for FY22.
 - Income Tax revenue is unpredictable 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



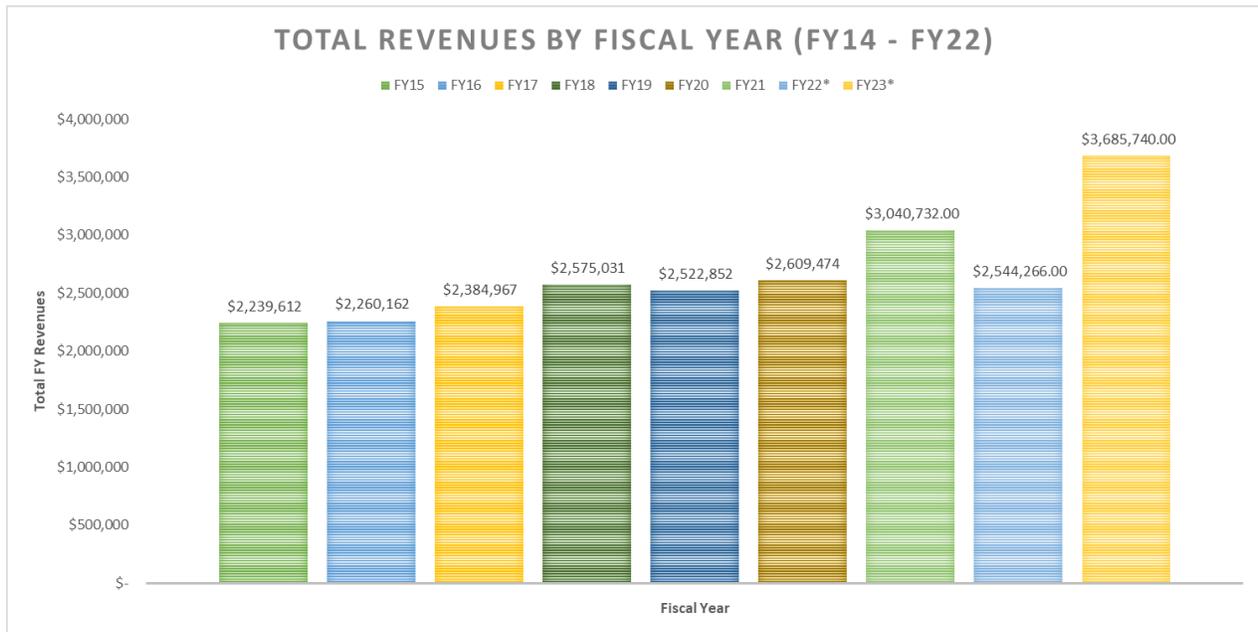
*FY22 Projected

Revenue – Intergovernmental

- The Montgomery County Council adopted Bill 2-22, along with a supplemental appropriation, earlier this year to formally clarify reimbursements to Montgomery County localities for certain services. Commonly referred to as Tax Duplication, Bill 2-22 will require Montgomery County to reimburse the Town for transportation and park related services. The Town will receive \$257,651 in FY23; \$389,858 in FY24; and \$322,064 in FY25, which marks the full phase-in date.
- Highway User Revenues (HUR's) 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 increase this year following communications from the State.
 - The Town has budgeted for a \$111,919 HUR payment.

Revenue - Overall

Overall, the Town's revenues remain strong when compared to previous fiscal years. The HUD grant reimbursement in FY21 and the ARPA grant allocations in FY23 and FY24 will allow the Town to fund major infrastructure programs throughout the Town, while our consistent general revenues will allow the Town to maintain our direct line services to the community.



*FY22 and FY23 Projected

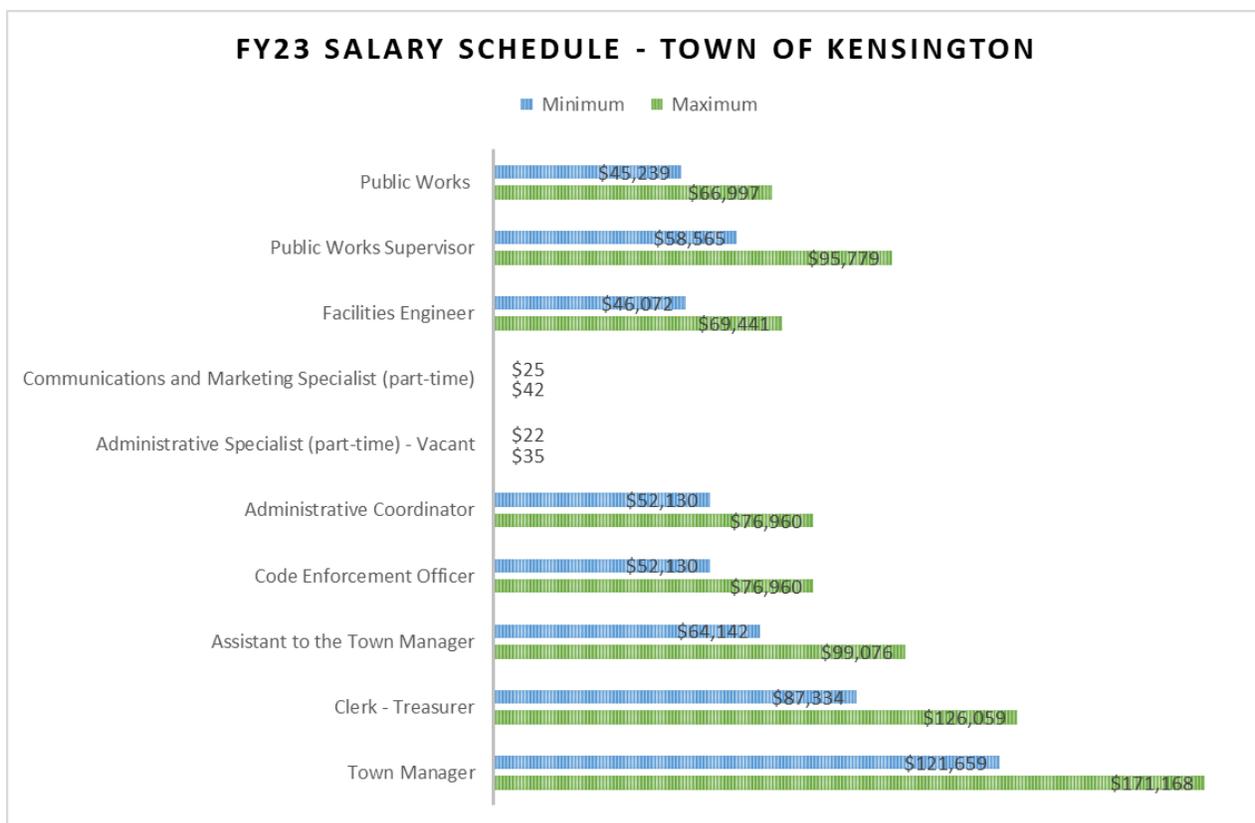
*FY23 Projection includes first ARPA payment (\$1,147,335)

FY23 Budget Expenditures

Personnel – General Government; Public Safety; and Public Works

The Town's Budget proposes a six (6) percent Cost-of-Living Adjustment (COLA) in accordance with the Consumer Pricing Index (CPI) for the Washington metropolitan area between January 2021 and January 2022. The Town did not issue a COLA or merit increase for FY21, but provided a 1.5 percent COLA and 2.5 percent merit increase to Town employees in FY22.

- We filled the Assistant to the Town Manager position within FY22.
- We are planning to fill the vacant Public Works position within FY23, which was reclassified last year from part-time to full-time.
- We have provided funding for additional part-time administrative help, if necessary.



Professional Services

Within the FY22 Budget, the Town implemented an emergency Short Message System (SMS); revised our online permitting system; refreshed the Town website; and added funds for consulting services to support the Town staff and Development Review Board (DRB). Within FY23, we plan to increase funds for professional services to specifically address pedestrian and traffic safety concerns within the Town. We also increased the funding for consulting for the DRB in anticipation of future development at 10401 Connecticut Avenue.

Economic Development and Commercial Revitalization

The FY23 Budget proposes a \$39,200 increase from FY22 to help with economic and marketing campaigns for our business community, which includes a \$25,000 community grant to Noyes Children's Library Foundation in order to help match a State Bond Bill for restoration and renovations, and additional funding to the Kensington Historical Society (KHS) to help with administrative costs as the group reorganizes.

Parks and Recreation

The FY23 Budget proposes an additional \$15,000 to our Landscape and Vegetation Management program to continue and expand landscaping services (Shorb Landscaping) to maintain the gardens at Clum-Kennedy Park.

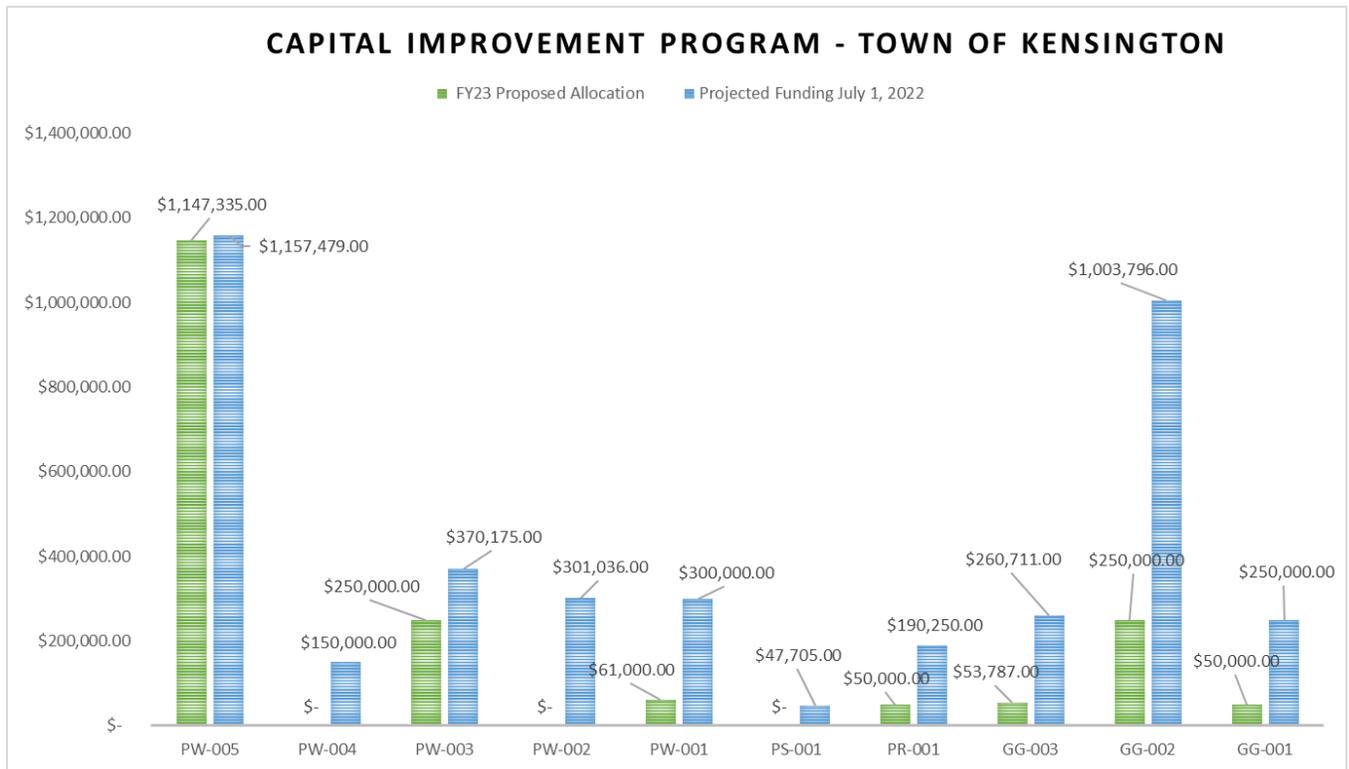
We also plan to bring electricity to Clum-Kennedy Park within FY23, in which funds would be taken from our Parks and Playgrounds line-item within the CIP.

Town Municipal Events

The FY23 Budget proposes funding for the annual Labor Day Parade and Festival, along with expanding the Light Up K-Town event in December.

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. FY21 yielded a surplus of \$858,431, following the Audit, of which an estimated \$714,787 will be allocated to our CIP, along with the initial ARPA allocation of \$1,147,335. The second ARPA disbursement will be allocated to the CIP as well to address storm water and flooding concerns within the community.



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 FY23 CIP Projects

1. Bridge maintenance and repairs to the Kensington Parkway, Kent Street, and Frederick Avenue bridges. Estimate: \$150,000 - \$200,000.
2. Hydrological storm drains analysis and mapping. Estimate: \$75,000 - \$100,000.
 - a. The storm drain analysis will provide recommendations for improvements to our storm drain network.
3. Street repair and resurfacing of certain Town streets, including the annexation area. Estimate: \$250,000.
 - a. This does not include the current allocation of CIP funds for street repair and resurfacing that will overlap multiple fiscal years.
4. Add a sidewalk to connect Kensington Parkway (north) to St. Paul Park: Estimate \$50,000 - \$75,000.
5. Replace the existing Ford F-250 with a Ford F-350 w/lift gate and plow package. Estimate: \$35,000.
6. Purchase a utility vehicle for various Town events and needs. Estimate: \$35,000.
7. Bring electricity to Clum-Kennedy Park. Estimate: \$15,000 - \$20,000.
8. Kensington Parkway feasibility study to add bike lanes: \$50,000.