



TOWN OF KENSINGTON

Fiscal Year 2023-2024 (FY24)
Operating Budget & Capital
Improvement Plan (CIP)



TOWN OF KENSINGTON

OPERATING BUDGET & CAPITAL IMPROVEMENT PLAN (CIP)

Fiscal Year 2023-2024 (FY24), July 1, 2023 – June 30, 2024

Mayor

Tracey Furman

Town Council

Darin Bartram

Nate Engle

Conor Crimmins

Ann Lichter

Administration

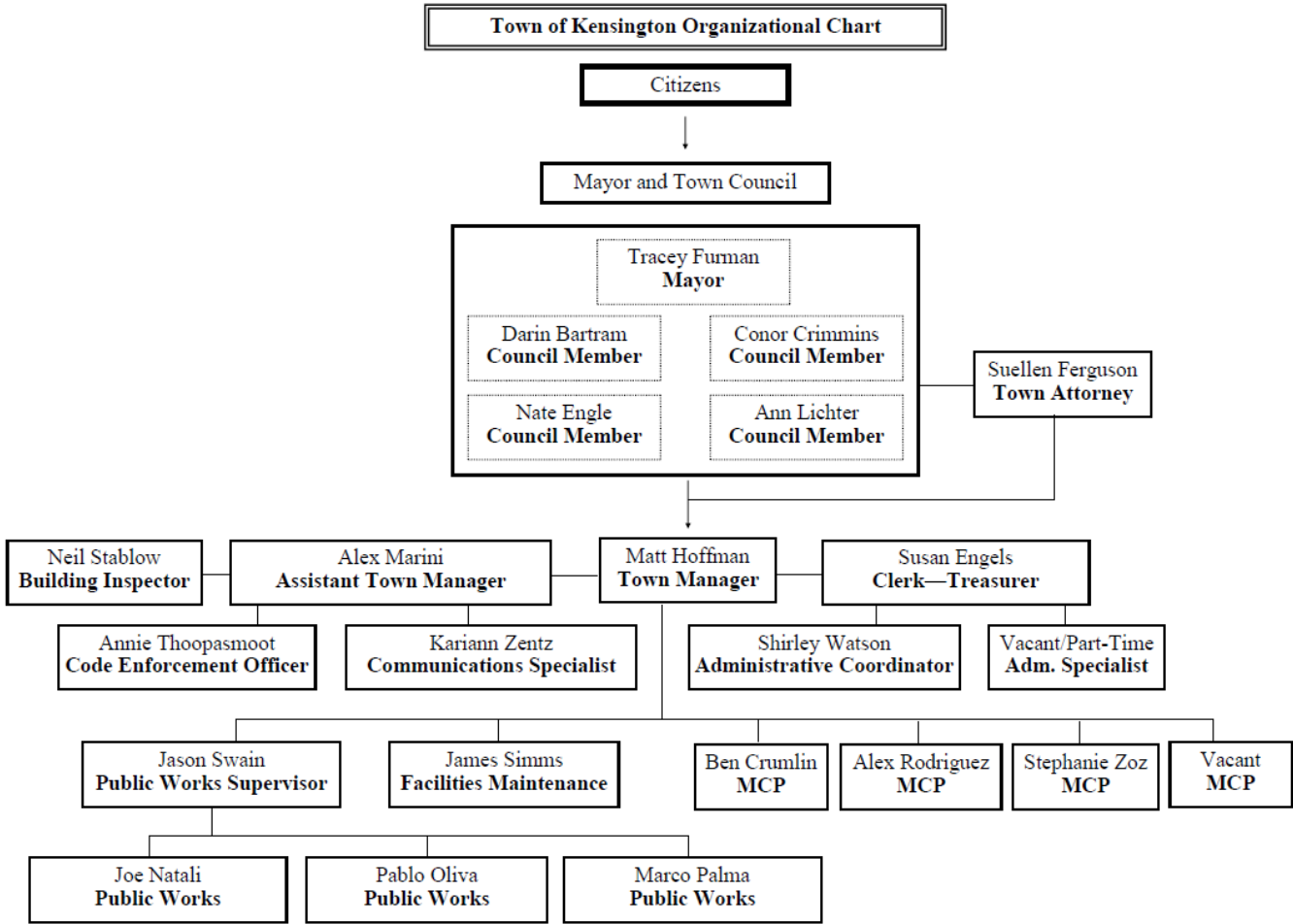
Matthew Hoffman

Town Manager

Susan Engels

Clerk – Treasurer

TOWN OF KENSINGTON ORGANIZATIONAL CHART



BUDGET MESSAGE FISCAL YEAR 2023-2024 (FY24)

April 7, 2023

Mayor and Kensington Town Council:

I am pleased to submit our Fiscal Year 2023-2024 (FY24) Budget for discussion and review at the Public Hearing scheduled for April 10, 2023, at 7:00 pm. Included within the FY24 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).

While the last few years have created for uncertainty due to the COVID-19 global pandemic, the Town has maintained fiscal stability and has generally seen an increase in revenues, specifically with respect to personal property and income tax receipts. These additional revenues, along with cautious spending, have allowed the Town to aggressively fund our CIP for future infrastructure projects that will positively impact our community for generations.

The overall priority of the Town within this Budget will remain, as always, 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 2023 with the Town's Administration reviewing the current fiscal year's (FY23) budget actuals, and the audited financial statement from FY22. 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 Members Engle and Lichter (Audit Committee Co-Chairs) to review the preliminary FY24 Budget in March. The FY24 Budget Ordinance (Ordinance No. O-01-2023) was introduced at the March 13, 2023, Town Council Meeting and the Public Hearing has been scheduled for Monday, April 10, 2023, 7:00 pm. The Town notified our residents of the Public Hearing within the April Around Town Journal and provided a link to the Budget Ordinance and a detailed copy of the FY24 Budget on our website.

CURRENT FISCAL YEAR (FY23)

Our latest projection for FY23 suggests that revenues will exceed expenses by at least \$240,000 at the end of the fiscal year (June 30, 2023). The projected surplus for FY23 is largely due to the larger than anticipated revenues through income tax collections. The Town's policy with regards to revenue surplus is to apportion any surplus funds into the CIP. In this scenario, once the surplus has been defined within the audited statements for FY23, the surplus would be apportioned into the FY25 CIP Budget.

The American Rescue Plan Act (ARPA), adopted March 2021, provided state and local jurisdictions with recovery funds to offset revenue losses due to the global health pandemic. The Town was awarded \$2,295,528, which was distributed through two payments, of which, the Town received the second distribution earlier this fiscal year. The Treasury Department has amended and clarified restrictions pertaining to the ARPA funds once again, which loosened many spending restrictions; however, the Town ARPA funds have been allocated, as originally intended, to the

Town's Storm water Management fund within the CIP to address continued storm water and flooding concerns within the community.

BUDGET OVERVIEW

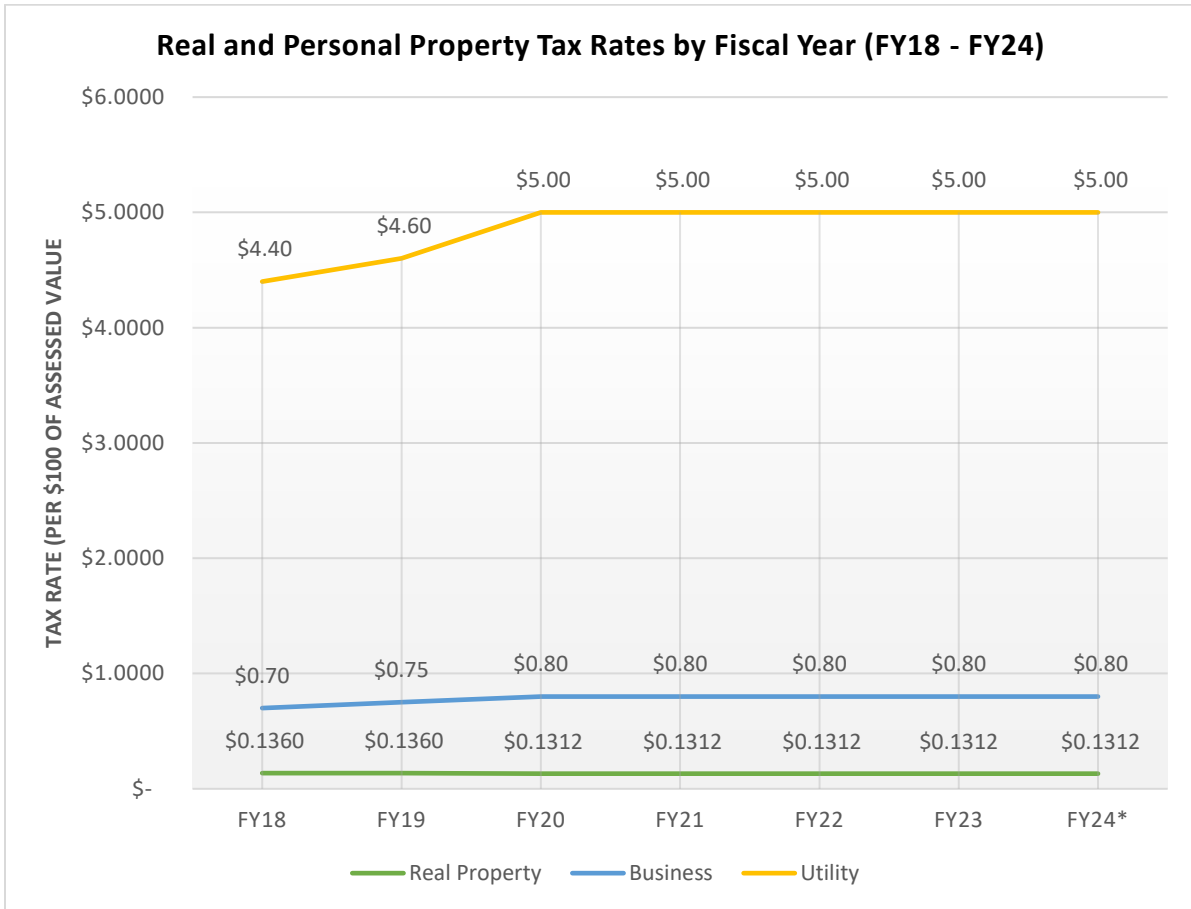
The FY24 Budget was designed to maintain our existing service levels to our residents and business community with the understanding that continued inflation may challenge Town operations with respect to expenditures. However, increased revenues from the Town's income receipts, along with funding commitments from Montgomery County following the tax duplication agreement in 2022, will allow the Town to maintain our current tax rates on Real Property, Personal Property, and the Utilities for the fifth consecutive fiscal year.

FY24 Budget Revenues

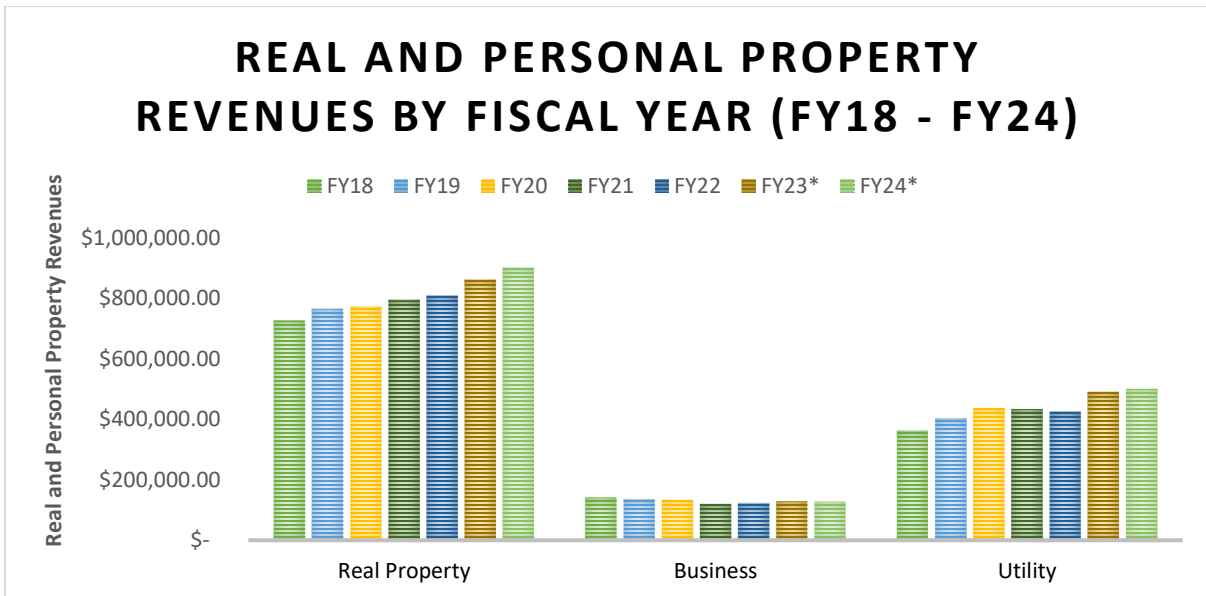
Revenue – Tax Rates

- The **Real Property tax rate will remain at (\$0.1312) per \$100 of assessed value** and is projected to generate an additional \$38,689 over our anticipated projection for FY23. This is directly attributed to increased property values, specifically pertaining to the development and redevelopment of certain residential and commercial properties.
 - 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 assessment by SDAT.
 - The Real Property tax rate will remain at (\$0.1312) for the fifth 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, or slightly less, than our FY23 projection following State legislation adopted in 2022, which increased the Personal Property exemption from \$2,500 to \$20,000 for business inventories.
 - The Personal Property tax rate for Businesses will remain at (\$0.80) for the fifth 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 \$7,862 over our anticipated projection for FY23.
 - 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



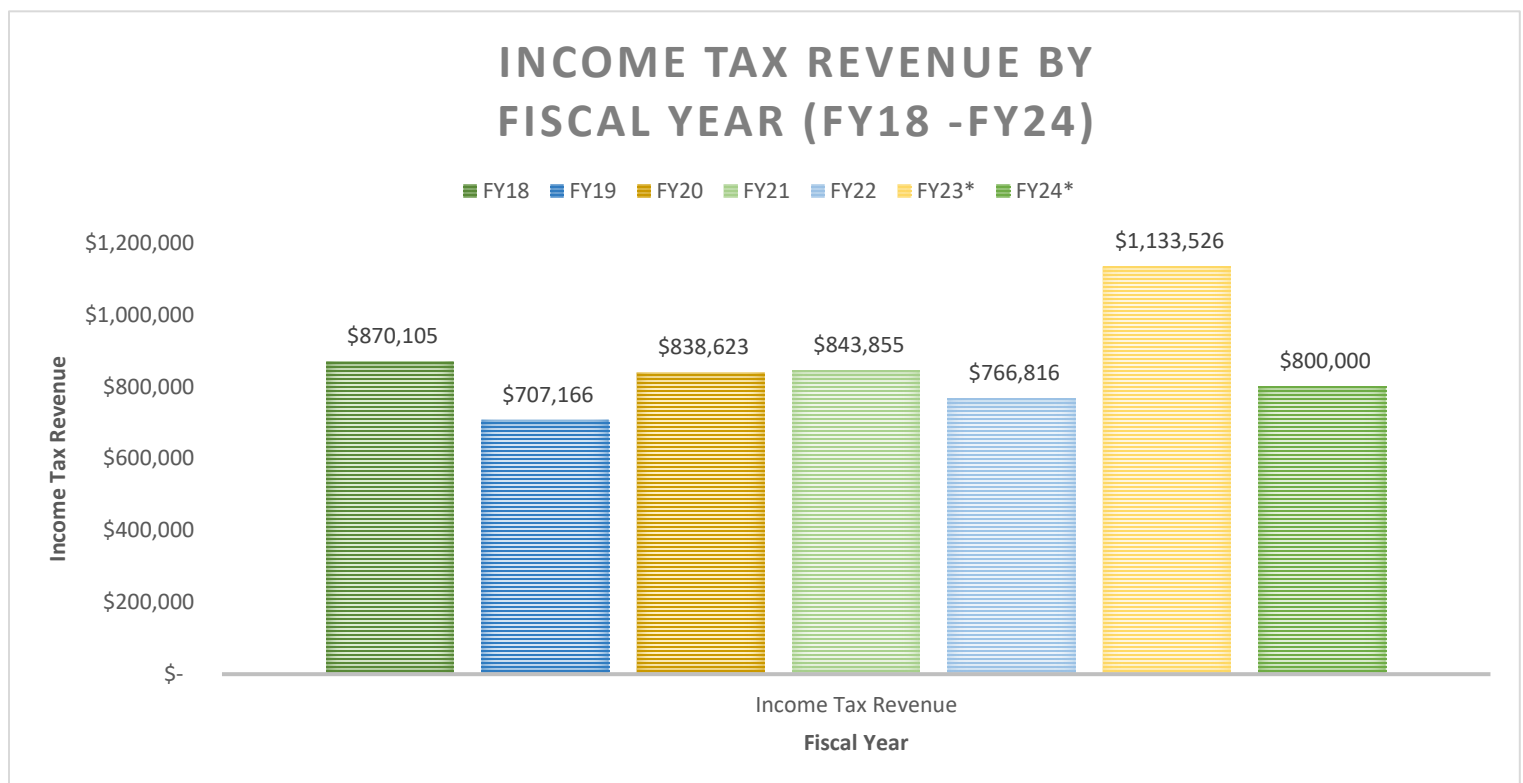
Real and Personal Property Tax Revenues by Fiscal Year



FY23* Projected; FY24* Budgeted

Revenue – Other Taxes

- The Town is anticipating income tax revenues of at least \$1,133,526 for FY23, which would mark the first time in the Town’s history that income receipts will exceed \$1 million. Aside from the current fiscal year, income tax revenues have averaged \$805,313 the previous five fiscal years, which encouraged staff to amend our income revenue forecast for FY24 to \$800,000.
 - 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

FY23* Projected; FY24* Budgeted

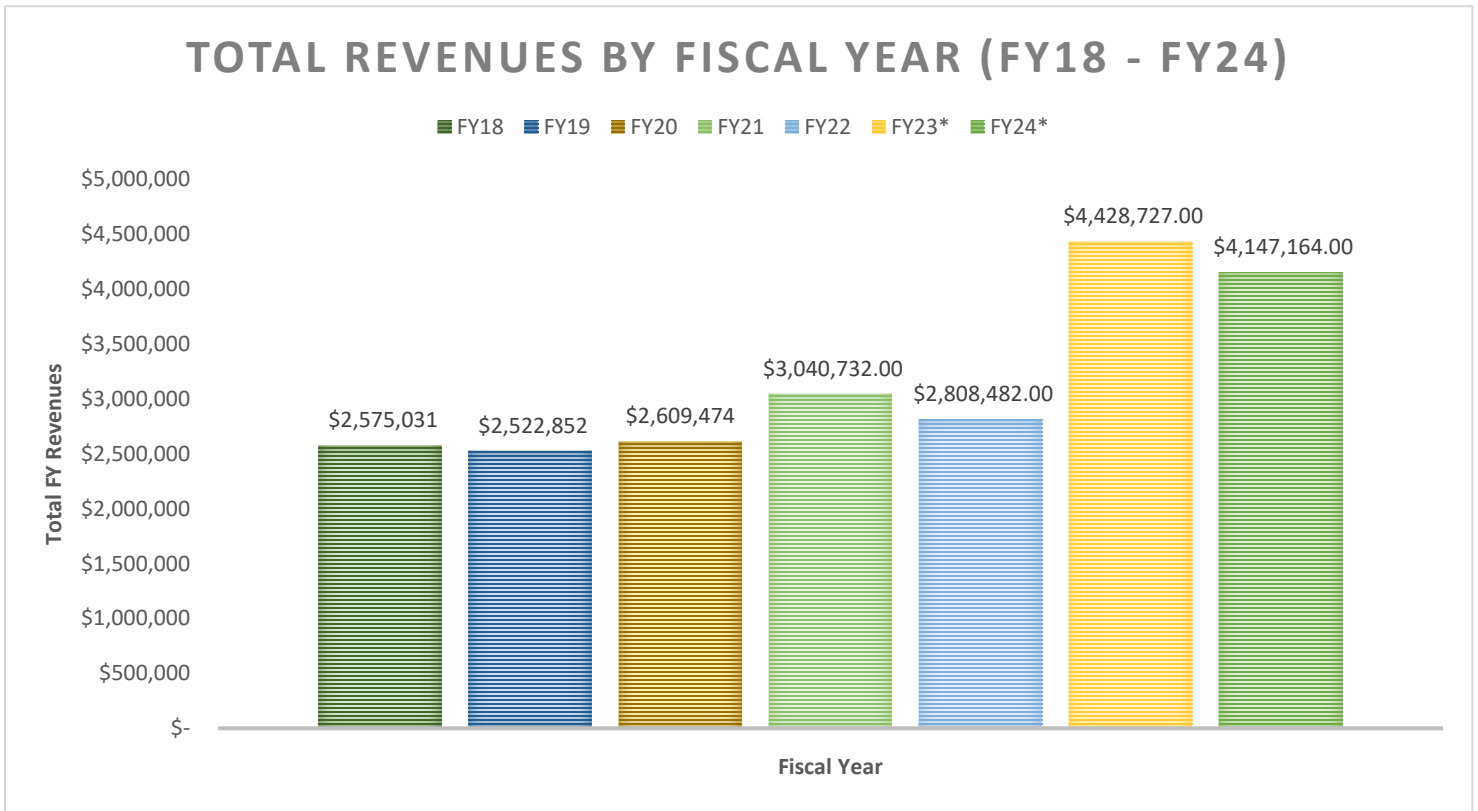
Revenue – Intergovernmental

- The Montgomery County Council adopted Bill 2-22 last year (2022) 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 \$289,858 in FY24 and \$322,064 in FY25, which marks the full phase-in date as noted within the bill.

- 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 an increase once again this year following communications from the State.
 - The Town has budgeted \$136,189 in HUR funds.

Revenue - Overall

Overall, the Town’s revenues remain strong compared to previous fiscal years. The HUD grant reimbursement in FY21 allowed the Town to offset costs following the parapet and veranda repairs at Town Hall in 2022, and the ARPA grant allocations in FY23 and FY24 will allow the Town to fund major storm water infrastructure improvements, as our general revenues will allow the Town to maintain our direct line services to the community.



*FY23 Projected; FY24 Budgeted
 *FY23 and FY24 include ARPA revenues

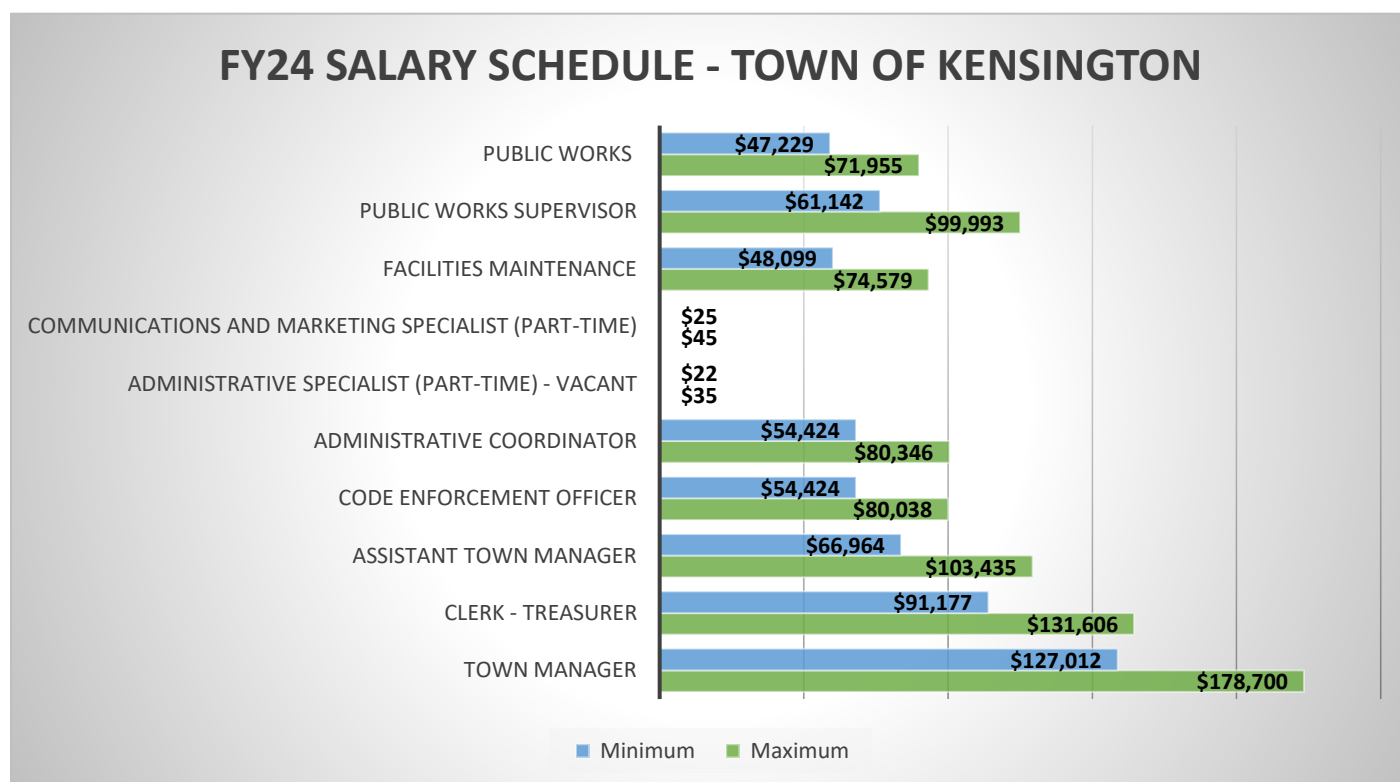
FY24 Budget Expenditures

Personnel – General Government; Public Safety; and Public Works

The Town’s Budget proposes a four and four-tenths (4.4) percent Cost-of-Living Adjustment (COLA) in accordance with the Consumer Pricing Index (CPI) for the Washington metropolitan

area between January 2022 and January 2023. In addition, we are requesting an additional three (3) percent market correction for certain hourly, full-time, positions within the Town to maintain market competitiveness within the region.

- We are requesting the reclassification of the Assistant to the Town Manager position to Assistant Town Manager for FY24.
- We are requesting funding for additional part-time administrative help, if necessary, for FY24.
- Within FY23, we filled the vacant Public Works position through a part-time employee and plan to make this position full-time for FY24.



Professional Services

We are requesting two major additions within Professional Services for FY24, to include funding for an archivist (\$8,000) to help with Town records, and an additional \$50,000, which would allow the Town to absorb, maintain, and oversee historical documents archived by the Kensington Historical Society (KHS). Within this plan, KHS would continue to operate by providing educational and community programs (Speaker Series and Summer Concerts); however, the Town would take over and oversee historical archiving. We anticipate that future funding to oversee the KHS Archives would be significantly less, as the majority of the costs are associated with upgrading the Archives room and purchasing equipment.

Economic Development and Commercial Revitalization

The FY24 Budget proposes a slight decrease overall from FY23, as funding for the Juneteenth event was moved to Parks and Recreation and reclassified as a Town Event. The FY24 Economic Development and Commercial Revitalization budget would provide increased funding to a number of our sponsored community events (Day of the Book Festival; Kensington Car Show; and Pumkin Rock N' Roll) and would also establish a Public Safety Appreciation Program (\$10,000), in which the Town would possibly host an event to thank the Montgomery County Police and Kensington Volunteer Fire Department for their service to our community.

Parks and Recreation

The FY24 Parks and Recreation Budget is requesting an additional \$58,600 compared to FY23, in which the majority of the requested funds are related to reclassifying Juneteenth (\$12,000) as a Town event, and to provide funding (\$25,000) for a 130th Anniversary celebration of the Town in April 2024. In addition, we are requesting additional funding to offset costs associated with our landscape contractor and costs associated with bringing electricity and security cameras to most of our Town Parks.

Within FY23, electricity was brought to Clum-Kennedy Park, Reinhardt Park, and St. Paul Park in an effort to place security cameras following a number of incidents.

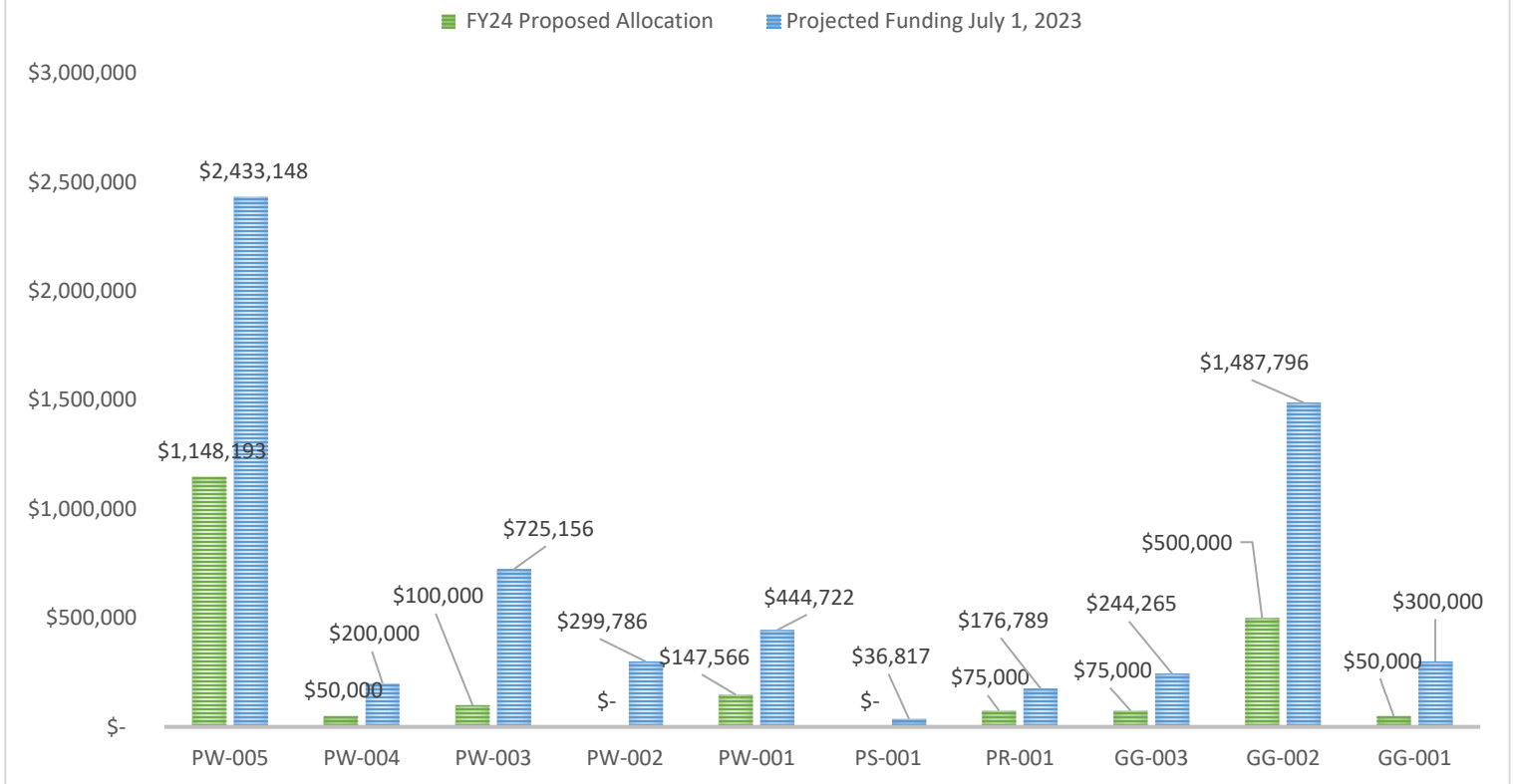
Town Municipal Events

The FY24 Budget proposes funding for the annual Labor Day Parade and Festival, establishing Juneteenth as an official Town event, and 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. FY22 yielded a surplus of \$972,962, following the Audit, in which an estimated \$997,566 will be allocated to our CIP for FY24, along with the second ARPA allocation of \$1,148,193. The ARPA disbursements will have been allocated to the CIP to address storm water and flooding concerns within the community.

CAPITAL IMPROVEMENT PROGRAM - TOWN OF KENSINGTON



CIP Accounts

GG-001 – 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 (ARPA Funds) – This is a fund account for the maintenance and reconstruction of storm drains within the Town’s jurisdiction.

Proposed FY24 CIP

1. Engineering Design Services and Construction Management Bridge maintenance for the Kensington Parkway, Kent Street, and Frederick Avenue bridges. Estimate: \$145,000
2. Construction and repair for the Kensington Parkway, Kent Street, and Frederick Avenue bridges. Estimate: \$300,000
3. 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. Improvements will be funded by the ARPA funds.
4. 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.
5. Add a sidewalk to connect Kensington Parkway (north) to St. Paul Park: Estimate \$200,000.
6. Replace the existing Ford F-250 with a Ford F-350 w/lift gate and plow package. Estimate: \$35,000.
7. Acquisition of certain property for a future Public Works facility. Estimate: \$900,000 - \$1,500,000.
8. Acquisition of certain property for public parking within the Kensington Business District.