



TOWN OF KENSINGTON

Fiscal Year 2024-2025 (FY25)
Operating Budget & Capital
Improvement Plan (CIP)



TOWN OF KENSINGTON

OPERATING BUDGET & CAPITAL IMPROVEMENT PLAN (CIP)

Fiscal Year 2024-2025 (FY25), July 1, 2024 – June 30, 2025

Mayor

Tracey Furman

Town Council

Darin Bartram

Nate Engle

Conor Crimmins

Ann Lichter

Administration

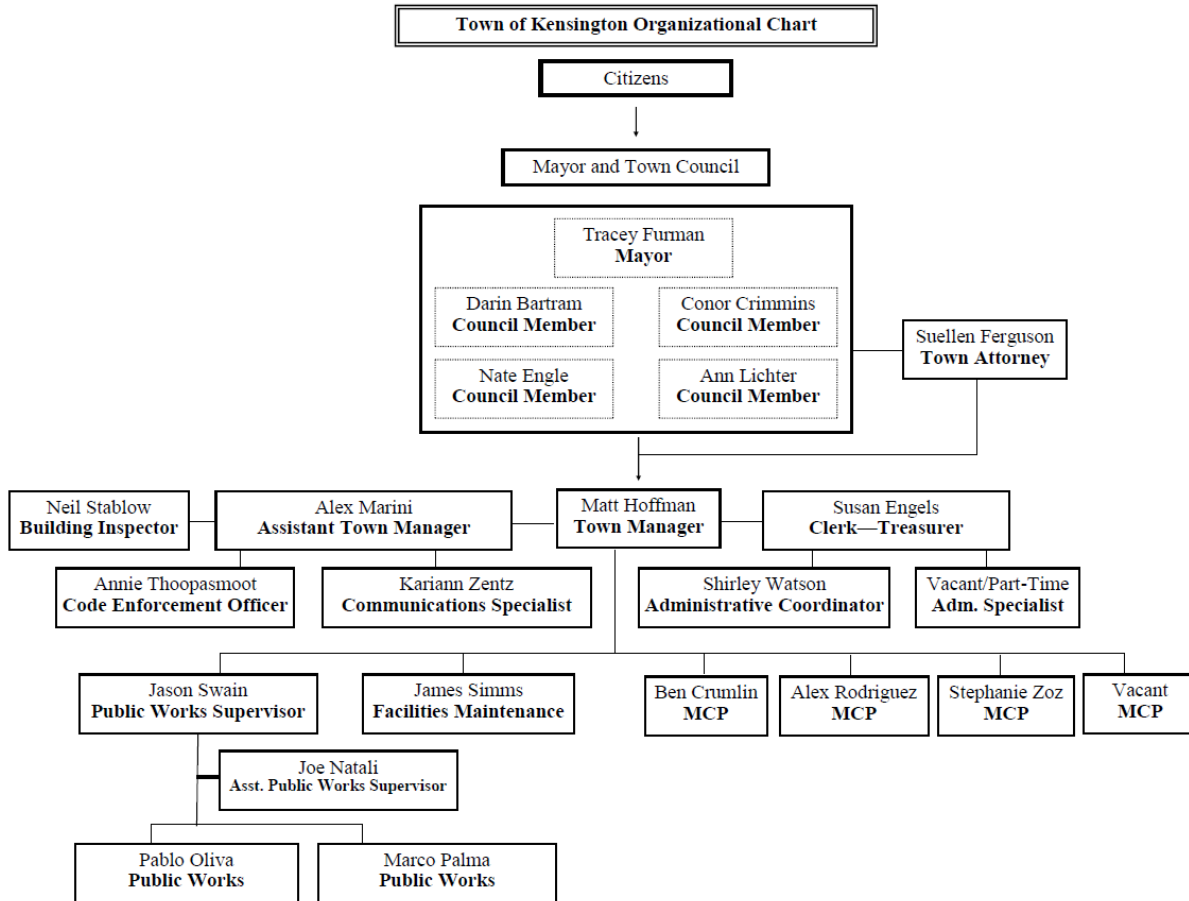
Matthew Hoffman

Town Manager

Susan Engels

Clerk – Treasurer

TOWN OF KENSINGTON ORGANIZATIONAL CHART



BUDGET MESSAGE FISCAL YEAR 2024-2025 (FY25)

April 8, 2024

Mayor and Kensington Town Council:

I am pleased to submit our Fiscal Year 2024-2025 (FY25) Budget for discussion and review at the Public Hearing scheduled for April 10, 2024, at 7:00 pm. Included within the FY25 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).

The Town has maintained fiscal stability over the last few years, in which we have generally seen an increase in revenues, specifically with respect to income tax receipts and personal property from both commercial and residential development within the Town. These increased revenues, along with the federal grant payments through the American Rescue Plan Act (ARPA), have allowed the Town to aggressively fund our Capital Improvement Plan (CIP) to begin the process in addressing stormwater management projects throughout the Town, along with providing reserves to acquire certain land within the Town for public purposes. The proposed land acquisitions, along with the storm water management improvements, will positively impact our community for generations to come.

The overall priority of the Town within this Budget will remain, as always, on providing excellent direct line services to our community, with an effort to expand certain collection services, in which we are proposing to add a town wide weekly composting collection beginning in January 2025, 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 2024, with the Town’s staff reviewing the current fiscal year’s (FY24) budget actuals, and the Audited Financial Statements from FY23. 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 FY25 Budget in March. The FY25 Budget Ordinance (Ordinance No. O-02-2024) was introduced at the March 20, 2024, Town Council Meeting and the Public Hearing has been scheduled for Wednesday, April 10, 2024, 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 FY25 Budget on our website.

CURRENT FISCAL YEAR (FY24)

While our latest projection for FY24 suggests that revenues will outpace expenditures, the staff was advised by our Auditor that due to the Town’s non-lapsing CIP, and the delay in certain stormwater management projects associated with the expenditure of ARPA funds, which were budgeted as revenue during both FY23 and FY24, the Town may face a negative General Fund Balance within our Audited Statements for the fiscal year. Essentially, the issue of a potential negative General Fund Balance is due to the ARPA funds being classified as a grant, which cannot be recorded as revenues until the funds have been expended.

If it is determined that a negative Funds Balance will occur, the Town will request a Budget Amendment at the May meeting, in which we would remove the unreserved fund balance of \$972,962 from both the income and expenses within the FY24 Budget, to more accurately reflect and balance out the adopted CIP allocation.

Moreover, the pending stormwater management projects associated with the ARPA funds, which required additional engineering, are on track to begin in late summer (2024) and will allow the Town to begin classifying the ARPA funds as revenue, as we incur expenses from the various stormwater management projects.

BUDGET OVERVIEW

The FY25 Budget has been designed to maintain and expand upon certain services to our residents. While inflation has increased costs to the Town we continue to see increased revenues within the Town's Income receipts, along with Real and Personal Property, to help offset the increases we have seen with certain expenditures.

We are proposing that the Town maintain our current tax rates on Real Property, Personal Property, and the Utilities for a sixth consecutive year.

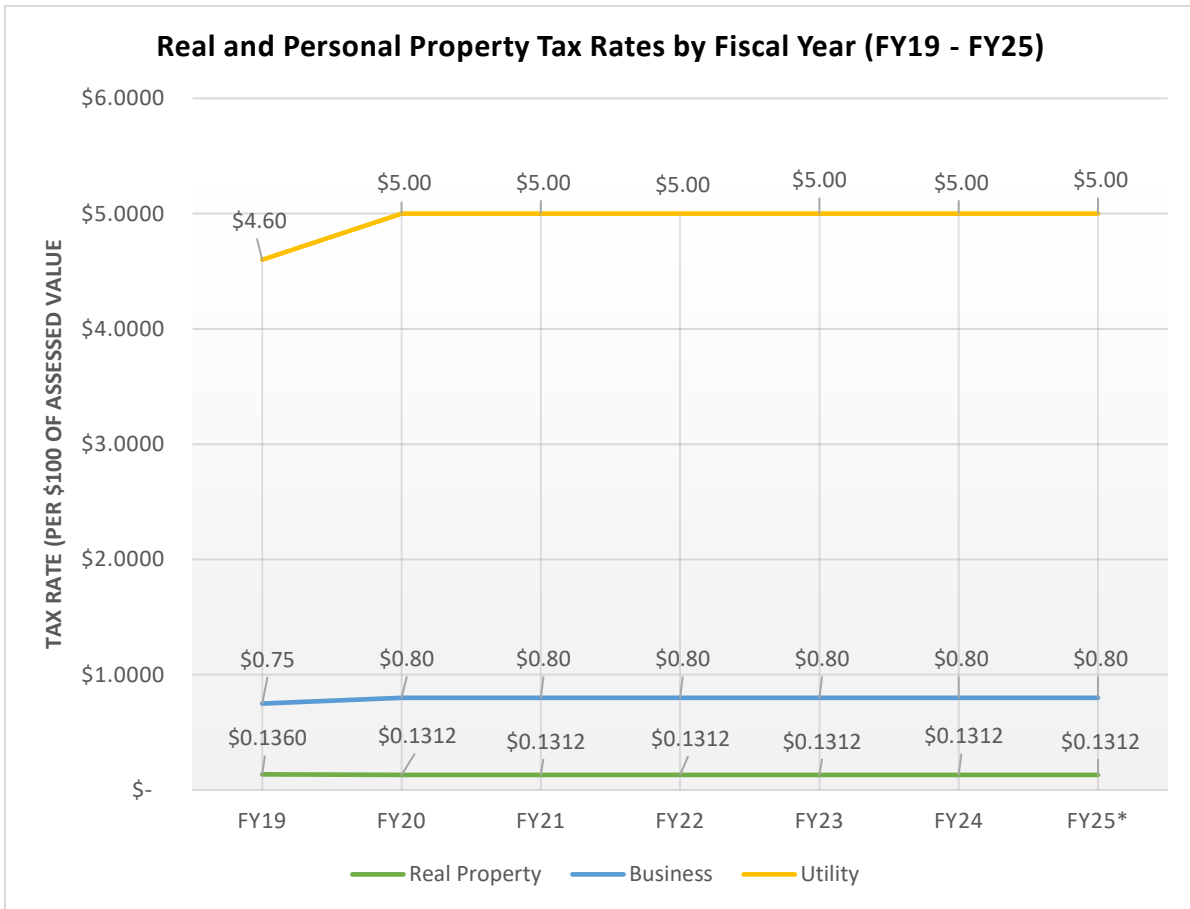
FY25 Budget Revenues

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 \$11,436 over our anticipated projection for FY24. This is directly attributed to increased property values, specifically pertaining to the development and redevelopment of certain residential and commercial properties.
 - Please note that the administrative staff subtracted \$55,167,600 from the State's proposed assessable base due to the pending appeal by the property located at 3700 Plyers Mill Road. The staff has concerns over this assessment value, and we believe that the assessment will be corrected upon appeal.
 - The Maryland State Legislature amended the regulations pertaining to exempt status during the 2023 Legislative session, in which a locality may maintain their existing Real Property tax rate without an exemption, even if the Maryland Department of Assessments and Taxation determines that revenues may increase more than \$25,000 from the prior year at the existing rate. Therefore, an exemption is no longer necessary to maintain the existing Real Property tax rate from year-to-year.
 - **The Real Property tax rate will remain at (\$0.1312) for the sixth consecutive fiscal year.**

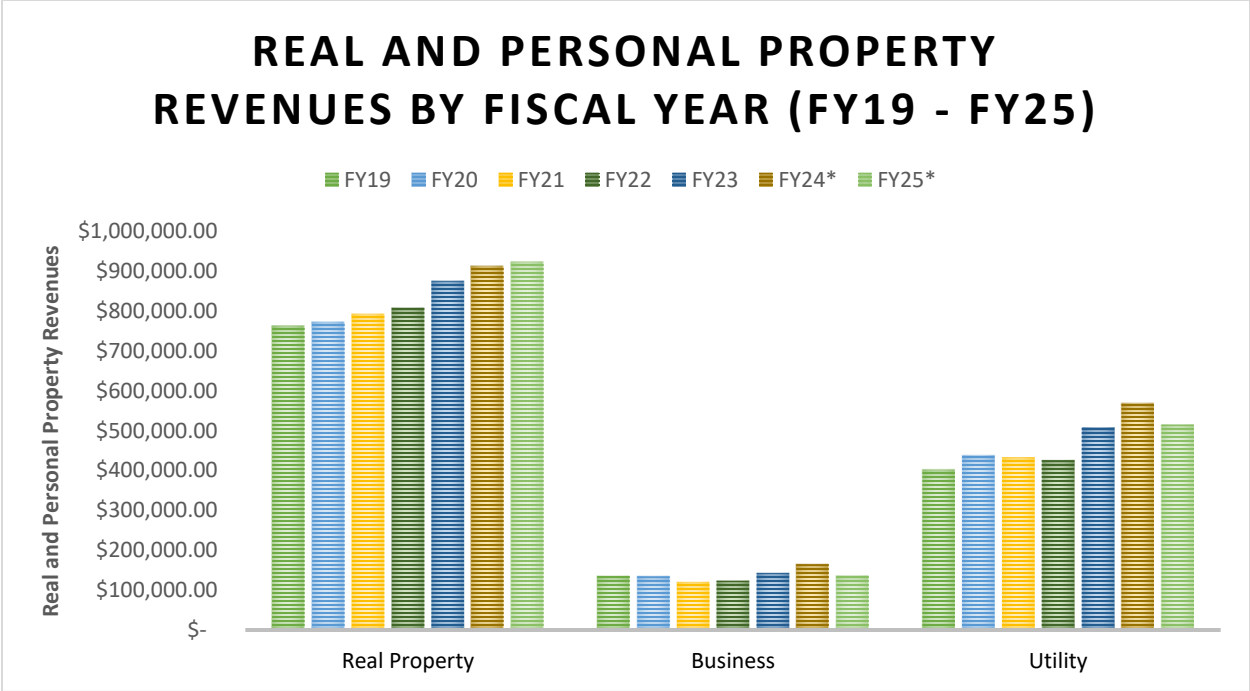
- The **Personal Property tax rate for Businesses will remain at (\$0.80) per \$100 of assessed value** and revenues are expected to remain consistent with our FY24 budgeted projection.
 - The Personal Property tax rate for Businesses will remain at (\$0.80) for the sixth consecutive fiscal year.
- The **Personal Property tax rate for Utilities will remain at (\$5.00) per \$100 of assessed value** and revenues are expected to remain consistent with our projection for FY24.
 - The Personal Property tax rate for Utilities will remain at (\$5.00) for the sixth consecutive fiscal year.

Real and Personal Property Tax Rates by Fiscal Year



*FY25 Tax Rates are Proposed

Real and Personal Property Tax Revenues by Fiscal Year

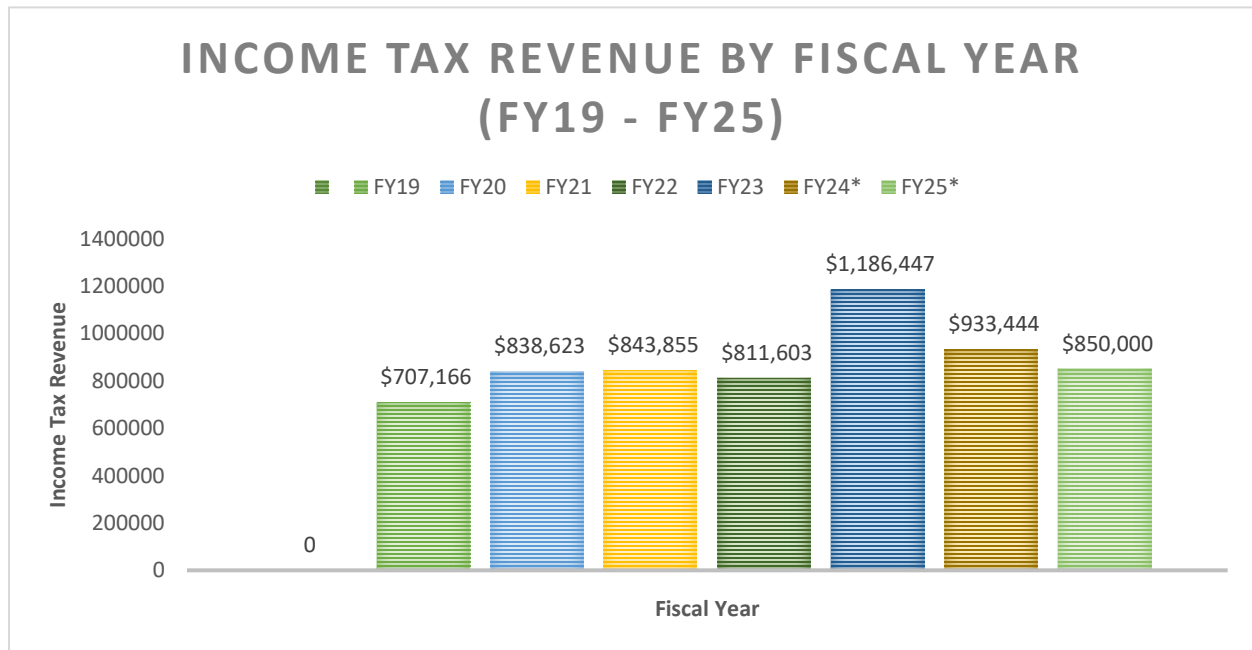


FY24* Projected; FY25* Budgeted

Revenue – Other Taxes

- The Town is anticipating Income Tax revenues of at least \$933,444 for FY24, which is less than the Town’s historical record of Income receipts of \$1,186,447 in FY23. The Town has consistently been cautious with anticipated Income projections due to the uncertainty of this revenue source; however, with a five-year average (FY20-FY24) of Income receipts at \$922,794, we are comfortable increasing our expected Income revenues to \$850,000 for FY25 compared to \$800,000 in FY24.
 - Income Tax revenue is unpredictable due to many variables, as one higher earning residential taxpayer can make a substantial impact on our receipts depending on their earnings. 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



FY24* Projected; FY25* Budgeted

Revenue – Intergovernmental

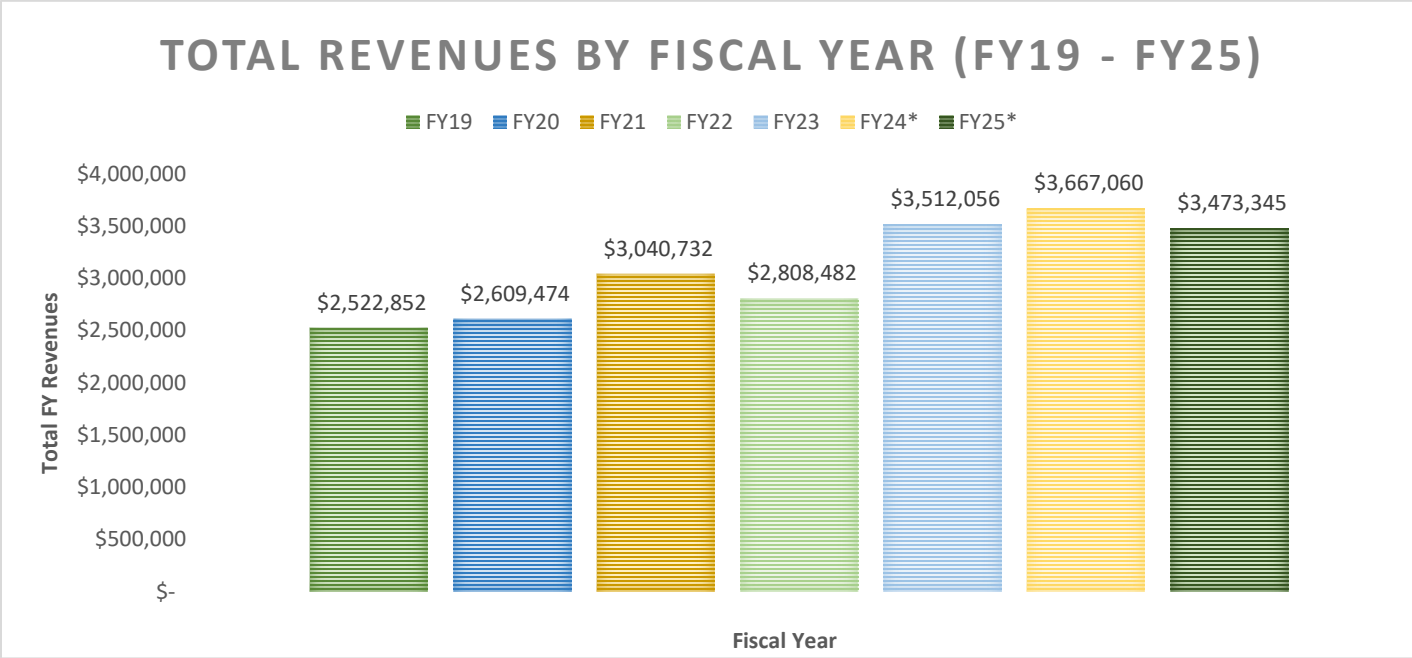
- Montgomery County adopted Bill 2-22 in 2022, to formally clarify reimbursements to Montgomery County’s localities for certain services. Commonly referred to as Tax Duplication, Bill 2-22 requires Montgomery County to reimburse the Town for transportation (road maintenance and improvements) and park related services. The Town will receive \$297,875 in FY25, which is less than the proposed amount within Bill 2-22 of \$322,064 in FY25. The County Executive stated that the difference in the amount was due to less than anticipated costs related to snow removal when the bill was first estimated.
- 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 once again this year following communications from the State.
 - The Town has budgeted \$147,525 in HUR funds.

Revenue - Overall

Overall, the Town has seen a steady increase in total revenues over the last three fiscal years, including with our FY25 projections, which can be directly attributed to the strength of our Income Tax receipts, along with increased assessment values on both commercial and residential properties. We anticipate this trend continuing, at least in the short-term, as much of the Town’s

available housing stock is being regenerated by local developers and then sold at higher market values. We also anticipate a number of larger redevelopment projects in the near future, to include the Baker’s Union property (10400 Connecticut Avenue), which will most likely expand the Town’s housing options.

Total Revenues by Fiscal Year



*FY24 Projected; FY25 Budgeted

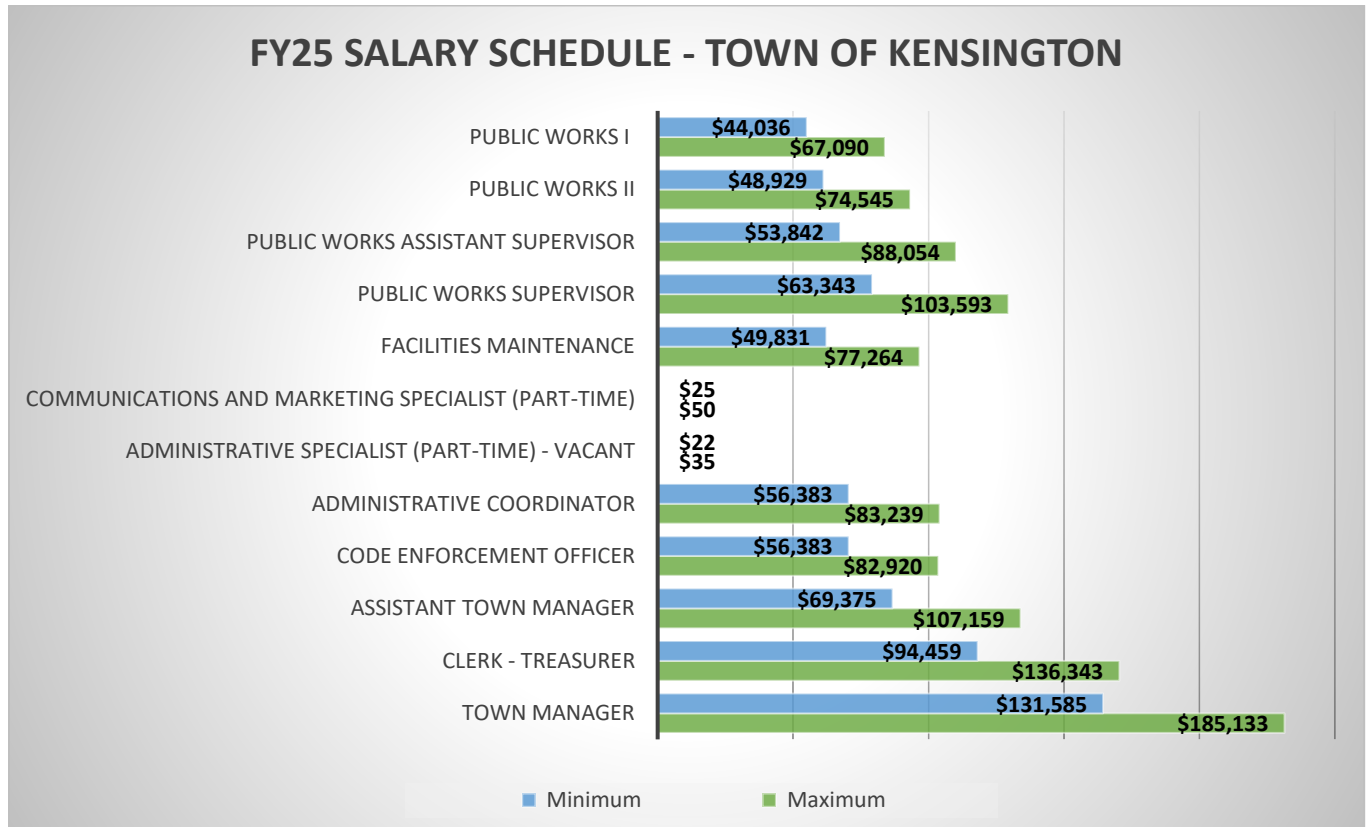
FY25 Budget Expenditures

Personnel – General Government; Public Safety; and Public Works

The Town’s Budget proposes a three and six-tenths (3.6) percent Cost-of-Living Adjustment (COLA) in accordance with the Consumer Pricing Index (CPI) for the Washington metropolitan area between January 2023 and January 2024. In addition, we are requesting an additional one and four-tenths (1.4) percent market correction for certain positions within the Town, and an additional four and four-tenths (4.4) percent for the Assistant Town Manager position, in an effort to maintain market competitiveness within the region.

- We are requesting the reclassification and promotion of Joe Natali within Public Works to Assistant Public Works Supervisor.
- We are requesting funding for additional part-time administrative help, if necessary, for FY25.
- We are requesting continued funding for a fourth Secondary Enforcement Officer position, which we hope to fill within FY25.

FY25 Salary Schedule



Professional Services

We are requesting additional funding within Professional Services for engineering/grant application assistance for the proposed separated pathways along Connecticut Avenue at Howard Avenue. However, even with this additional funding request, our budgeted expenses within Professional Services for FY25 are \$2,100 less than our budgeted expenses for FY24, as we have adjusted a number of line items and have completed the renovations to the new Archives room at Town Hall.

Moreover, Professional Services includes \$12,000 towards consulting services, as the Town's Development Review Board (DRB) will be engaging with Montgomery Planning to refresh the 2012 Kensington and Vicinity Sector Plan, specifically to address development along Connecticut Avenue and the northwest quadrant in anticipation of the Summit Avenue Extended project.

Economic Development and Commercial Revitalization

The FY25 Budget proposes a slight increase of \$5,700 from FY24, which is directly related to an additional funding request from the Kensington Historical Society (KHS), and to help fund the

replacement of the existing Antique Row marquee signs along Connecticut Avenue at Howard Avenue.

Public Works

The FY25 Public Works Budget is proposing a three-year contract extension with our collection contractor, Ecology Services Refuse & Recycling, LLC, with a five (5) percent increase per unit collection beginning January 1, 2025, and an increase tied to the Consumer Pricing Index (CPI) for the Washington metropolitan area for 2026 and 2027.

We are proposing to add to our collection services with a weekly, Town-wide, residential composting collection program through the Ecology contract extension. The composting program would begin January 1, 2025, and would allow the Town to maintain our second trash collection throughout the contract extension, or we may remove our second weekly trash collection prior the second or third years of the contract extension, if we determine that the second weekly trash collection is no longer necessary due to the success of the composting program. The Town-wide, residential composting program is estimated to cost \$62,000, in the first year of the program.

We are also requesting funds (\$18,000) to purchase 13-gallon composting roll carts for each household for the weekly composting program.

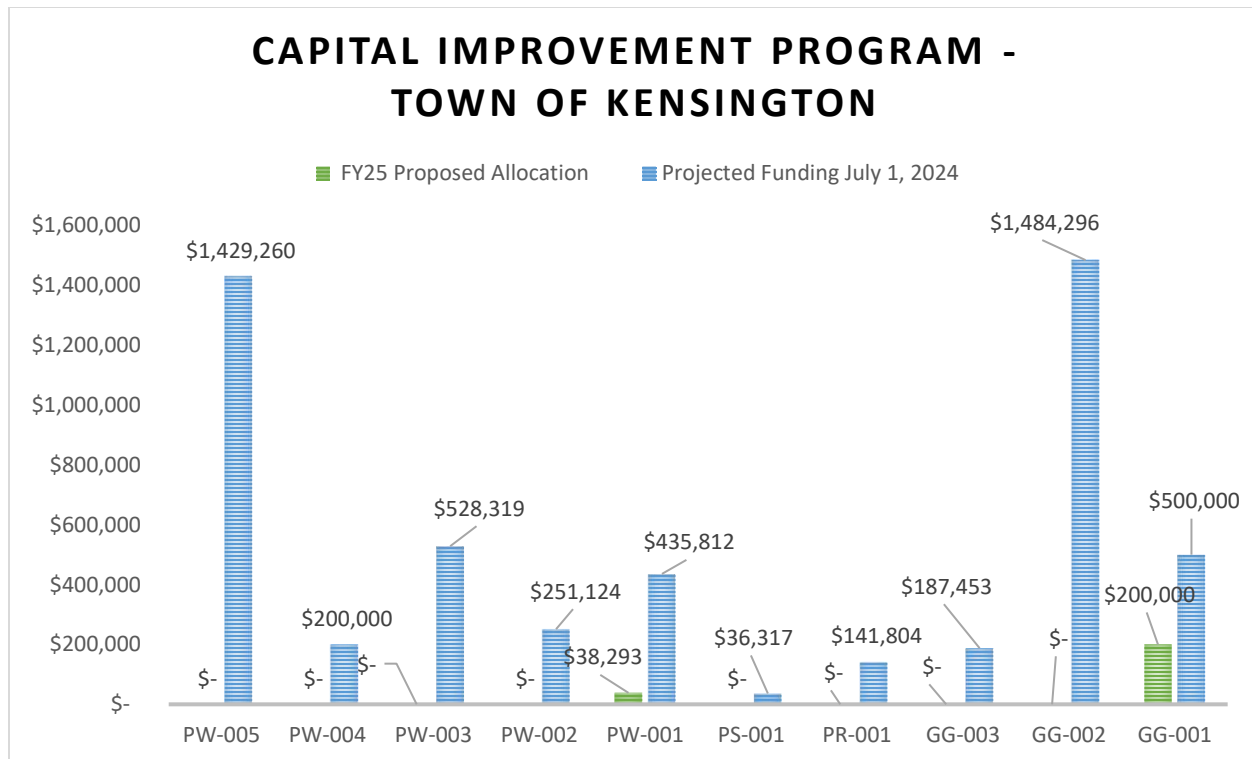
Parks, Recreation, and Municipal Events

The FY25 Parks and Recreation Budget is requesting \$10,400 less in funding from FY24, in which the reduction is attributed to the removal of the Kensington 130th Anniversary event as a line item. However, we are requesting additional contributions to the Juneteenth event, 4th of July Bike Parade, and the Labor Day Parade and Festival.

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 unreserved fund balance from the previous fiscal year. FY23 yielded a surplus of \$246,806, following the Audit, in which an estimated \$238,293, will be allocated to our CIP for FY25.

The Town has a policy to reserve ten percent of expected annual revenues within our Capital Reserve fund (GG-001) within the CIP. We are proposing that this be increased to fifteen percent for FY25 through an allocation of \$200,000 from the unreserved fund balance, with the additional \$38,293, being allocated towards our Bridge Reconstruction & Renovation Program (PW-001), as we anticipate that the construction RFP to be issued later this year will be higher than our original estimates due to inflation.



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, and act as the Town’s Rainy-Day Fund if revenue concerns occur in any given fiscal year.

GG-002 – Property Acquisition – This is a fund account for the purchase of land specifically related to a new Public Works facility and establishing additional open space within the Town.

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 and repair of existing Town-owned streetlights.

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, which includes sidewalks.

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 FY25 CIP

1. Acquisition of 10528 St. Paul Street, which will be used for a future Public Works building. Estimate: \$1,010,000
 2. Proposed acquisition of 10415 Montgomery Avenue (M&T Bank drive-thru), which would be used as a public parking lot for the Kensington Business District. Estimate: \$450,000
 3. Engineering Design Services and Construction Management Bridge maintenance for the Kensington Parkway, Kent Street, and Frederick Avenue bridges. The engineering and design services are almost complete, and the construction management phase of the contract will begin once a bid has been secured for renovation of the bridges. Estimate: \$145,000
 4. Construction and repair for the Kensington Parkway, Kent Street, and Frederick Avenue bridges. Estimate: \$350,000
 5. St. Paul Street Storm Drain improvements, which will include the reconstruction of the intersection of St. Paul Street and McComas Avenue. The project will add storm drains to the 10700 and 10800 blocks of St. Paul Street, the 3500 block of Decatur Avenue, and improve the sightlines of the intersection of St. Paul Street and McComas Avenue. Estimate: \$650,000.
 6. Farragut Avenue Storm Drain improvements, which will include adding a storm drain lateral between Lexington Street and St. Paul Street. The project will require the relocation of a segment of the WGL main line. Estimate: \$450,000.
 7. C-Line Storm Drain improvements, which will address certain stormwater management concerns connected to the C-line. We will have a better understanding of cost estimates once we receive the hydro analysis from our engineer, Brudis & Associates. Estimate: \$150,000 +
 8. Add a sidewalk to connect Kensington Parkway (north) to St. Paul Park: Estimate: \$250,000.
 9. Replace the existing Ford F-550 with a Ford F-350. Estimate: \$85,000.
 10. Acquisition of certain property for stormwater management and open space use. Estimate: \$125,000.
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