



TOWN OF KENSINGTON

Fiscal Year 2025-2026 (FY26)
Operating Budget & Capital
Improvement Plan (CIP)



TOWN OF KENSINGTON

OPERATING BUDGET & CAPITAL IMPROVEMENT PLAN (CIP)

Fiscal Year 2025-2026 (FY26), July 1, 2025 – June 30, 2026

Mayor

Tracey Furman

Town Council

Darin Bartram

Nate Engle

Conor Crimmins

Ann Lichter

Administration

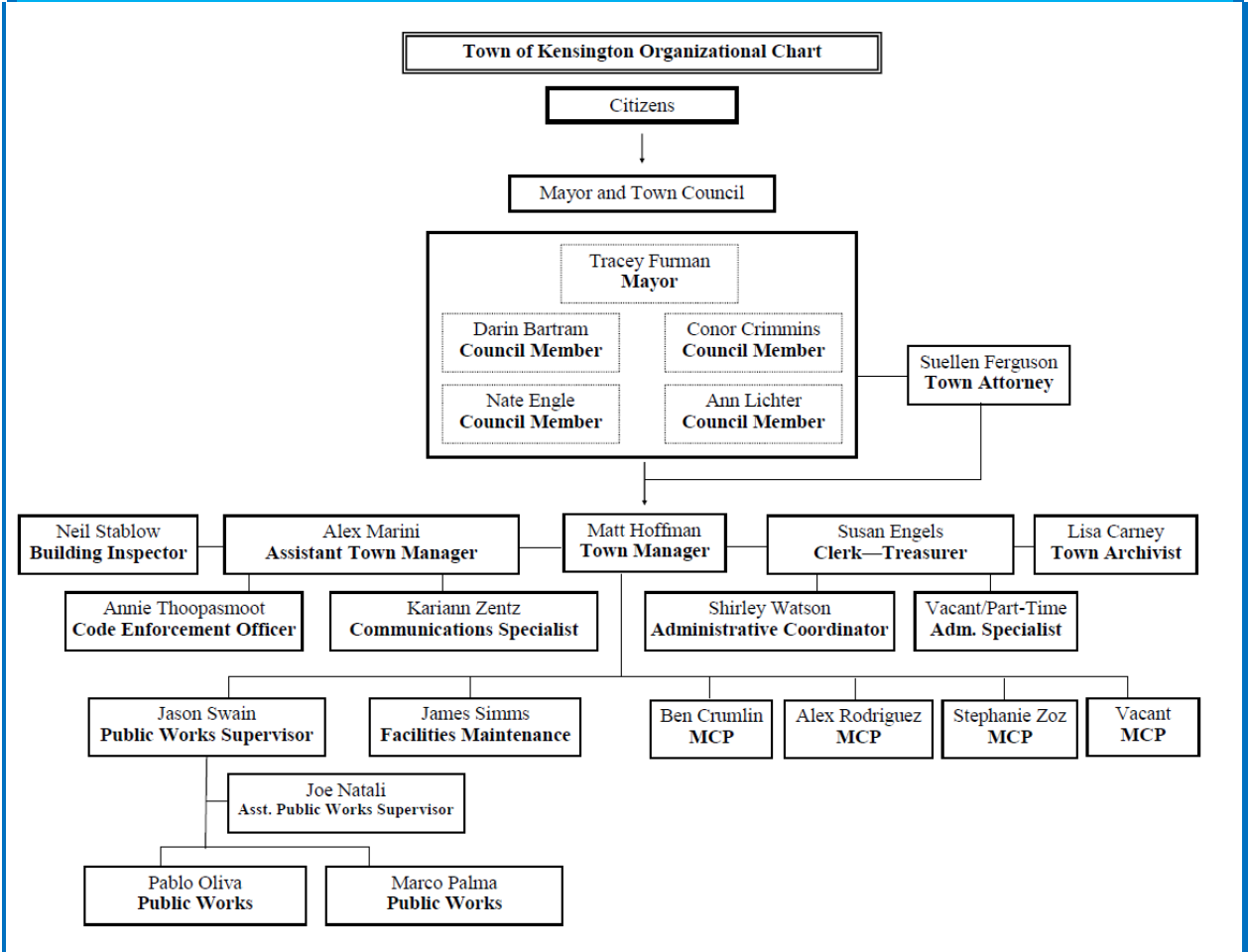
Matthew Hoffman

Town Manager

Susan Engels

Clerk – Treasurer

TOWN OF KENSINGTON ORGANIZATIONAL CHART



BUDGET MESSAGE FISCAL YEAR 2025-2026 (FY26)

April 9, 2025

Mayor and Kensington Town Council:

I am pleased to submit our Fiscal Year 2025-2026 (FY26) Budget for discussion and review at the Public Hearing scheduled for April 9, 2025, at 7:30 pm. Included within the FY26 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 Town has maintained fiscal stability over the last few years, in which we have generally seen an increase in revenues year after year, we are starting to see a decrease in income tax receipts from our record high of \$1,186,447.00 in FY23. Fortunately, real and personal property tax receipts from both commercial and residential development remain strong, and along with federal grant payments through the American Rescue Plan Act (ARPA), the Town has been able

to adequately fund our general services, along with our Capital Improvement Plan (CIP), in an effort to address major infrastructure projects to include stormwater management and land acquisitions, which 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, while keeping a watchful eye on income tax receipts due to the ongoing reorganization of federal departments, and specifically the Department of Health and Human Services. The Town will also continue to fund our CIP in anticipation of future infrastructure projects, as we look 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 2025, with the Town's staff reviewing the current fiscal year's (FY25) budget actuals, and the Audited Financial Statements from FY24. 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 Bartram and Crimmins (Audit Committee Co-Chairs) to review the preliminary FY26 Budget in March. The FY26 Budget Ordinance (Ordinance No. O-02-2025) was introduced at the March 12, 2025, Town Council Meeting and the Public Hearing has been scheduled for Wednesday, April 9, 2025, 7:30 pm. The Town notified our residents of the Public Hearing within the April Around Town Journal, a direct mail flyer, and provided a link to the Budget Ordinance and a detailed copy of the FY26 Budget on our website.

CURRENT FISCAL YEAR (FY25)

Leading into the FY25 Budget, the Town was advised by our Auditor that we may face a negative General Fund Balance within our FY24 Audited Statements due to the ARPA funds being classified as a grant, which cannot be recorded as revenue until the funds have been expended. Following additional clarification from our Auditor, and review by the Auditing Committee, we were able to avoid the possible negative General Fund Balance within our FY24 Audited Financial Statements.

With ARPA funds now partially expended within FY25, we do not foresee any further issues related to a potential negative General Fund Balance due to the ARPA funds.

As we approach the end of FY25, our latest projection suggests that we remain in strong financial standing to meet our day-to-day service requirements, as revenues are expected to outpace expenditures by \$520,000, which historically, is on average with prior fiscal years. For reference,

\$238,293 of these funds were originally allocated towards the CIP within FY25; however, they were left within the general fund following a recommendation by the Auditor to address the aforementioned negative General Fund Balance. Please note that any unappropriated surplus determined following the FY25 Audit will be appropriated within the FY27 Budget to fund our Capital Improvement Plan (CIP). However, any ARPA funds expended within Calendar year 2025, will be appropriated to the FY26 CIP.

The additional revenue over expenditures is directly related to higher than anticipated returns through interest income, personal property tax receipts on utilities, and income tax receipts. In addition, a delay with starting the Town's food waste program until the final quarter of the fiscal year, along with two vacant positions, are directly attributable for the less than anticipated expenses.

Fiscal Year 2024-2025 (FY25) Highlights:

- The Town acquired the property located at 10528 St. Paul Street, which will be used for a future Public Works facility.
- The Town will begin a food waste collection program within the fourth quarter of the fiscal year, which will provide each single-family property with a 13-gallon bin, in which certain food waste will be collected on a weekly basis.
- The Town's Engineering firm, Brudis & Associates, has completed the engineering and design to repair the Town's three bridges; and we expect that an RFP will be issued prior to the end of the fiscal year.
- The Town's Engineering firm, Brudis & Associates, has completed a hydrological analysis for Carroll Place/Hadley Place; Armory Avenue/Baltimore Street; and St. Paul Street to address stormwater issues. The hydrological analysis for Farragut Avenue is expected to be completed by early May.
 - The Town has signed three separate proposals to address stormwater issues, as recommended within the analysis by Brudis & Associates. This includes a new storm drain bypass along Hadley Place, between Carroll Place and Washington Street; the replacement of an existing 15" pipe that runs behind the rear properties of Carroll Place and Hadley Place; and a new pipe connection at the intersection of Armory Avenue and Baltimore Street.
 - We anticipate signing a proposal in May for the proposed St. Paul Street storm drain project.
- The Town is currently completing a sidewalk project, in which a sidewalk has been installed along the north side of Howard Avenue, between Armory Avenue and Connecticut Avenue.
 - The project will include the mill and overlay of this section of Howard Avenue, which should be completed by May.
- The Town purchased a new Ford F-350 truck, which will replace a 2008 Ford F-250.

BUDGET OVERVIEW

The FY26 Budget has been designed to maintain the Town's general services to our residents and business community, while making a number of minor adjustments within the General Government category, which include moving the Town Archivist from a contracting position to a part-time employee of the Town. While we do not anticipate any major service changes for FY26, or the expansion of services similar to the Town's new food waste collection program, we are cognizant of the ongoing uncertainty with regard to the federal government's reorganization and the direct impact this may have on the Town, specifically with income receipts.

The most recent assessment cycle by the State Department of Assessments and Taxation (SDAT) has increased the assessable base by over \$94 million within the Town, which may increase Real Property revenues by \$124,000 from FY25 at the current tax rate. While this would certainly help offset any potential losses from income receipts, we are aware of at least 22 active appeals before SDAT that far exceed SDAT's estimated abatements for FY25, which potentially could lessen the additional Real Property revenues we are anticipating for FY26.

With this understanding, we are proposing that the Town maintain our current tax rates on Real Property, Personal Property, and the Utilities for a seventh consecutive year.

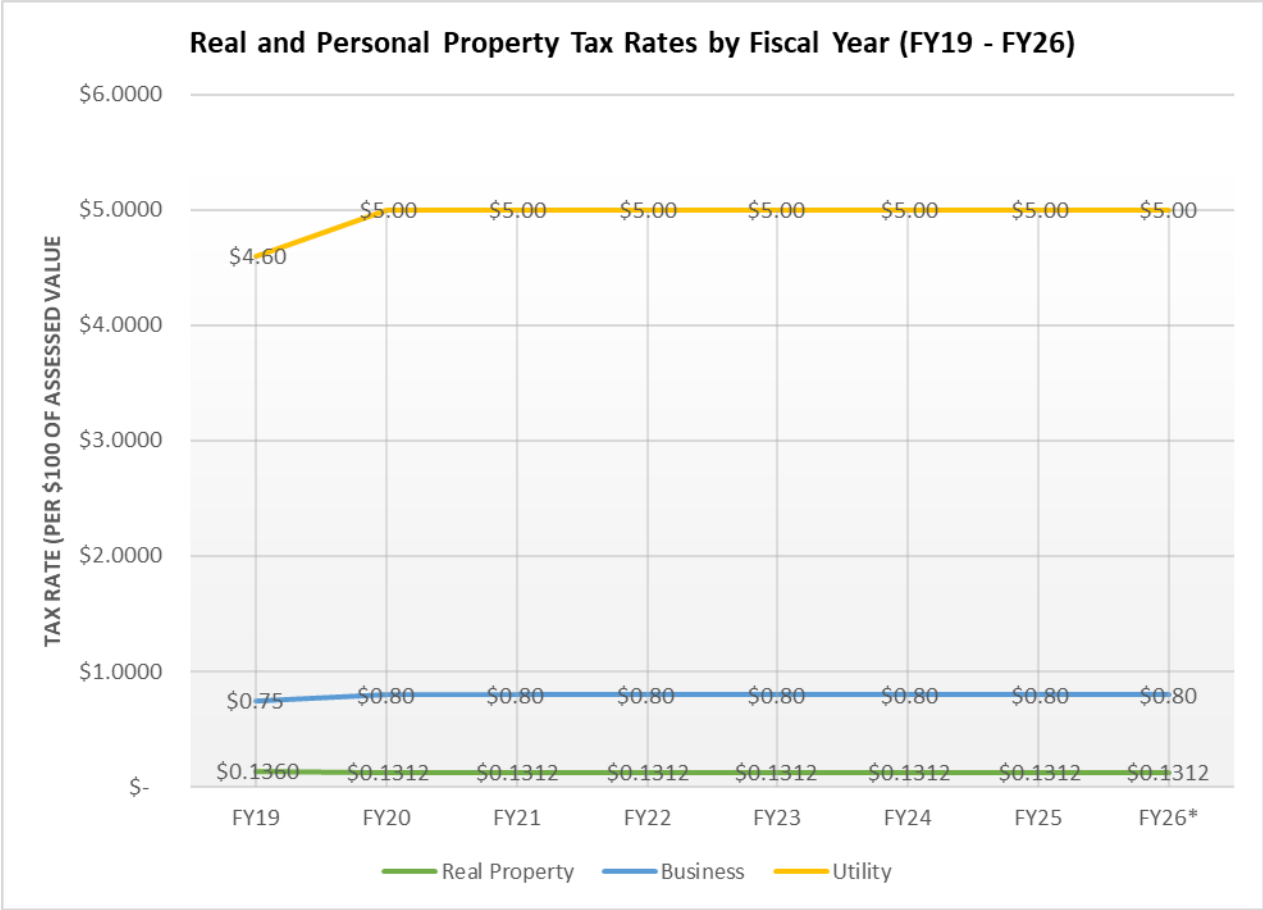
FY26 Budget Revenues

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 \$124,115 over our anticipated projection for FY25. This is directly attributed to SDAT's three-year assessment cycle, in which properties in Kensington were reassessed for July 1, 2025. The assessable base within the Town increased by \$94,600,329 from FY25 to FY26.
 - Please note: 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 seventh 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 FY25 budgeted projection.
 - The Personal Property tax rate for Businesses will remain at (\$0.80) for the seventh consecutive fiscal year.

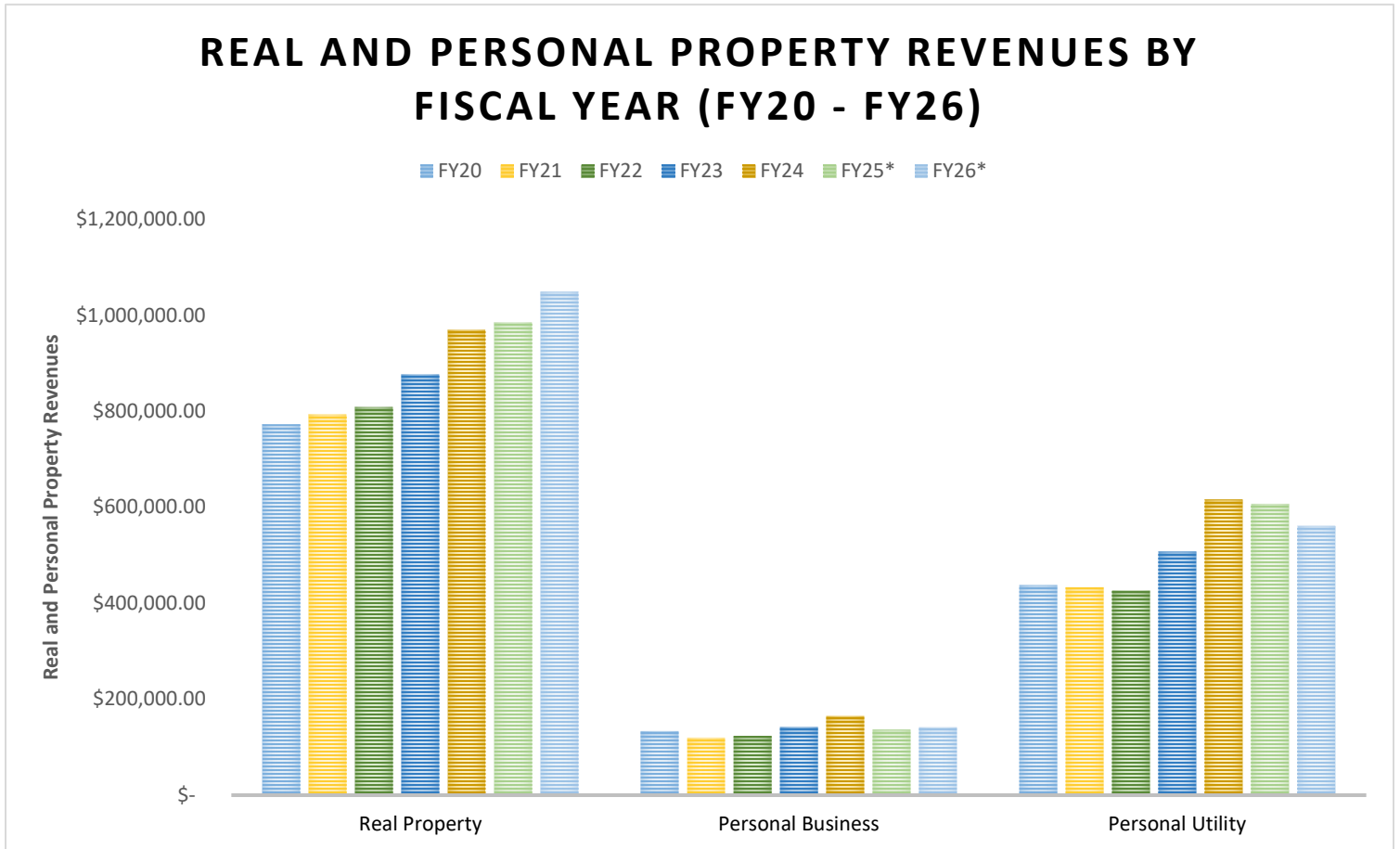
- The **Personal Property tax rate for Utilities will remain at (\$5.00) per \$100 of assessed value** and revenues are expected to increase by at least \$45,000 from our FY25 Budget. The proposed increase in revenues is related to the increase in the assessable base for utilities within the Town, which were reassessed for July 1, 2025.
 - The **Personal Property tax rate for Utilities will remain at (\$5.00) for the seventh consecutive fiscal year.**

Real and Personal Property Tax Rates by Fiscal Year



*FY26 Tax Rates are Proposed

Real and Personal Property Tax Revenues by Fiscal Year

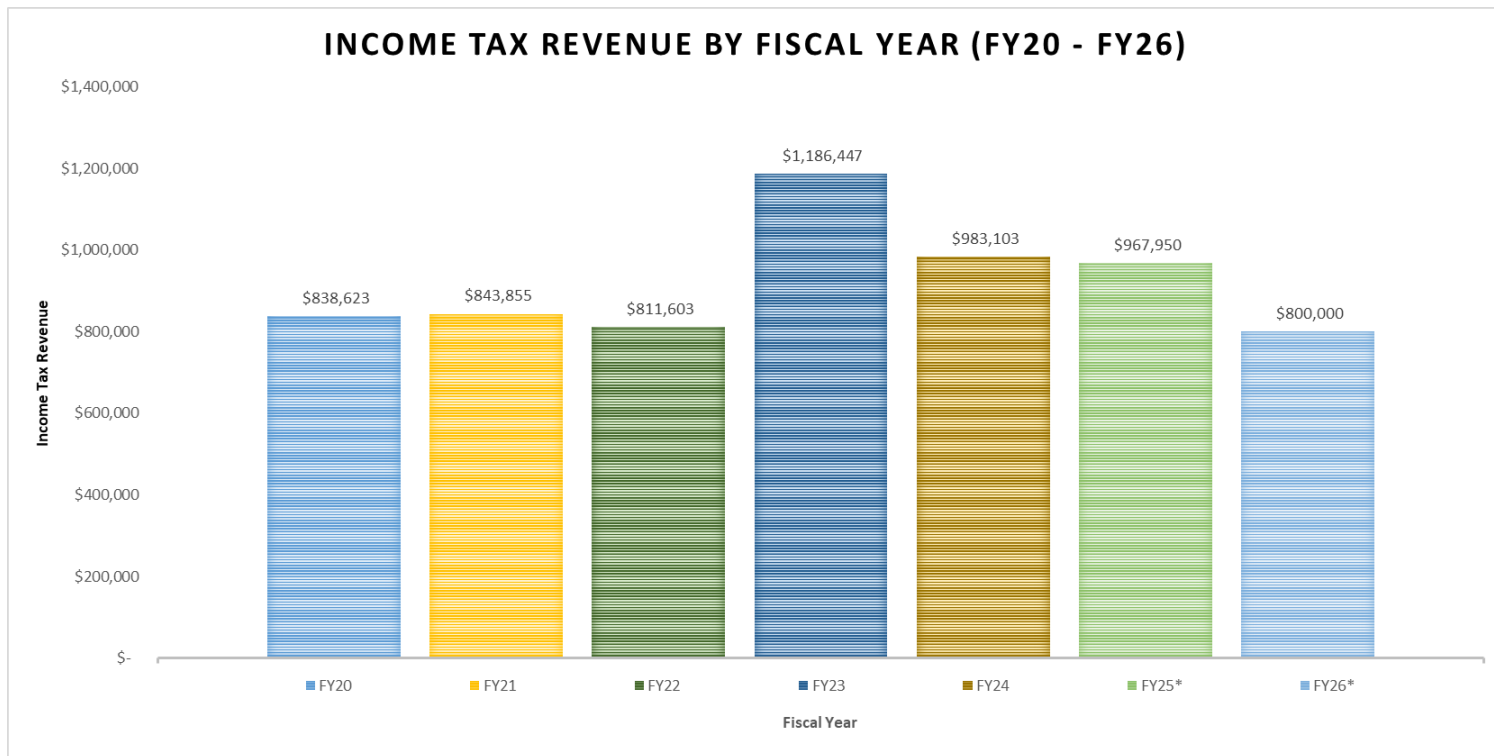


FY25* Projected; FY26* Budgeted

Revenue – Other Taxes

- The Town is anticipating Income Tax revenues of at least \$967,950 for FY25, which is less than the Town received in FY24 (\$983,103), and also down from the Town's historical record of Income receipts of \$1,186,447 in FY23. The Town is generally very cautious with anticipated Income projections due to the uncertainty of this revenue source, which has a five-year average (FY21-FY25) of \$958,591; however, with Income receipts trending down the last two fiscal years, along with the uncertainty surrounding the local economy and the federal government's reorganization, we are lowering our anticipated Income revenues to \$800,000 for FY26.
 - 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



FY25* Projected; FY26* Budgeted

Revenue – Intergovernmental

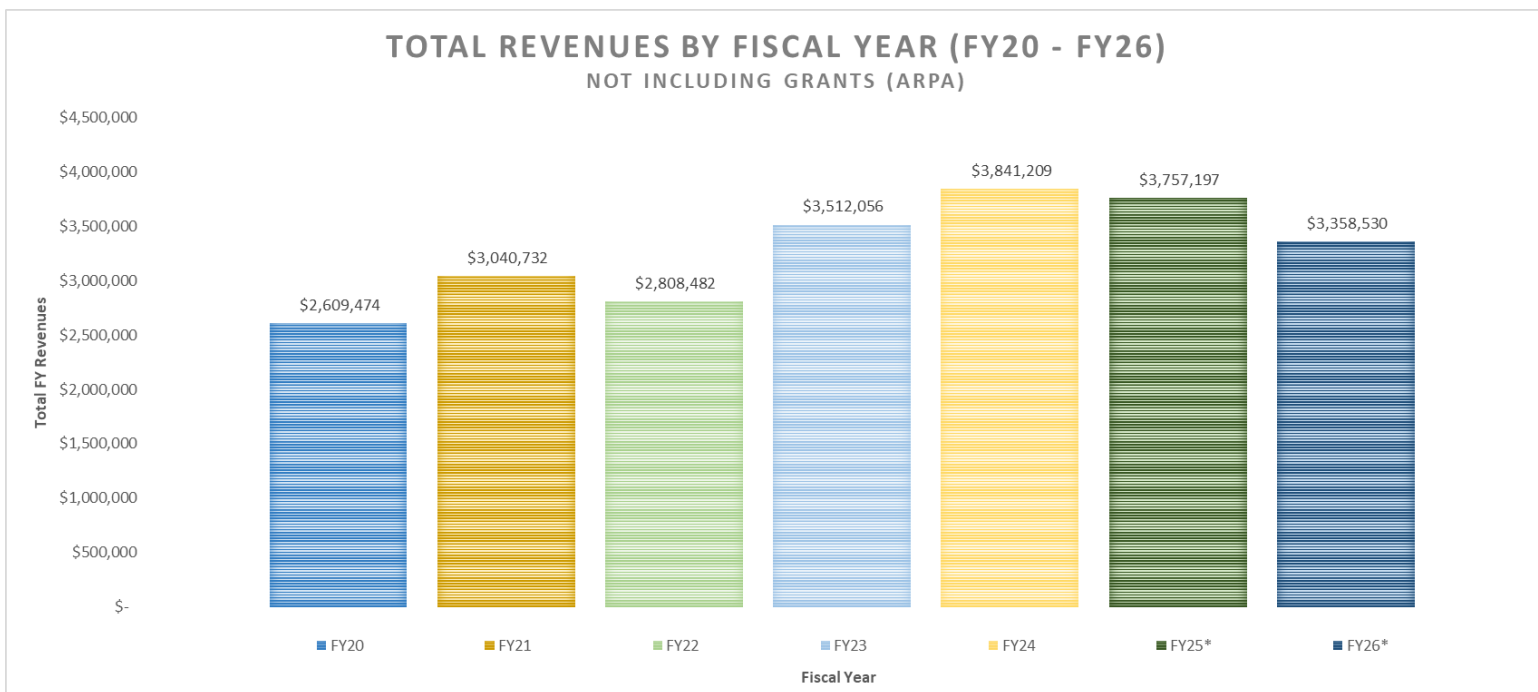
- Montgomery County adopted Bill 2-22 in 2022, to formally clarify reimbursements to Montgomery County's localities for certain services. Commonly referred to as Tax Duplication, Bill 2-22 requires Montgomery County to reimburse the Town for transportation (road maintenance and improvements) and park related services. The Town will receive \$310,376 in FY26.
- 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 of nearly \$30,000 this year following communications from the State.
 - The Town has budgeted \$176,327 in HUR funds.

Revenue - Overall

Overall, the Town had a steady increase in revenues between FY22 – FY24; however, this trend may have peaked, as projected revenues for FY25 are slightly less than FY24. In addition, even with the increased revenues from our assessable base within property tax receipts, our overall concern with Income receipts moving forward has us projecting total revenues for FY26 below our FY25 numbers.

While we are hopeful that our local economy will not be impacted by the federal government’s reorganization, our responsibility is to budget for stability, and as we look at overall revenues for FY26, we have no other choice than to project a decline in revenues over the next year.

Total Revenues by Fiscal Year



*FY25 Projected; FY26 Budgeted

FY26 Budget Expenditures

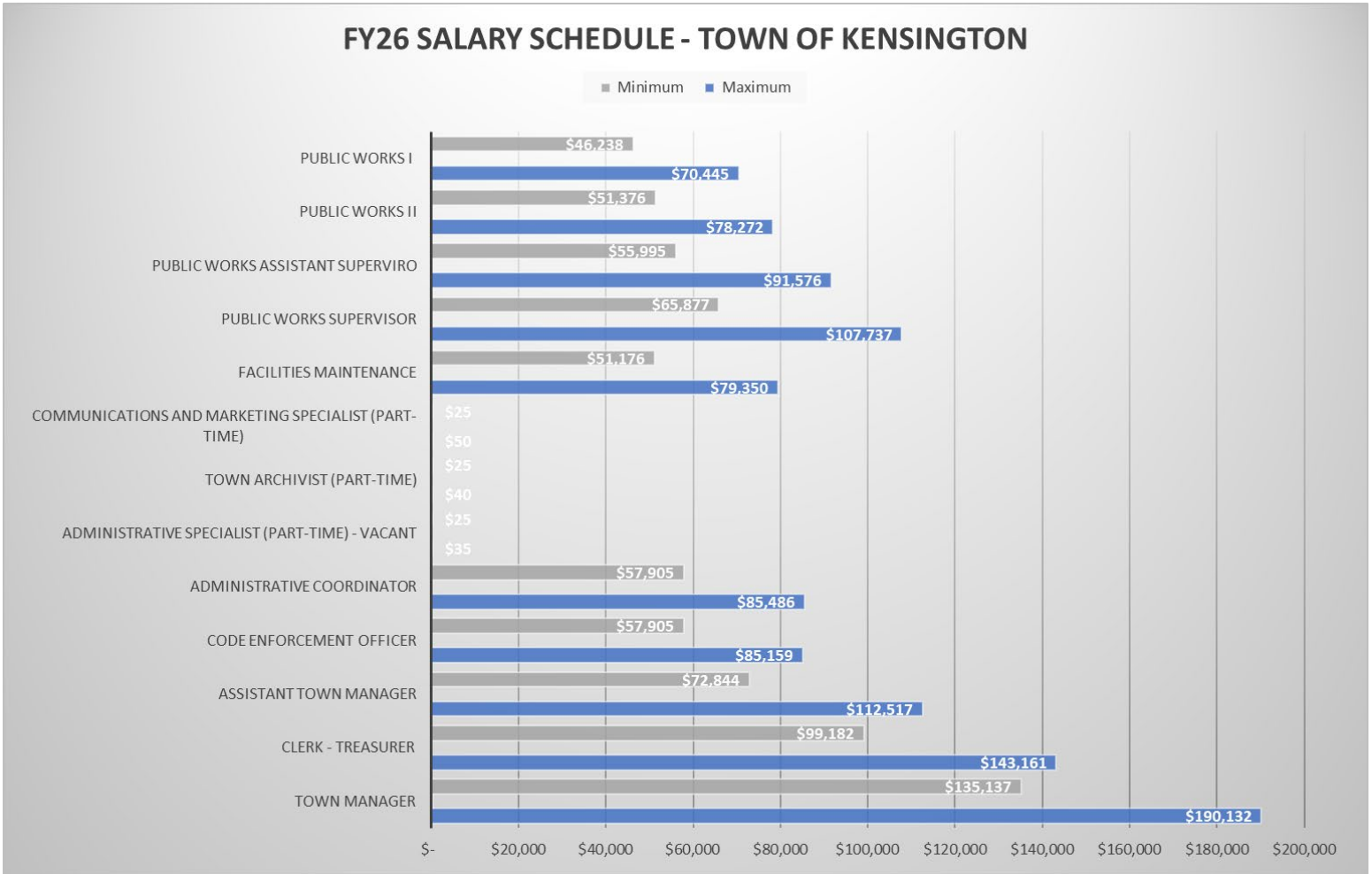
Personnel – General Government; Public Safety; and Public Works

The Town’s Budget proposes a two and seven-tenths (2.7) percent Cost-of-Living Adjustment (COLA) for all employees in accordance with the Consumer Pricing Index (CPI) for the Washington metropolitan area between January 2024 and January 2025. In addition, we are requesting an additional one and three-tenths (1.3) percent market correction for the Public Works Supervisor and Assistant Public Works Supervisor, along with a two and three-tenths percent (2.3) market correction for all hourly employed Public Works employees, and certain employees within Public Safety and General Government, in an effort to maintain market competitiveness within the region.

- We are requesting the reclassification of the Town Archivist position from Professional Services (contractor) to General Government, as a part-time employee.
- We are requesting funding for additional part-time administrative help, if necessary, for FY26.

- This funding would also be used for any interns that are hired by the Town during the fiscal year.
- We are requesting continued funding for a fourth Secondary Enforcement Officer position, which we hope to fill within FY26.

FY26 Salary Schedule



Professional Services

We are requesting additional funding within FY26 for Professional Services in anticipation of hiring a consultant to address parking concerns within the Town in cooperation with the Parking Task Force, along with the initial funding requested last year for a consultant to work with the Development Review Board (DRB) and Montgomery Planning on our proposed 2026 Sector Plan update. We also have pledged \$15,000 in matching funds, in coordination with the Maryland Transit Administration (MTA) for a Railroad Crossing Elimination grant, which would evaluate the feasibility of an above-grade crossing at the Kensington MARC Station.

Even with the additional funding request for consultants and the \$15,000 committed for the Railroad Crossing Elimination grant, total expenses for Professional Services are roughly \$10,000

less than FY25, which is due to moving the Town Archivist to General Government and completing the improvements to the Archives room at Town Hall.

Economic Development and Commercial Revitalization

The FY26 Budget proposes a \$48,500 increase from FY25, which is directly related to three additional funding requests: 1) \$25,000 for Noyes Children's Library Foundation; 2) \$10,000 for the 2026 Maryland Garden Tour; 3) \$10,000 for a 250th Anniversary of the United States of America event in 2026.

It is the expectation of the Town staff that if budget cuts are necessary within the second half of the fiscal year, the majority of the cuts will be made within the Economic Development and Commercial Revitalization categories.

Public Works

The FY26 Public Works Budget remains mostly unchanged from FY25, following a new three-year contract extension with Ecology Services Refuse & Recycling, LLC, with yearly increases tied to the Consumer Pricing Index (CPI) for the Washington metropolitan area for 2026 and 2027.

The Town also approved in November 2024, a Town-wide residential food waste collection program. The program will begin during the fourth quarter of FY25.

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, 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 composting program.

Parks, Recreation, and Municipal Events

The FY26 Parks and Recreation Budget is requesting an additional \$6,500 in funding from FY25, due to adding the Chess Festival as a Town event and adding a revenue line for the anticipated revenues collected by the Juneteenth Committee.

Capital Improvements Program (CIP)

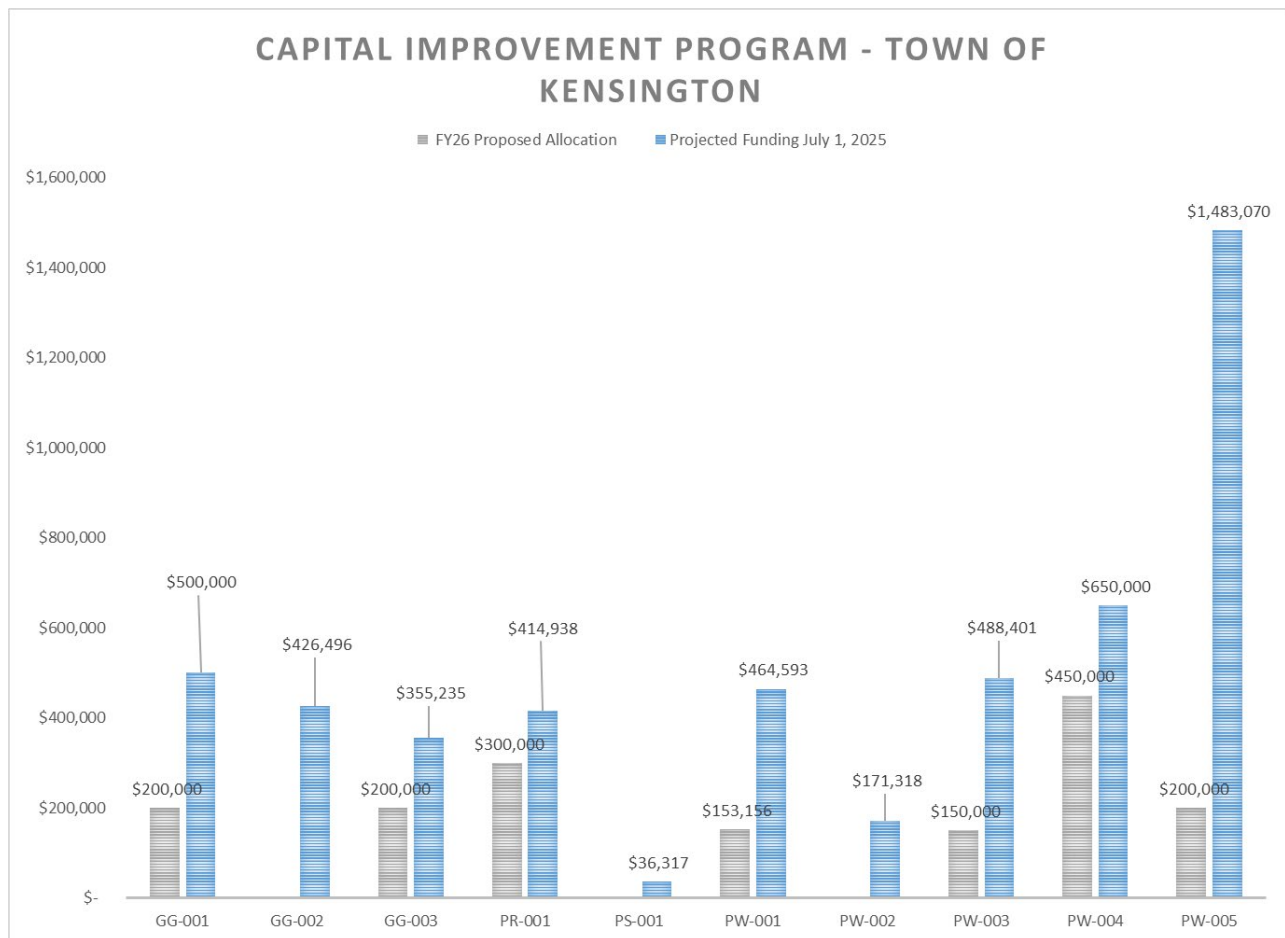
The Town has a non-lapsing CIP that funds our infrastructure and capital assets. The CIP program is directly funded by any unreserved fund balance from the previous fiscal year. FY24 yielded an unappropriated surplus of \$584,720, following the Audit, which will be allocated to our CIP for FY26. In addition, \$1,023,050, of ARPA funds has been expended to date during Calendar year 2025, which will also be allocated towards our CIP for FY26.

The Town has a policy to reserve ten percent of expected annual revenues within our Capital Reserve fund (GG-001) within the CIP. We proposed that this be increased to fifteen percent in FY25; however, the final adopted budget did not allow for the necessary allocations following a

recommendation by the Auditor not to allocate the prior year’s unappropriated fund balance (\$238,293) towards the CIP and keep these revenues within general government. Therefore, we are proposing once again that this be increased to fifteen percent for FY26 through an allocation of \$200,000 from the unreserved fund balance.

With the additional unreserved fund balance from FY24, and the released ARPA funds, we are recommending that the Town aggressively fund certain CIP accounts to fund future improvement projects at Town Hall (\$200,000) and St. Paul Park (\$300,000), along with infrastructure projects within the Public Works CIP accounts. These allocations include the following:

- \$153,156 to PW-001 – Bridge Reconstruction & Renovation Program
- \$150,000 to PW-003 – Pavement Management Program
- \$450,000 to PW-004 – Public Works Facility Improvements
- \$200,000 to PW-005 – Storm Drain Reconstruction & Renovation Program



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 – This is a fund account for the maintenance and reconstruction of storm drains within the Town’s jurisdiction.

Proposed FY26 Capital Improvement Plan (CIP) Projects:

1. 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: \$930,000
2. Acquisition of 10526 St. Paul Street (PEPCO lot) – which would be combined with the Town’s prior acquisition of 10528 St. Paul Street for a new Public Works facility. Estimate: \$475,000
3. Acquisition of the Kensington Crossing HOA property west of Silver Creek, which would become public parkland and allow the Town to address stormwater management issues and plant canopy trees. Estimate: \$60,000
4. Acquisition of 10800 St. Paul Street – which would be used as public parkland and used to install a yard inlet and lateral to an existing storm drain to address stormwater management issues. Estimate: \$60,000

5. Construction Management for Bridge maintenance at Kensington Parkway, Kent Street, and Frederick Avenue bridges. The engineering and design services have been completed, and the construction management phase of the contract will begin once a bid has been secured for renovation of the bridges. Estimate: \$30,000
 6. Construction and repair for the Kensington Parkway, Kent Street, and Frederick Avenue bridges. Estimate: \$400,000
 7. Carroll Place/Hadley Place Storm Drain Bypass project, which will add 520 linear feet of storm drain from Carroll Place to Washington Street, via Hadley Place. Estimate: \$527,892
 8. Carroll Place/Hadley Place C-Line Storm Drain Replacement project, which will replace 410 linear feet of existing 15" storm drain with a new 24" HDPE pipe to address flooding along Carroll Place and Hadley Place. Estimate: \$173,526
 9. 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: \$1,657,950
 10. 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.
 11. Town Hall Office improvements, which would reorganize the existing offices at Town Hall. Estimate: \$160,000
 12. St. Paul Park Playground ADA Improvements, which would add ADA playground equipment at St. Paul Park. Estimate: \$300,000
 13. Oberon Street Sidewalk project, which would add a sidewalk to connect Kensington Parkway with St. Paul Park. This project would also include storm drain and streetscape improvements, to include new trees and additional public right-of-way. Estimate: \$350,000
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