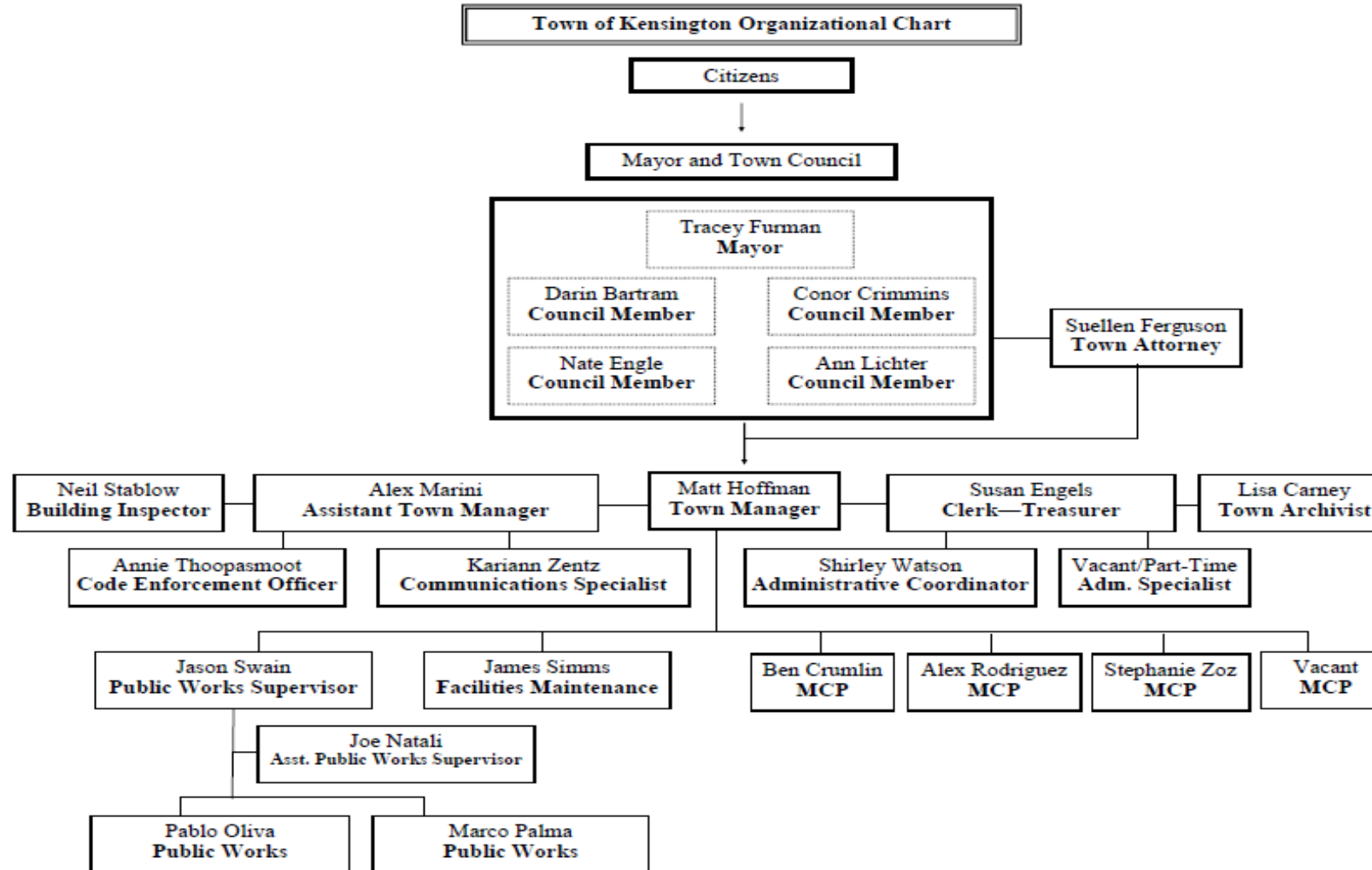


Town of Kensington Community Budget Forum

WEDNESDAY, APRIL 9, 2025
6:00 PM – 7:15 PM

TOWN HALL

Town of Kensington Organizational Chart



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.
 - ▶ **FY26: July 1, 2025 – June 30, 2026.**
- ▶ 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 is scheduled for Wednesday, April 9, 2025, 7:30 pm.

What Does the Town Tax?

State of Maryland

State Department of Assessments and Taxation (SDAT): Assesses all property within a three-year cycle, in which Kensington falls within the current 2025 cycle, and where new assessments are given beginning July 1, 2025.

- The State issues Highway User Revenues (HUR's) to the Town, which are based on the number of registered vehicles & road mileage within the locality.
- The State taxes Income through a graduated income tax, with rates ranging from 2.00% - 5.75%, which is not distributed to local jurisdictions.
- The State has a 6.00% Sales Tax, which is not distributed to local jurisdictions.

Montgomery County

- Montgomery County sets a property tax rate and taxes all Real and Personal Property based on SDAT's assessment.
- Montgomery County taxes Income at a rate of 3.2%, of which, 17% of this amount is allocated back to incorporated municipalities.
- Montgomery County reimburses certain municipalities for duplicated services (Police, Parks, Roads).

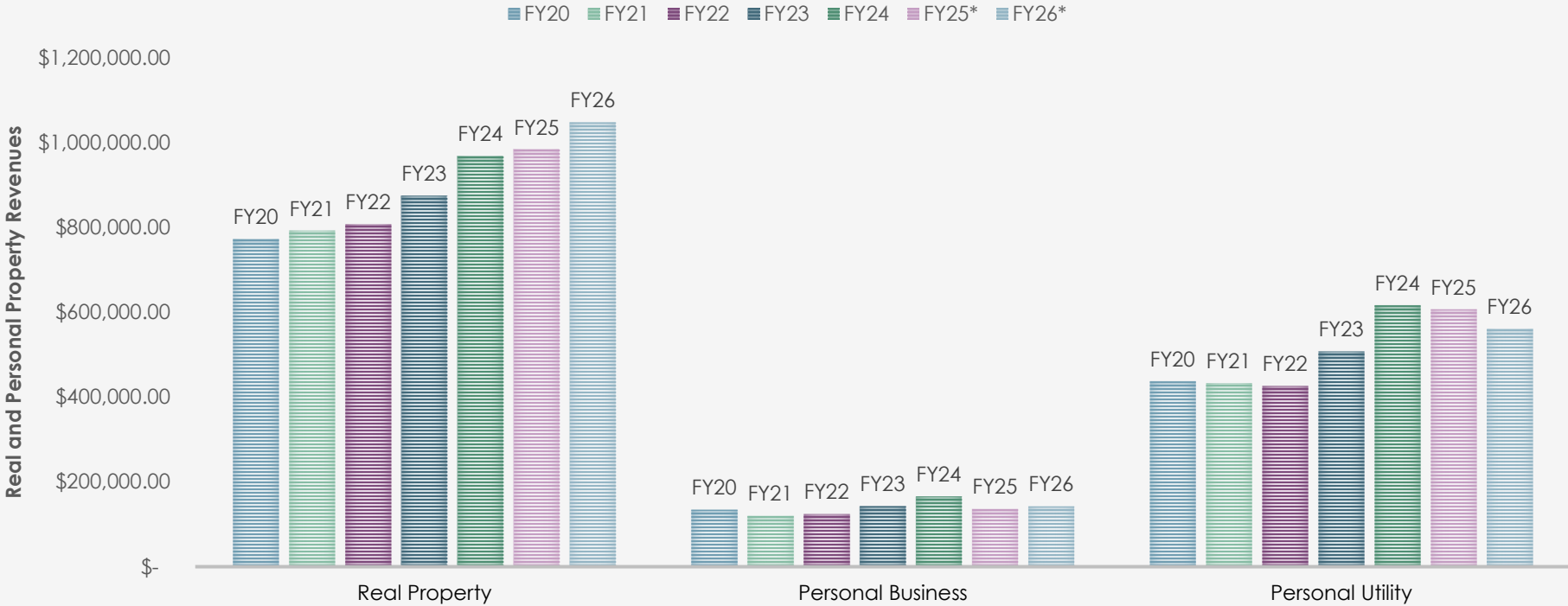
Town of Kensington

- The Town sets a Tax rate for all **Real** (land and improvements) and **Personal – Business** (furniture, fixtures, office and industrial equipment, machinery, tools, supplies, and inventory) and **Personal – Utility** (communications, utilities, and CSX) Property.
- The Town collects Income tax, via Montgomery County, based on a formula where we receive 17% of the 3.2% of all Income earned by Town residents.
 - For example: If you earn \$150,000 a year, the Town receives \$816 in Income tax from you.

Where Do the Town's Revenues Come From?

- ▶ Property Taxes:
 - ▶ Real Property (Residential and Commercial Property) is taxed at a rate of (\$0.1312) per \$100 of assessed value.
 - ▶ A property with an assessed value of \$1,000,000, would pay \$1,312 in Real Property taxes to the Town.
 - ▶ Business Personal Property is taxed at a rate of (\$0.80) per \$100 assessed value.
 - ▶ Utility Personal Property is taxed at a rate of (\$5.00) per \$100 assessed value.
- ▶ Within FY26, the Town is projecting that 52 percent of our Revenues will be received through Property Taxes, which is up from 48 percent in FY25.

REAL AND PERSONAL PROPERTY REVENUES BY FISCAL YEAR (FY20 - FY26)



Where Do the Town's Revenues Come From?

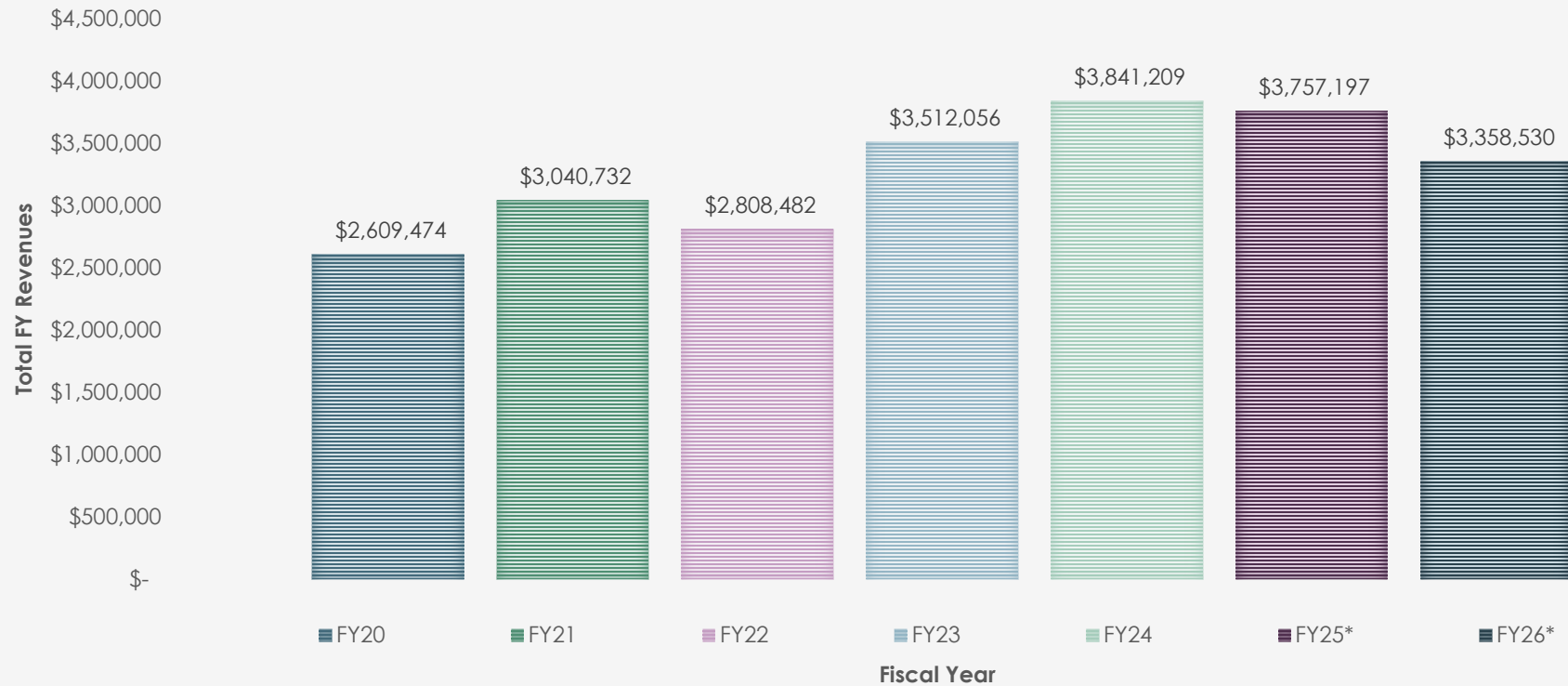
- ▶ Income Taxes:

- ▶ Montgomery County collects 3.2 percent of earned income by residents within the Town of Kensington. Within this 3.2 percent, the Town receives an allocation of 17 percent of the total receipts of earned income by our residents.
 - ▶ For example, a resident earning \$150,000, a year, would contribute \$816 towards the Town's Income receipts.
- ▶ Within FY26, Income receipts are projected to be 24 percent of the Town's total revenues; however, this number is a very conservative estimate.

- ▶ Intergovernmental and Misc. Revenues:

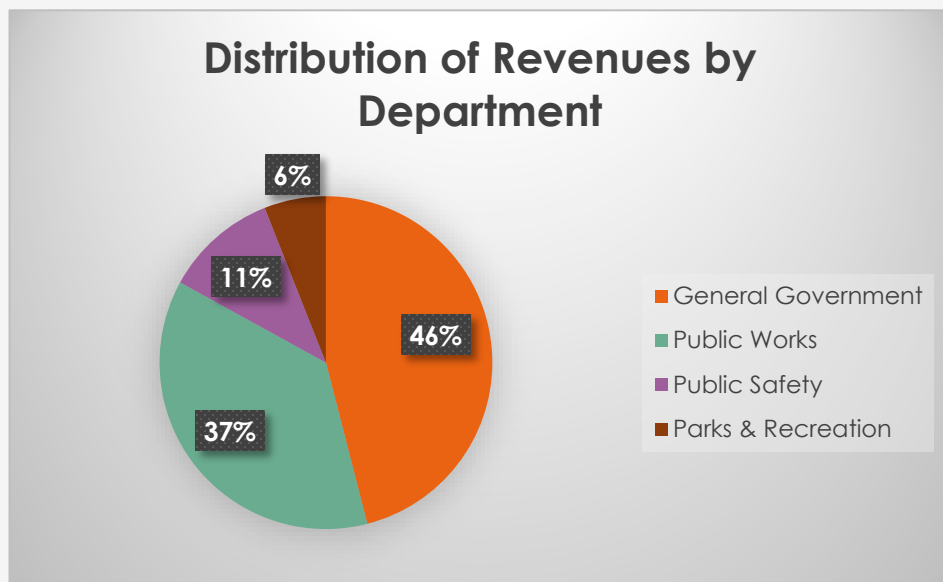
- ▶ Tax Duplication – Are revenues received by the Town from Montgomery County for certain services provided by the Town (Parks and Street Maintenance).
 - ▶ The FY26 Tax Duplication payment is projected at \$310,376.
- ▶ Highway User Revenues (HUR's) – Are distributed by the State of Maryland, which are based on the number of registered vehicles within the locality. The funds are issued to help offset costs for road improvements and maintenance.
 - ▶ The FY26 HUR payment is projected at \$176,327.

TOTAL REVENUES BY FISCAL YEAR (FY20 - FY26) NOT INCLUDING GRANTS (ARPA)



Where Are the Town's Revenues Spent?

- ▶ The Town's Budget has four (4) categories, plus a Capital Improvement Plan (CIP):
 - ▶ General Government:
 - ▶ Includes Administrative Personnel, Elected Officials, Professional Services, Town Hall Maintenance/Utilities/Equipment, and General Office Expenses.
 - ▶ **46% of the Town's of FY26 expenses**
 - ▶ Public Safety:
 - ▶ Includes Code Enforcement and the Town's Police Officers through our Secondary Enforcement Agreement with Montgomery County Police.
 - ▶ **Approximately 11% of FY26 expenses**
 - ▶ Public Works:
 - ▶ Includes Public Works Personnel, along with our Collection Services, small equipment purchases and repairs, our Street Tree program, and basic infrastructure improvements/repairs.
 - ▶ **Approximately 37% of FY26 expenses**
 - ▶ Parks and Recreation:
 - ▶ Includes Town Events (Labor Day Parade, Light Up K-Town, Chess Festival, and Juneteenth), and expenses related to our Town Parks and Playgrounds.
 - ▶ **Approximately 6% of FY26 expenses**



How is the CIP Funded?

- ▶ The CIP is generally funded when the Town's revenues exceed our expenditures for a specific fiscal year.
 - ▶ Following each fiscal year's Audit, if revenues exceed expenditures, an Unreserved Fund Balance is determined, in which this amount is allocated to the following year's CIP.
 - ▶ The Town historically budgets to run a \$500,000 surplus, which funds all of the Town's capital purchases and infrastructure improvements.
- ▶ Additional revenues, similar to the American Rescue Plan Act (ARPA) funds, along with grants, are generally allocated to the CIP as well for a specific project.

Capital Improvement Plan (CIP)

- ▶ General Government:

- ▶ **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, Public Parking within the Business District, and establishing additional open space within the Town.
- ▶ **GG-003 – Town Hall Improvements** – This is a fund account for improvements at Town Hall.

- ▶ Parks & Recreation:

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

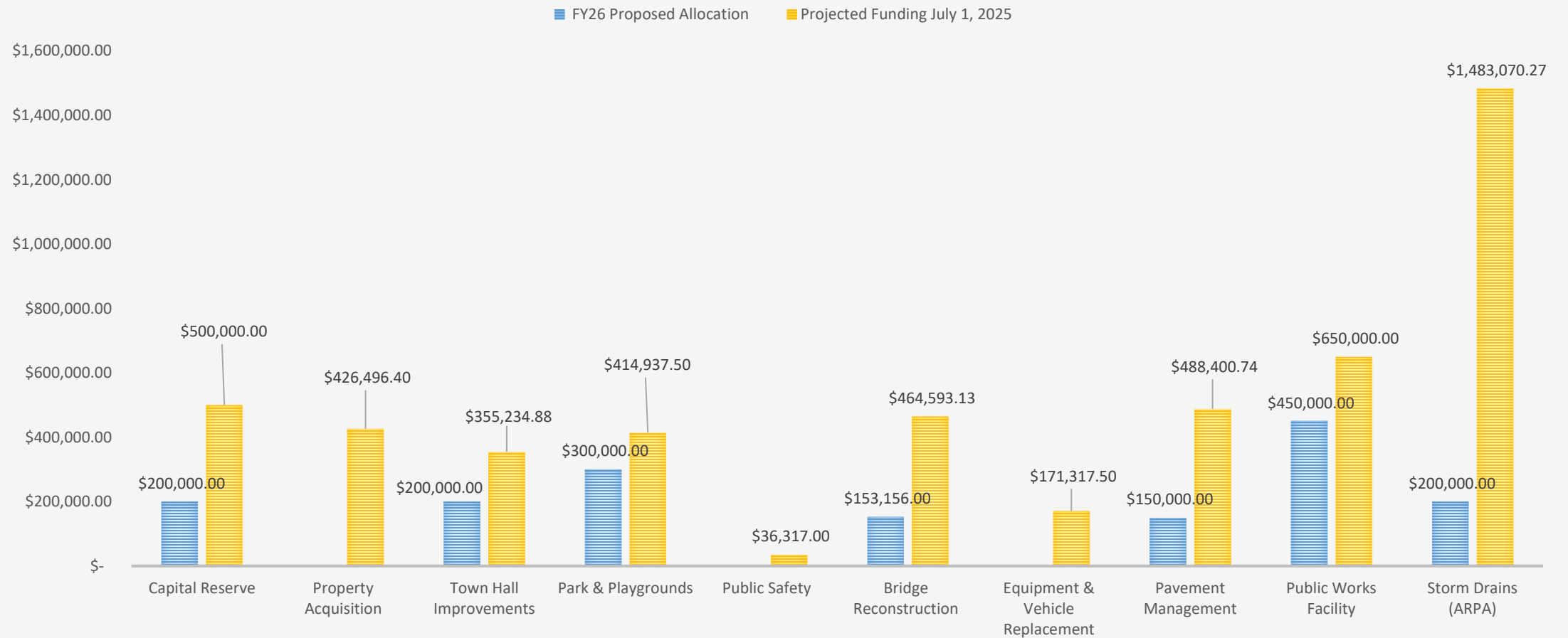
- ▶ Public Safety:

- ▶ **PS-001 – Street Light Program** – This is a fund account for the maintenance and repair of existing Town-owned streetlights.

- ▶ Public Works:

- ▶ **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 the construction, including design and engineering, of a new Public Works facility.
- ▶ **PW-005 – Storm Drain Reconstruction & Renovation Program** – This is a fund account for the maintenance and construction, and reconstruction of storm drains within the Town’s jurisdiction.

CAPITAL IMPROVEMENT PROGRAM - TOWN OF KENSINGTON



Proposed FY26 CIP Projects

- ▶ 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**
- ▶ Construction and repair for the Kensington Parkway, Kent Street, and Frederick Avenue bridges. **Estimate: \$400,000**
- ▶ 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**
- ▶ 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**
- ▶ 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**
- ▶ 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**
- ▶ Town Hall Office improvements, which would reorganize the existing offices at Town Hall. **Estimate: \$160,000**
- ▶ St. Paul Park Playground ADA Improvements, which would add ADA playground equipment at St. Paul Park. **Estimate: \$300,000**
- ▶ 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**

Proposed FY26 CIP Projects - Acquisitions

- ▶ 10415 Montgomery Avenue (M&T Bank drive-thru) – would be used as a public parking lot for the Kensington Business District.
 - ▶ **Estimate: \$930,000**
- ▶ 10526 St. Paul Street (PEPCO lot) – would be combined with the Town’s prior acquisition of 10528 St. Paul Street for a new Public Works facility.
 - ▶ **Estimate: \$475,000**
- ▶ Kensington Crossing HOA property west of Silver Creek – would become public parkland and allow the Town to address stormwater management issues and plant canopy trees.
 - ▶ **Estimate: \$60,000**
- ▶ 10800 St. Paul Street – would be used as public parkland to address stormwater management issues.
 - ▶ **Estimate: \$60,000**

Additional CIP Projects

- ▶ New Public Works Facility (PW-004 – Public Works Facility Improvements):
 - ▶ Architectural Design of the new Public Works facility. **Estimate: \$225,000**
 - ▶ Civil Engineering of the new Public Works facility. **Estimate: \$250,000**
 - ▶ Construction of the new Public Works facility. **Estimate: \$3,000,000**
- ▶ Town Hall Brick Repointing (GG-003 – Town Hall Improvements). **Estimate: \$60,000**
- ▶ Nash Place Storm Drain project (PW-003 - Pavement Management & PW-005 – Storm Drains). **Estimate: \$250,000**
- ▶ Warner Circle Sidewalk and Pedestrian Improvements (PW-003 – Pavement Management). **Estimate: \$250,000**
- ▶ Frederick Avenue Sidewalk, which would connect Kensington House to Wake Drive (PW-003 – Pavement Management). **Estimate: \$75,000**
- ▶ Connecticut Avenue Pedestrian Bridge project in coordination with SS4A Grant.
 - ▶ Engineering and Design. **Estimate: \$1,500,000**
 - ▶ Construction Cost. **Estimate: \$10,000,000**

Why the Sale of Joseph's Park Matters



Alternative Funding Sources

- ▶ The Local Government Infrastructure Finance Program through the State of Maryland allows municipalities to join pooled bonds. Current rates on a loan of \$1,000,000:
 - ▶ 20 Year Term: 4.55% - \$524,843.66 in Interest paid.
 - ▶ 10 Year Term: 3.7% - \$197,905.83 in Interest paid.
- ▶ Real Property Tax Increase:
 - ▶ A \$0.01 Property Tax Increase, would generate \$80,000 in revenue.