



## TOWN OF KENSINGTON

Fiscal Year 2026-2027 (FY27)  
Operating Budget & Capital  
Improvement Plan (CIP)



## **TOWN OF KENSINGTON**

### **OPERATING BUDGET & CAPITAL IMPROVEMENT PLAN (CIP)**

**Fiscal Year 2026-2027 (FY27), July 1, 2026 – June 30, 2027**

#### **Mayor**

Tracey Furman

#### **Town Council**

Conor Crimmins

Ann Lichter

Nate Engle

Stuart Sparker

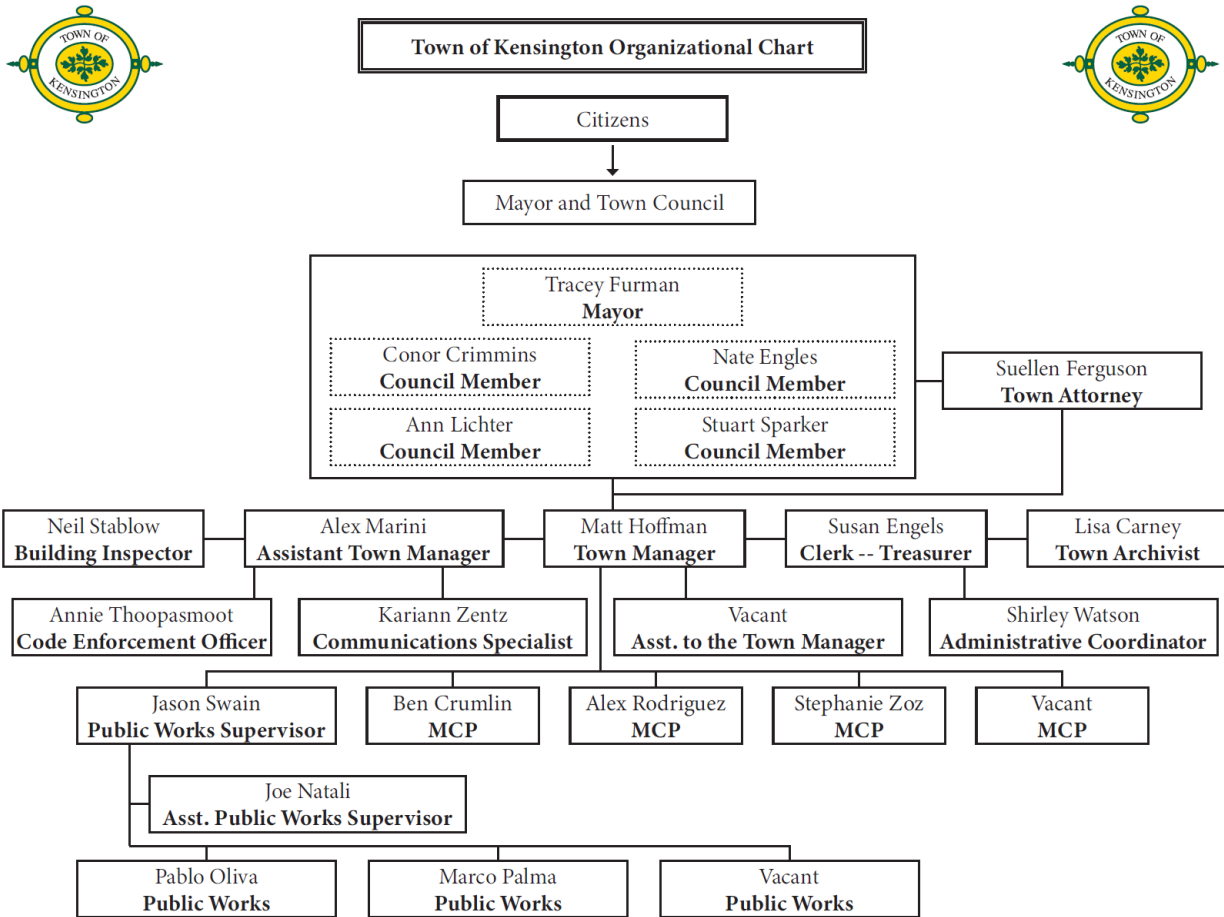
#### **Administration**

Matthew Hoffman

*Town Manager*

Susan Engels

*Clerk-Treasurer*



## BUDGET MESSAGE FISCAL YEAR 2026-2027 (FY27)

April 15, 2026

Mayor and Kensington Town Council:

I am pleased to submit our Fiscal Year 2026-2027 (FY27) Budget for discussion and review at the Public Hearing scheduled for April 15, 2026, at 7:00 pm. Included within the FY27 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 continues to maintain sound fiscal stability through our Income Tax revenues, which have rebounded after seeing a decline in FY24 and FY25. Income Tax receipts are once again

above \$ 1 million in FY26, with a projected Income revenue of \$1,185,635, nearly matching our record high in FY23.

The assessable base for Real Property remains sound as well, as the State Department of Assessments and Taxation (SDAT) projects a three percent increase in our assessable base for FY27, which should increase revenues by roughly \$30,000 from FY26. While Personal Property receipts through Utilities continue to provide solid revenues to the Town.

The overall fiscal health of the Town is paramount, as this allows the Town to adequately fund our primary responsibilities in providing excellent direct line services to our Residents and Business community, along with funding our Capital Improvement Plan (CIP), to address major infrastructure projects that will positively impact our community for generations to come.

The FY27 Operating Budget and Capital Improvement Plan proposes to maintain our current **Real Property** (*\$0.1312, per \$100 of assessed value*) and **Personal Property** (*\$0.80, per 100 of assessed value for Businesses; and \$5.00, per \$100 of assessed value for Utilities*) Tax Rates for the eighth consecutive year. In addition, the FY27 Budget proposes several additions by adding a full-time position (Assistant to the Town Manager; and reclassifying the vacant Facilities Maintenance position to Public Works I/II), which we believe will help alleviate continued pressure on both the administrative staff and Public Works Crew; while the CIP proposes a significant allocation of funds towards the Town's future Public Works Facility, the Storm Drain Management Program, and our Pavement Management Program.

## 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 2026, with the Town's staff reviewing the current fiscal year's (FY26) budget actuals, and the Audited Financial Statements from FY25. 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 to review the preliminary FY27 Budget in March. The FY27 Budget Ordinance (Ordinance No. O-01-2026) was introduced March 18, 2026, and the Public Hearing has been scheduled for Wednesday, April 15, 2026, 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 FY27 Budget on our website.

## CURRENT FISCAL YEAR (FY26)

As we entered the last quarter of FY26, our latest projection suggests that the Town remains in strong financial standing to meet our day-to-day requirements, as revenues are expected to outpace expenditures by \$900,000, which is greater than our historical average of \$500,000. This is mostly attributable to very strong Income Tax receipts, higher than anticipated returns through interest income, and the retirement of a long-standing employee. For reference, when an unappropriated surplus occurs within any fiscal year, these funds are allocated to the Town's CIP the following year, which is what funds our capital improvement projects.

### **Fiscal Year 2025-2026 (FY26) Highlights:**

- The Town acquired the M&T Bank property located at 10415 Montgomery Avenue, which will be used for Public Parking within the Town's Business District. The parking lot is currently in design phase with our civil engineering team and should be ready in late 2026.
- The Town completed the Carroll Place/Hadley Place Storm Drain Bypass project, which added 520 linear feet of storm water capacity to our system.
  - The project also partially replaced an old terracotta pipe that will increase the amount of water the line can handle during large storm events; however, we could not complete replacing the entirety of this line, as an existing WSSC sewer line was found during excavation. The Town is working with WSSC to resolve the issue, and we hope to replace the remainder of the line in FY27.
  - The bypass project also allowed the Town to replace the existing sidewalk along Carroll Place, between Baltimore Street and Hadley Place, along with the existing curb and gutter, and install new residential driveway aprons.
- The Town will complete the St. Paul Street Storm Drain project by the end of the fiscal year (June 2026), which installed new storm drain along the 10700 and 10800 blocks of St. Paul Street, along with portions of Decatur Avenue and Madison Street.
  - The project also allowed the Town to make pedestrian and motorist safety improvements at the intersection of St. Paul Street and McComas Avenue; St. Paul Street and Decatur Avenue; Decatur Avenue and Madison Street; University Blvd. and Decatur Avenue; and University Blvd. and St. Paul Street.
  - The project installed a new sidewalk along Madison Street, between University Blvd. and Decatur Avenue, along with Decatur Avenue, between Madison Street and St. Paul Street.
- The Town started a food waste collection program, which is a weekly collection of certain food waste that is taken to the Maryland Bioenergy Center.
- The Town installed new ADA playground equipment at St. Paul Park, along with new PIP surfacing.
- The Town Hall Offices Renovation project started and should be completed by the end of the current fiscal year (June 2026).

Moreover, FY26 has not been without challenges, as the January snow and ice storm caused the Town to exceed our snow removal budget by \$61,665. The week-long subzero temperatures

required the Town to bring in additional equipment to help remove the ice packed snow from our streets and sidewalks. We are actively monitoring our operating expenses within Public Works, as we may have to request an amendment to the FY26 Budget within this category.

In addition, bids for the Town Hall Office Renovation project exceeded the estimated construction costs provided by the architect by more than double what we anticipated. This is certainly challenging our Town Hall Improvements line within the CIP and may also require an amendment to the FY26 Budget.

## BUDGET OVERVIEW

The FY27 Budget was designed to maintain the direct line services we provide to our residents and business community, while addressing staffing issues related to the administrative team and Public Works. We are proposing the reclassification of the part-time administrative position into a full-time position (Assistant to the Town Manager), and the reclassification of the Facilities Maintenance position following the retirement of 30-year employee, Jamie Simms, back to Public Works I/II.

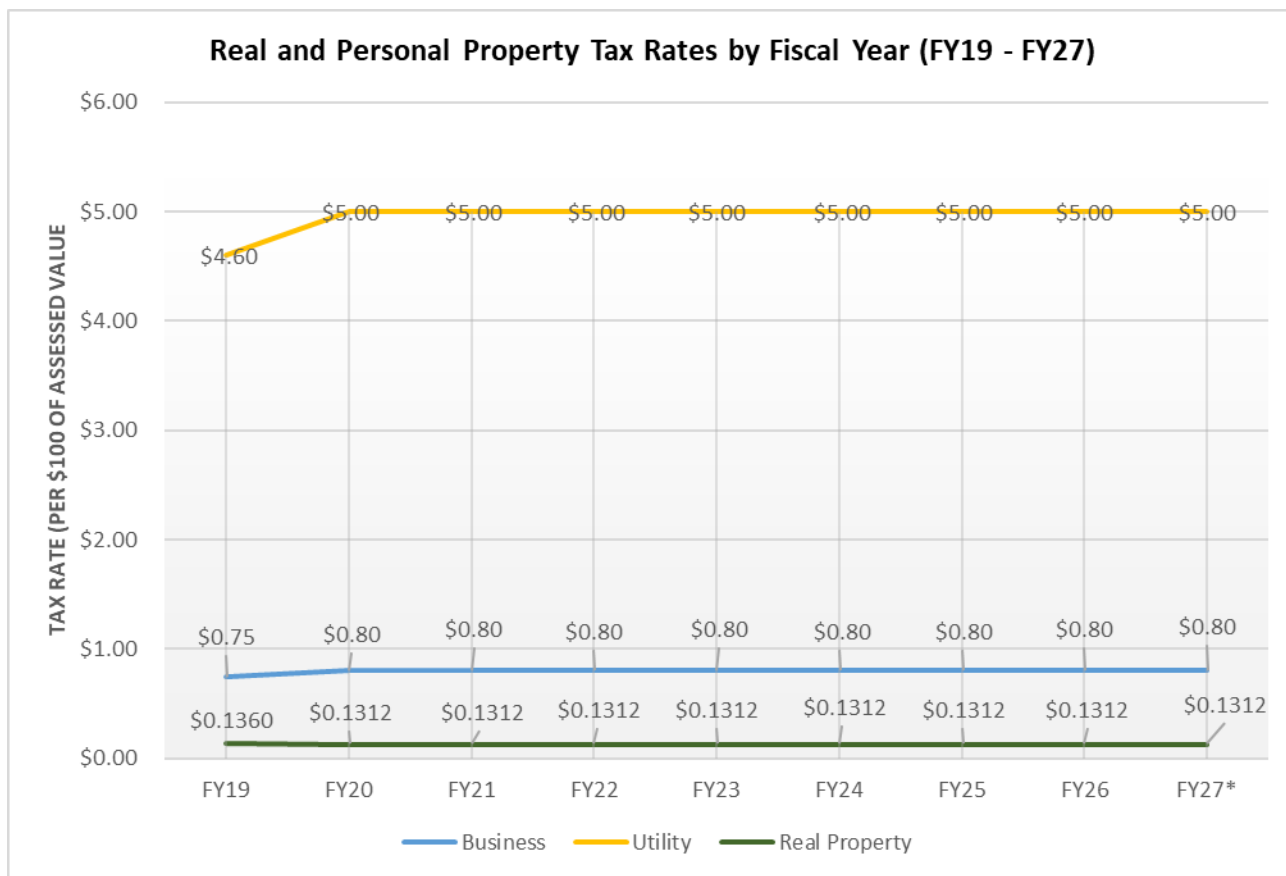
While we are not proposing any service changes for FY27, or anticipating the expansion of any services, we are proposing that the Town absorb the annual Day of the Book Festival as a Town funded event, following the retirement of Eli Sola-Sole as Director of the event. This would begin in April 2027. In addition, we have increased funding to our Professional Services category to help offset the recently awarded contract by the Mayor and Council to Walker Consultants for the Parking Management Analysis.

With the Town's next SDAT assessment scheduled for 2028, our Real Property and Personal Property Tax revenues were only slightly increased from FY26, with an additional \$30,000 estimated from Real Property receipts.

We did add a new revenue category this fiscal year following the establishment of a new cannabis business, in which State law allows municipalities to receive a small percent from the Maryland Cannabis Tax. Our initial estimate for revenues is \$3,000.

With Income Tax receipts exceeding \$1 million in FY26 for the first time since FY23, we have increased our FY27 projection for Income Tax revenues to \$900,000, as Income Tax revenues are always unpredictable.

Overall, revenues remain strong within the Town, and we are proposing that the Mayor and Council maintain our current tax rates on Real Property, Personal Property, and the Utilities for the eight consecutive Budget.

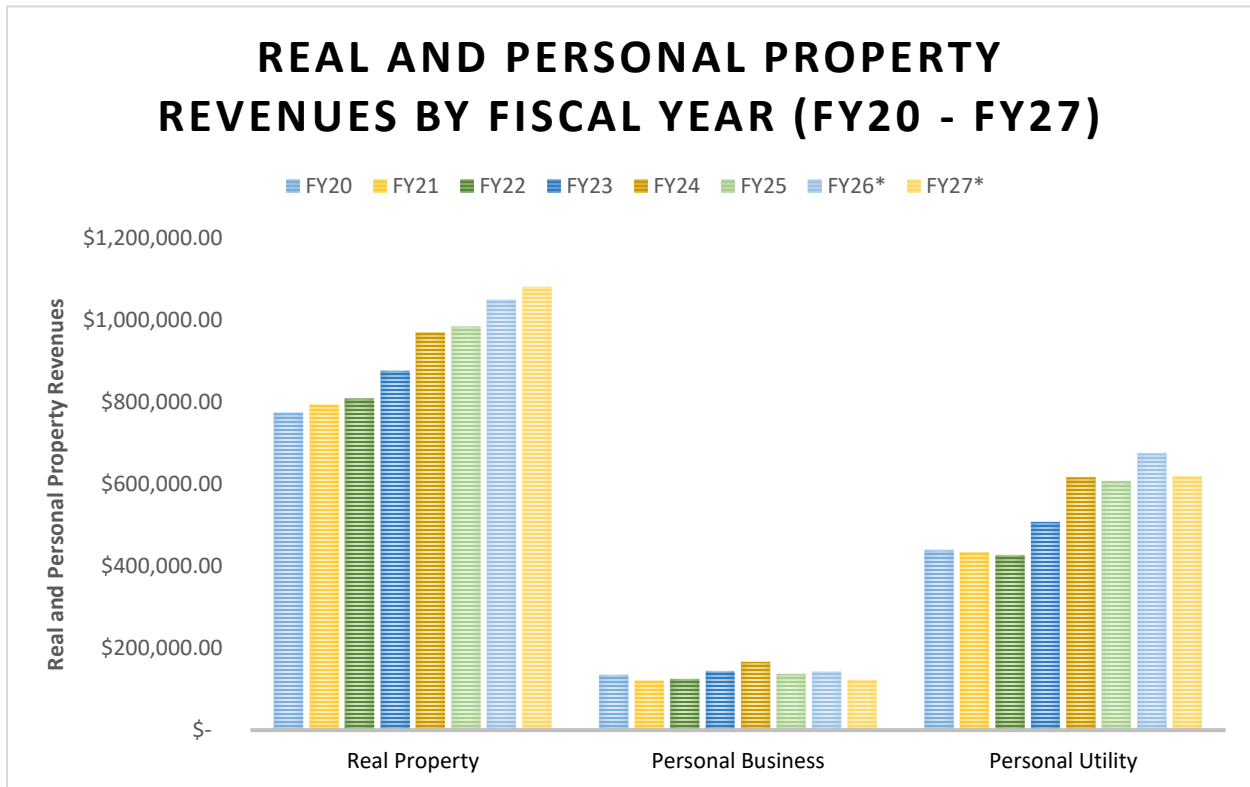


### Revenue – Tax Rates

- The **Real Property tax rate will remain at (\$0.1312), per \$100 of assessed value** and is projected to generate an additional \$31,439 over our anticipated projection for FY26. The assessable base within the Town increased by \$23,961,988 from FY26 to FY27.
  - 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 eighth 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 decline \$20,645 from FY26. We believe this is due to a large corporation in Town not reporting any inventory, which we have reported to SDAT and they will investigate.
  - The Personal Property tax rate for Businesses will remain at (\$0.80) for the eighth 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 \$57,000 from our FY26 Budget. The proposed increase in revenues is related to the increase in the assessable base for utilities within the Town.
  - The Personal Property tax rate for Utilities will remain at (\$5.00) for the seventh consecutive fiscal year.

### FY26 Budget Revenues

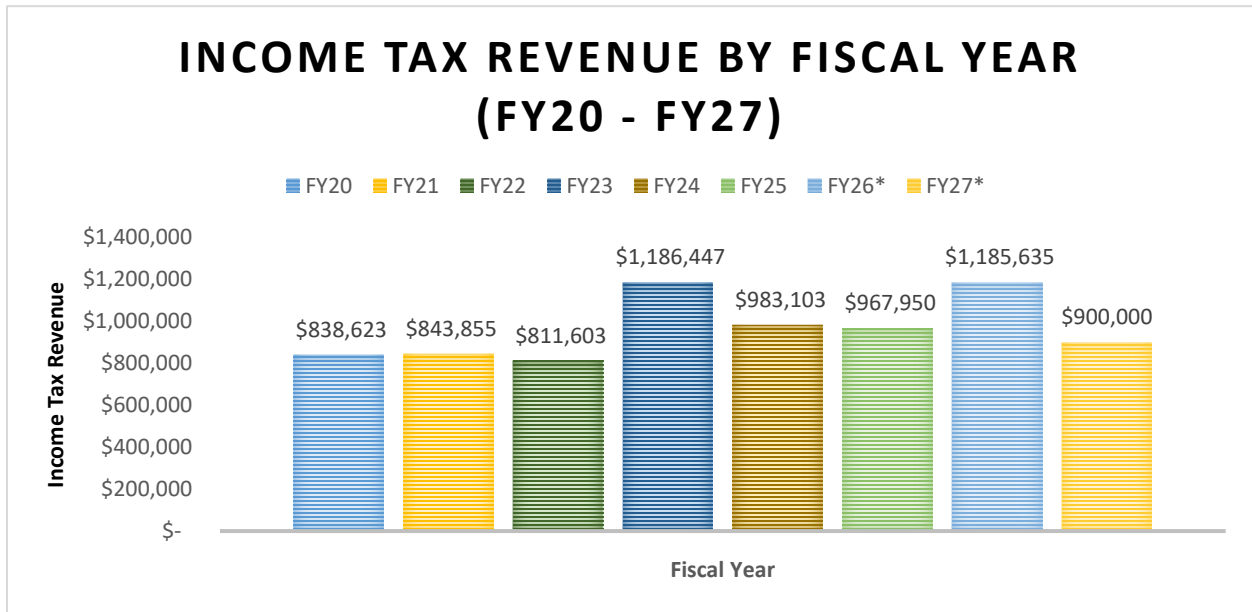


\*FY26 Revenues are Projected and FY27 Revenues are Estimated

### Revenue – Other Taxes

- The Town is anticipating Income Tax revenues of at least \$1,185,635 for FY26, which is a significant increase from FY24 and FY25, and only the second time the Town has received Income receipts greater than \$1 million (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 (FY22-FY26) of \$937,230. After lowering our projected income receipts in FY25, we have decided to increase our anticipated Income revenues for FY27 to \$900,000.
  - 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



FY26\* Projected; FY27\* Budgeted

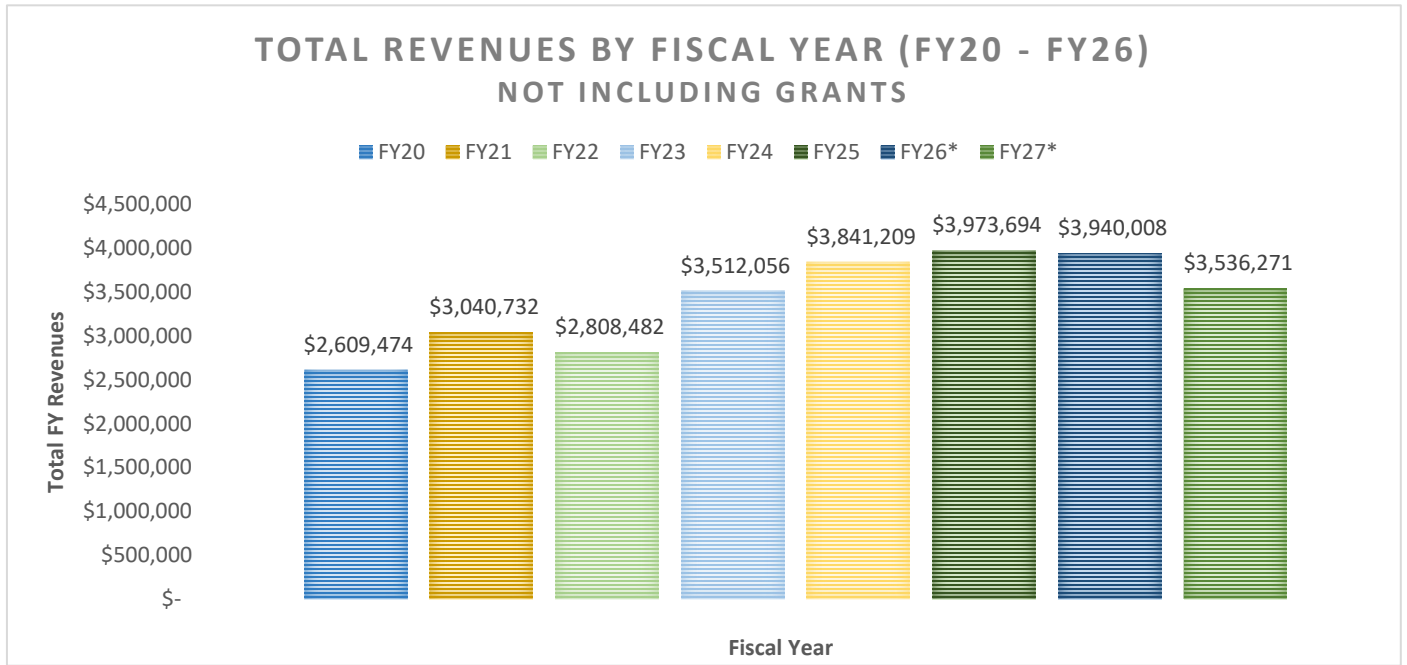
#### Revenue – Intergovernmental

- Montgomery County adopted Bill 2-22 in 2022, to clarify reimbursements from the County to localities for certain services provided. Commonly referred to as Tax Duplication, Montgomery County is now required to reimburse the Town for transportation (road maintenance and improvements) and parking-related services. The Town will receive \$343,677 in FY27.
- 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 decrease this year following communications from the State.
  - The Town has budgeted \$171,300 in HUR funds for FY27.

#### Revenue - Overall

Overall, revenues have been strong over the last three fiscal years (FY24-FY26), as receipts from Real Property have gradually increased each year, mostly due to residential and commercial development, along with SDAT's assessment schedule. While Income receipts were down in FY24 and FY25, we saw an increase in FY26 back to FY23 levels, which we anticipate continuing through the upcoming fiscal year.

As with every budget cycle, there are risks for an economic downturn either on the local or national level; however, we always take this into consideration, as our responsibility is to budget for stability.

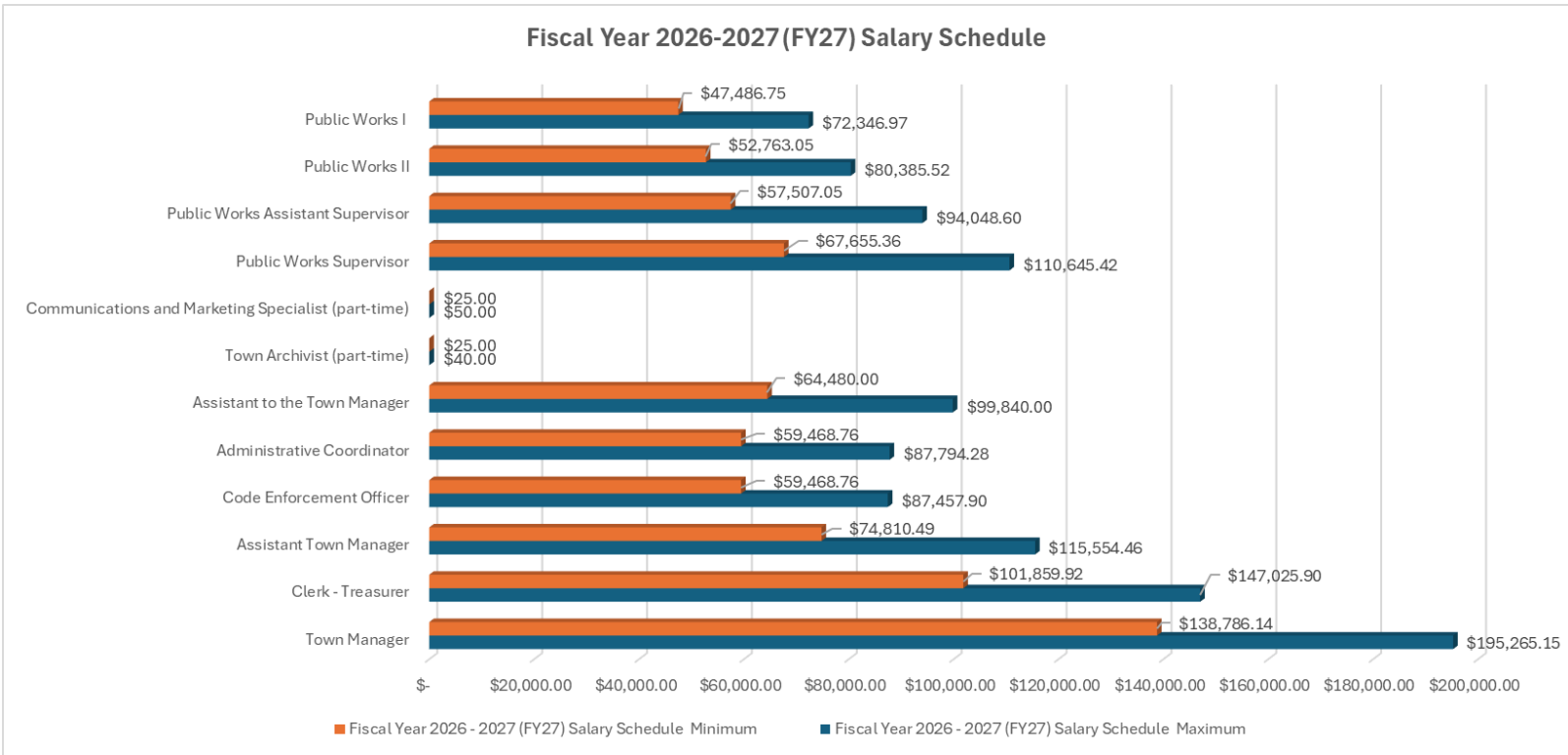


FY26\* Projected; FY27\* Budgeted

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 2025 and January 2026. In addition, we are requesting an additional one and three-tenths (1.3) percent market correction for the Public Works Department, and certain Administrative and Public Safety positions, in an effort to maintain market competitiveness within the region.

- We are requesting the reclassification of the part-time administrative position, which is currently vacant, to be a full-time position (Assistant to the Town Manager).
- We are requesting the reclassification of the Facilities Maintenance position within Public Works, which is currently vacant following retirement, to become Public Works I/II.
- We are requesting continued funding for a fourth Secondary Enforcement Officer position, which is currently vacant.



**Professional Services**

We are requesting additional funding within FY27 for Professional Services to accommodate the Parking Management Analysis, which was approved by the Town Council March 2026. The contract was awarded for an amount not to exceed \$88,000, which will be billed monthly over the course of the project. We are also requesting \$30,000 for consulting services for the Development Review Board (DRB), as the 2026 Kensington and Vicinity Sector Plan will be later this year.

The increased funding request for the Parking Management Analysis has increased the overall Professional Services category by \$35,850 from FY26.

**Economic Development and Commercial Revitalization**

The FY27 Budget proposes a \$31,300 decrease in Economic Development, which is mostly due to the removal of the annual Day of the Book Festival, following the retirement of the events Director. Please note that we are requesting funds within Municipal Events for a Book Festival, or similar event, beginning in 2027. The Budget also requests a donation in the amount of \$10,000 to the Noyes Children’s Library Foundation.

## Public Works

The FY27 Public Works Budget remains mostly unchanged from FY26; however, we did see a 2.3 percent increase to our collection contract with Ecology Services Refuse & Recycling, LLC, following the most recent Consumer Pricing Index (CPI) numbers for the Washington Metropolitan area.

We also increased our Snow Removal budget for FY27 by \$3,000, following the winter we just experienced. While it is unlikely that we will experience a similar ice storm again next winter, we have seen snow materials increase over the last few years.

## Parks, Recreation, and Municipal Events

As noted previously, we moved the annual Day of the Book Festival from Economic Development to Municipal Events and are requesting \$30,000 in funds for a similar event in 2027. In addition, we added a specific expense line (\$3,000) for the vinca flowers and baskets within our Business District.

## Capital Improvements Program (CIP)

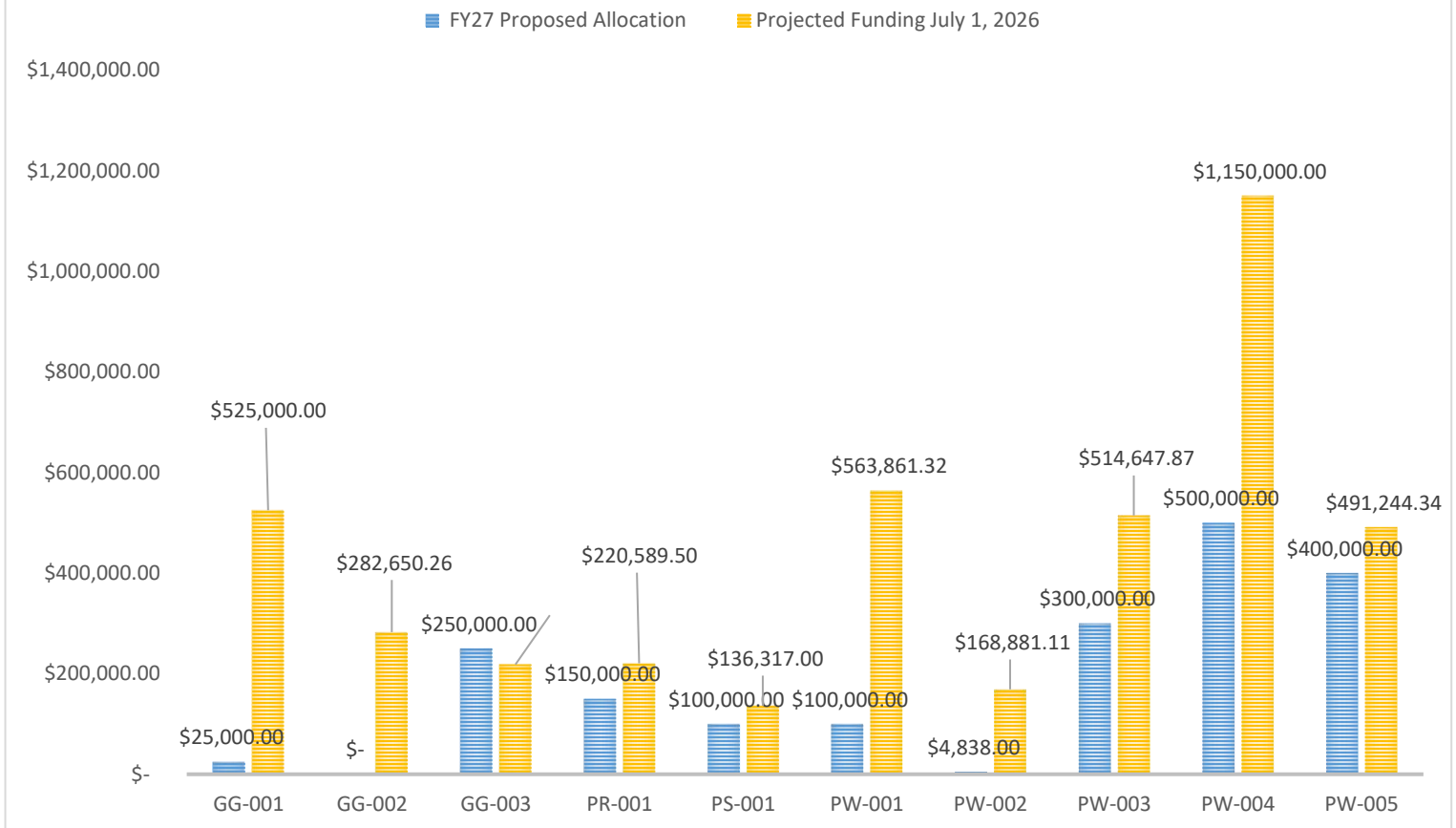
The Town has a non-lapsing CIP that funds our infrastructure and capital assets. The CIP program is directly funded by an unreserved fund balance from the previous fiscal year. FY25 yielded an unappropriated surplus of \$640,533, following the Audit, which will be allocated to our CIP for FY27. In addition, \$1,210,021 of ARPA funds were expended during FY25, which will also be allocated towards our CIP for FY27. The Town will exhaust our ARPA funds (\$2,295,528) at the end of FY26, which were originally allocated to our Storm Drain Reconstruction & Renovation Program (PW-005).

The Town has a policy to reserve fifteen percent of expected annual revenues within our Capital Reserve fund (GG-001) within the CIP. In order to maintain this policy, we are proposing an allocation of \$25,000 from the unreserved fund balance.

With the additional unreserved fund balance from FY25, and the release of the remaining ARPA funds, we are recommending that the Town aggressively fund certain CIP accounts to fund future improvement projects. These allocations include the following:

- \$250,000 to GG-003 – Town Hall Improvements
- \$150,000 to PR-001 – Town Parks and Playground Improvements
- \$100,000 to PS-001 – Street Lights and Utility Infrastructure
- \$100,000 to PW-001 – Bridge Reconstruction & Renovation Program
- \$4,838 to PW-002 – Equipment & Vehicle Replacement Program
- \$300,000 to PW-003 – Pavement Management Program
- \$500,000 to PW-004 – Public Works Facility Improvements
- \$400,000 to PW-005 – Storm Drain Reconstruction & Renovation Program

## 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, 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 Lights and Utility Infrastructure** – This is a fund account for the maintenance and repair of existing Town-owned streetlights and utility infrastructure.

**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 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.
2. 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.
3. 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.
4. Engineering and Design of the new Public Parking lot located at 10415 Montgomery Avenue, which will include infrastructure for future EV charging stations.
5. Armory Avenue and Baltimore Street Storm Drain Improvements.
6. Construction and repair for the Kent Street and Frederick Avenue bridges.
7. 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.
8. 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.
9. Replacement of the 2015 Ford Escape (Code Car) and the purchase of an additional administrative vehicle.
10. The repointing of the brick at Town Hall.