



# City of Salem FY2023 Budget in Brief

July 1, 2022 – June 30, 2023  
[www.salemma.gov/FY23](http://www.salemma.gov/FY23)



# Leading Salem Forward for All

The City of Salem's FY2023 budget lays out an optimistic and forward-looking vision that builds on the City's fiscal strength and its commitment to public services. It is centered in the City's mission statement, **"to provide open, honest, and proactive services effectively and efficiently, focusing on the needs of today, with a vision for the future."**

The budget reflects Salem's commitment to being a community that is accessible, equitable, responsive, and visionary. With Salem's 400<sup>th</sup> anniversary on the horizon, in 2026, the FY2023 budget lays the groundwork for that historic

occasion and is structured on the foundation of the City's existing fiscal health and shared priorities.

The investments outlined in the FY2023 budget will help continue to make Salem a City that works for all.



# The Budget in Brief...Briefly

A City's budget reflects its values and its vision for the future. More than just a technical compendium of numbers, a budget should tell the story of the community that it serves.

Because the budget is such a centrally important document for understanding a City's values and vision, **Salem consistently strives to find new ways to make its budget accessible, transparent, and more understandable.**

This Brief is intended to provide a key overview of the FY2023 budget. You can find the full FY2023 budget online at [salemma.gov/fy23](http://salemma.gov/fy23).

## Budget Snapshot

Salem has received the **Distinguished Budget Presentation award** from the Government Finance Officers Association for the last 14 years in a row, in recognition of the budget document's clarity and level of detail.



# FY2023 Key Priorities - 1



## Recovery

- Recover from the impacts of the COVID-19 pandemic.
- We do this by (1) aligning investments with funding opportunities also supported by federal and state pandemic relief funds, (2) improving service delivery as residents begin interacting more with one another and their neighbors, and (3) investing in economic, community, housing, school, and public health needs particularly impacted by COVID-19.



## Resiliency

- Continue commitments to prepare for the climate crisis and lessen our contribution to it.
- We do this by (1) supporting the new Sustainability Department, (2) investing in projects and programs that meet the goals of the Resilient Together plan, and (3) continuing and expanding transportation innovations to reduce passenger vehicle trips.

# FY2023 Key Priorities - 2



## Equitable

- Build on Salem's efforts to create a more welcoming and inclusive city for all.
- We do this by (1) investing financially and staff-wise in supporting the new Director of Diversity, Equity, and Inclusion, (2) supporting age-friendly initiatives for Salem's youngest and oldest residents, and (3) structuring services to serve and support historically under-served populations.



## Forward Looking

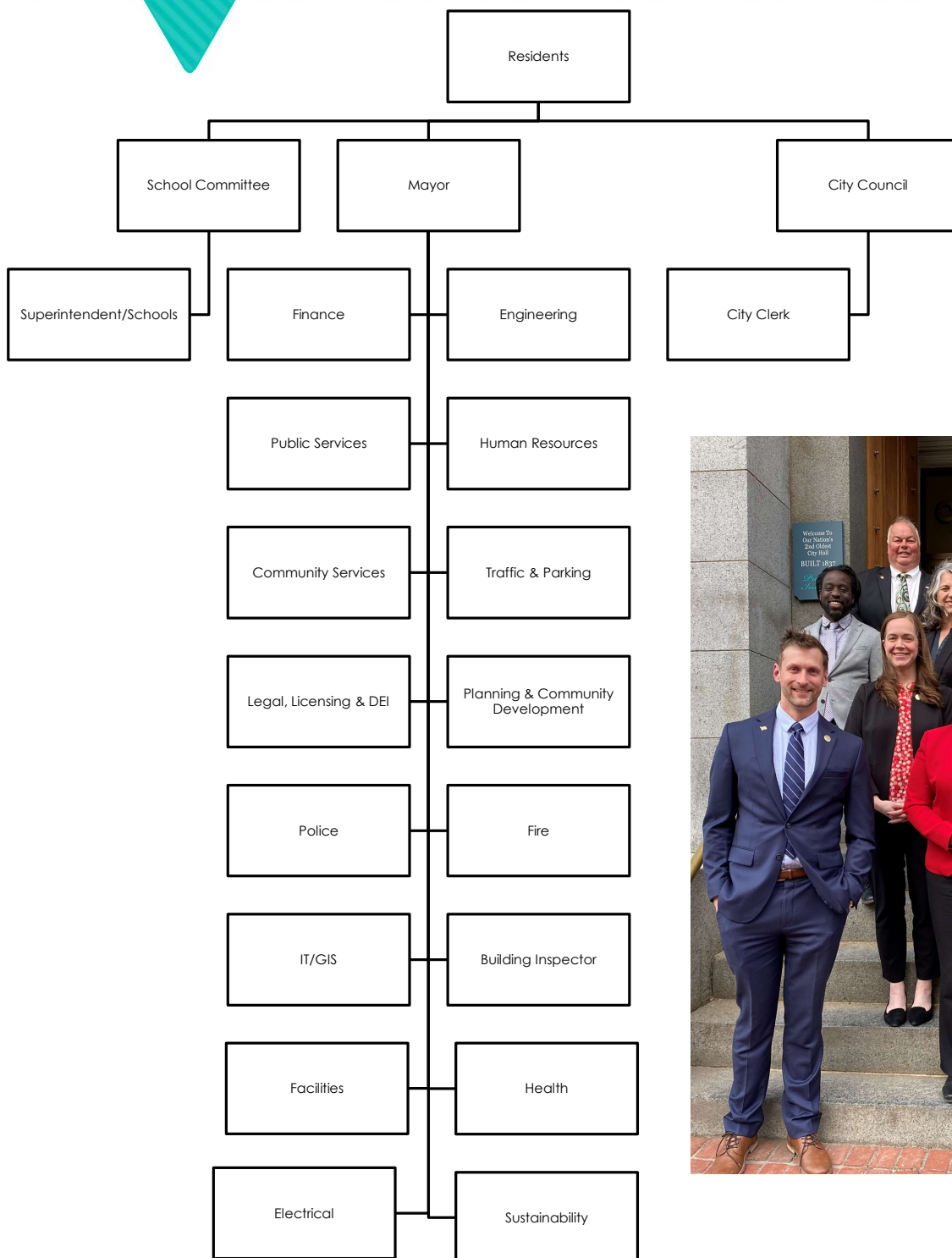
- Instill a long-term vision in the City's plans and actions.
- We do this by (1) remaining focused on capital projects and investments that meet our ADA, park, and historic plans, and our Salem 400 goals, (2) aligning department investments with the City's strategic plan, and (3) supporting the continued excellence of Salem's public schools.

# About Salem



- **Population:** 44,480
- **Total employment:** 23,038
- **Number of businesses:** 4,058
- **People who live elsewhere and commute into Salem to work:** approximately 17,000
- **Median household income:** \$66,428
- **Persons in poverty:** 15.9%
- **Median home value:** \$490,000
- **Median condo value:** \$385,000
- **Median rent:** \$2,014
- **Housing units:** 19,631
- **Bachelor's degree or higher:** 45.1%
- **Students in Salem Public Schools:** 3,665
- **Salem High School graduation rate:** 88.9%
- **Economically disadvantaged students:** 67.9%
- **Non-White students:** 57.0%
- **Non-White City population:** 29.4%
- **Speak a language other than English at home:** 21.5%
- **Under 18 years of age:** 15.6%
- **Over 65 years of age:** 16.4%
- **Square miles:** 8.0
- **Road miles:** 115.3
- **Public parks and open spaces:** 43

# Structure of Salem's City Government



# Forming the Budget

## Budget Timeline

- January: Budget message sent by Mayor to Department heads and Superintendent of schools.
- January - February: Department heads develop budget requests.
- March - April: Department heads meet with Mayor to review budgets and capital requests.
- May: School Committee votes on requested budget.
- May: Budget filed with City Council.
- May-June: Council's Administration & Finance Committee holds budget hearings; Council votes on the budget.
- July 1st: New fiscal year begins.
- December: City Council sets tax rate.



## Sections of the Budget

- Section 1: Mayor's budget message
- Section 2: Overview of the City of Salem
- Section 3: Overview of the budget
- Section 4: Schools budget
- Section 5: Enterprise Funds budget
- Section 6: Financial forecast, plans, and policies
- Section 7: Capital plan
- Section 8: Department budgets

## Budget Snapshot

An **enterprise fund** is a separate accounting mechanism for services for which a fee is charged by the City and for which the revenues and spending are not comingled with the general budget. Salem has four enterprise funds: water, sewer, trash, and cable access.



# What's the Budget based on?

The budget in Salem is shaped by six sources of information:

1. Department requests aligned with objectives and the City's strategic plan.
2. Mayor and City Council priorities reviewed at the annual strategic planning retreat and throughout the year.
3. School Committee requested budget based on Superintendent and district input.
4. Annual resident survey and resident feedback gathered throughout the year.
5. Existing plans →
6. Fixed costs.



## Some Existing Plans that Shape the FY2023 Budget

- Imagine Salem
- Open Space & Recreation Plan Update
- Race Equity Task Force Plan
- Salem for All Ages Action Plan
- Resilient Together Climate Action Plan
- Pavement Management Plan
- Salem Public Schools Strategic Plan
- Historic Preservation Plan
- Emergency Management Plan
- Housing Needs Assessment
- Bicycling Master Plan
- Public Art Master Plan

## Forthcoming Plans that will Shape Future Budgets

- Housing Roadmap
- School Building Master Plan
- Harbor Plan

# Revenues for Salem's Budget - 1

## ○ **Property Taxes**

- The amount raised by property taxes cannot increase over the previous year's amount by more than 2.5% plus the amount of new growth.
- To do so requires a "Proposition 2-1/2 override" vote by the community, which Salem has never needed.
- If the amount that is raised in property taxes is less than the amount that can be raised, the community has "excess levy capacity," which is seen as a measure of fiscal health. Salem's excess levy capacity in FY2023 will be \$6.2 million, which is considered strong.
- The more new growth a community has, the less it must rely on taxes from existing taxpayers.



## ○ **Local Receipts**

Salem has nearly 20 different types of local receipts, which include things like motor vehicle excise, meals excise, license and permit fees, and so forth.

## ○ **Enterprise Funds Revenues**

These are payments made by users of enterprise services (water, sewer, trash). Some communities do not include enterprise fund revenues and expenditures in their budget document, however Salem does so to ensure greater transparency.

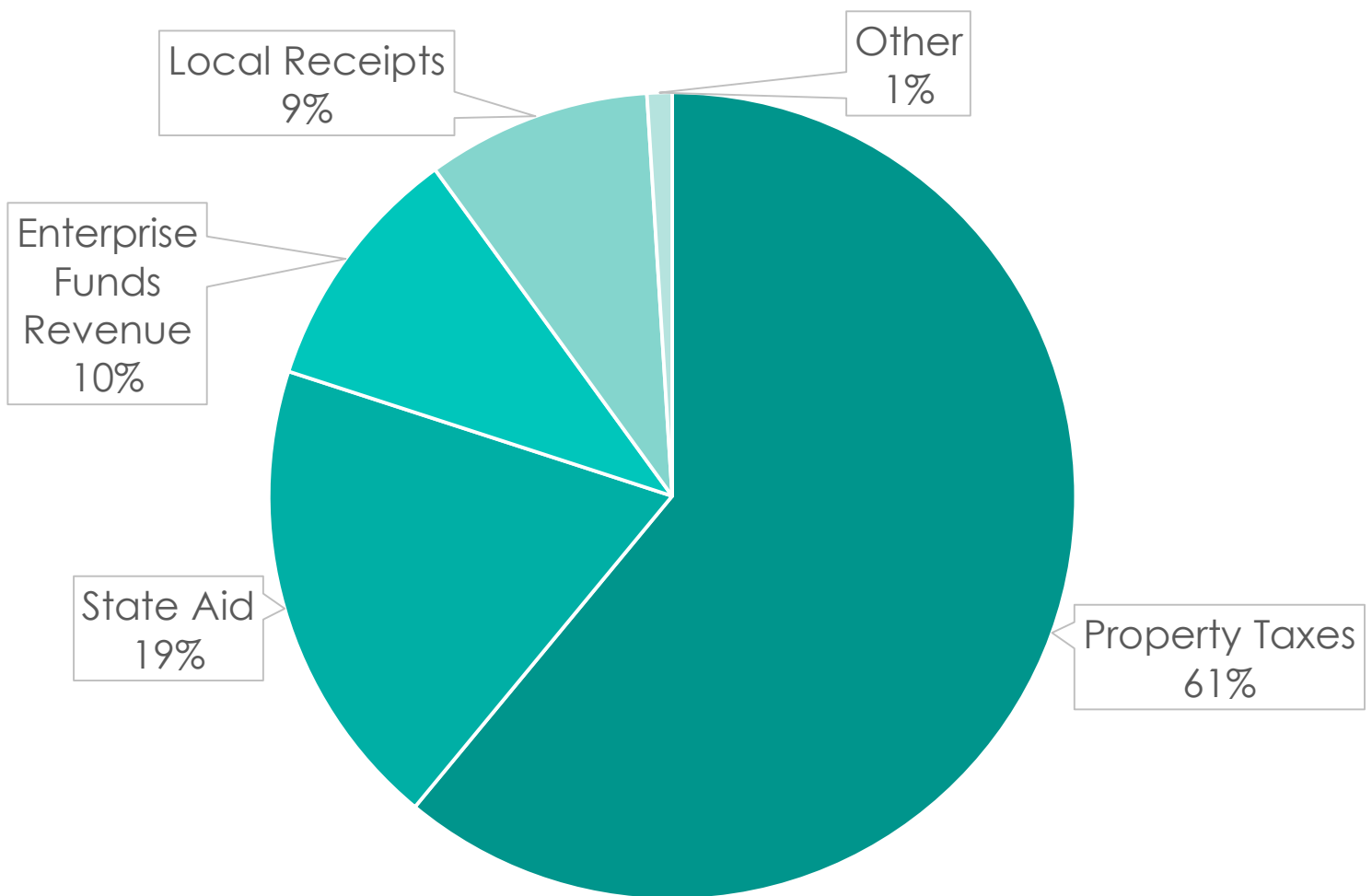
## ○ **State Aid**

The largest category of state aid is for schools, however there are other smaller categories of state funding that the City receives, as well.

## ○ **Other**

Salem uses excess receipts from City programs like the Witch House and Golf Course to help fund the budget and reduce the amount that must be raised through property taxes.

# Revenues for Salem's Budget - 2

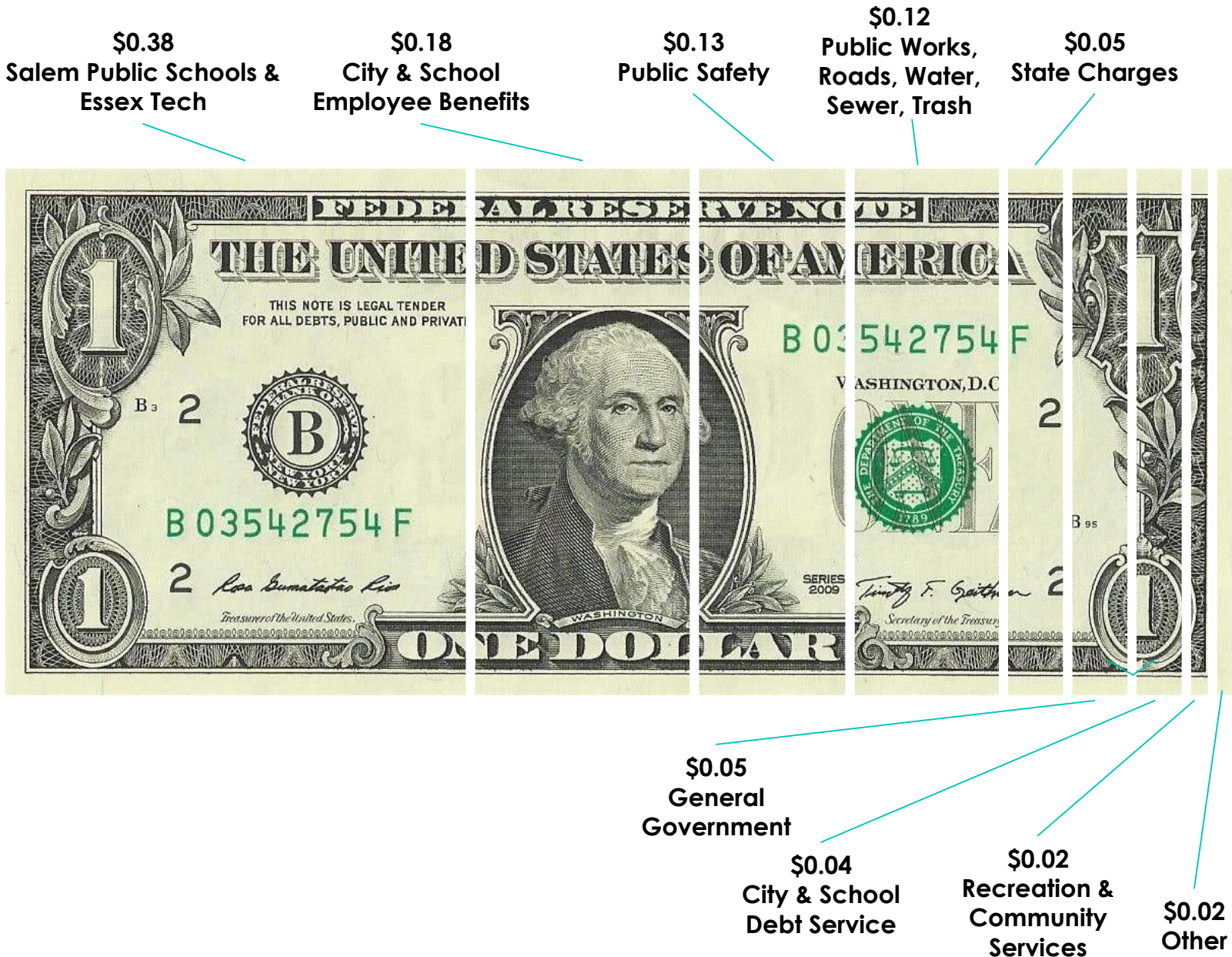


## Budget Snapshot

By law, Salem's City budget must be **balanced**. That means that the planned expenditures must be equal to the anticipated revenues. Financial forecasting and revenue projections help estimate what the expected funds will be for the coming year.

# Where your tax dollars go

The FY2023 budget totals \$188,151,327, a 3.4% increase over last year's. The City budget is increasing 4.6%, the Schools budget is increasing 3.2%, and the Enterprise Funds budget is increasing 1.7%.

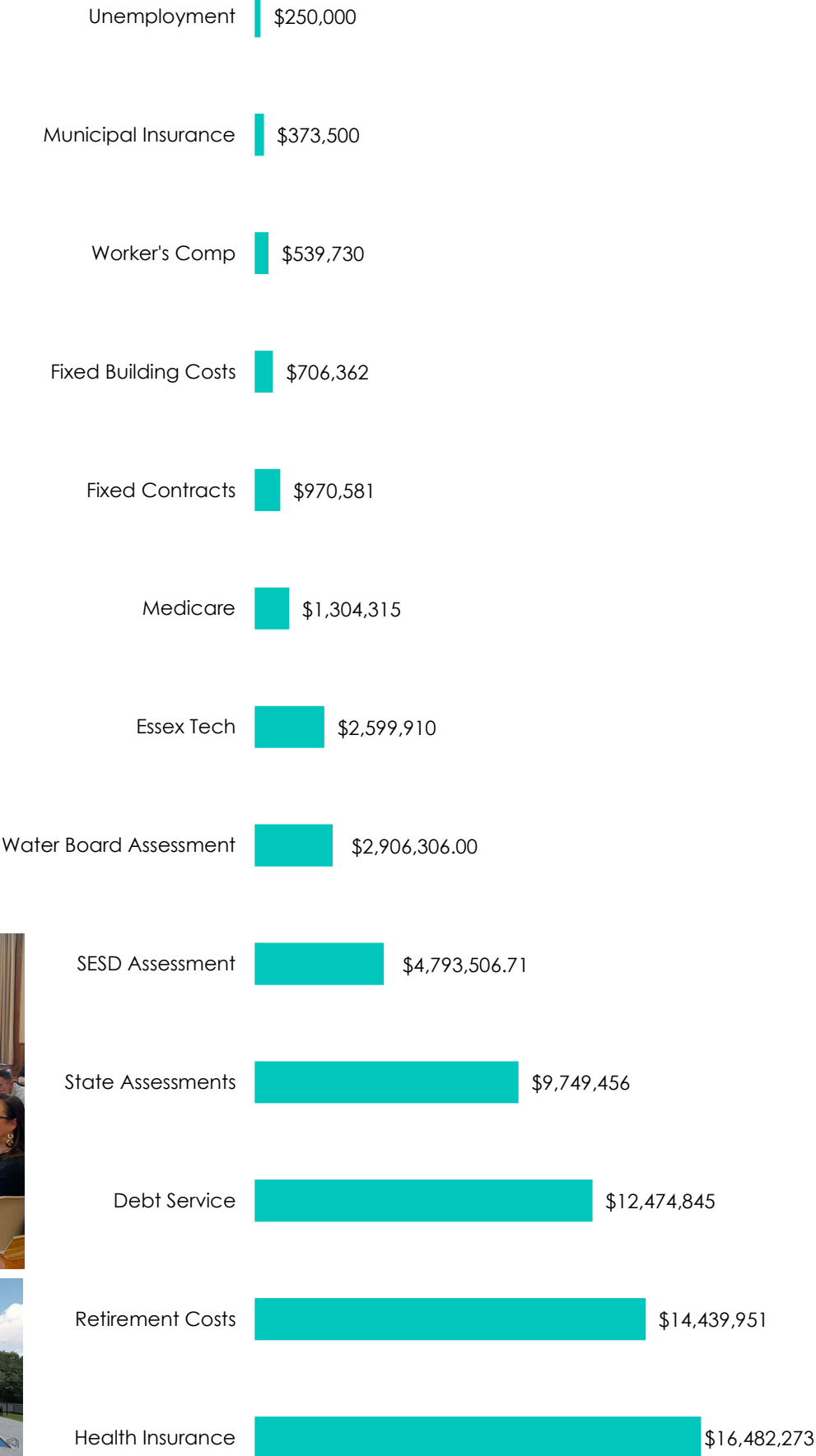


# Fixed Costs in Salem's Budget

Fixed costs include debt service, retirement, insurance, and health insurance charges, assessments by the state and other governmental bodies, and contractually required payments. These costs are “fixed” because the City does not have discretion to reduce them.

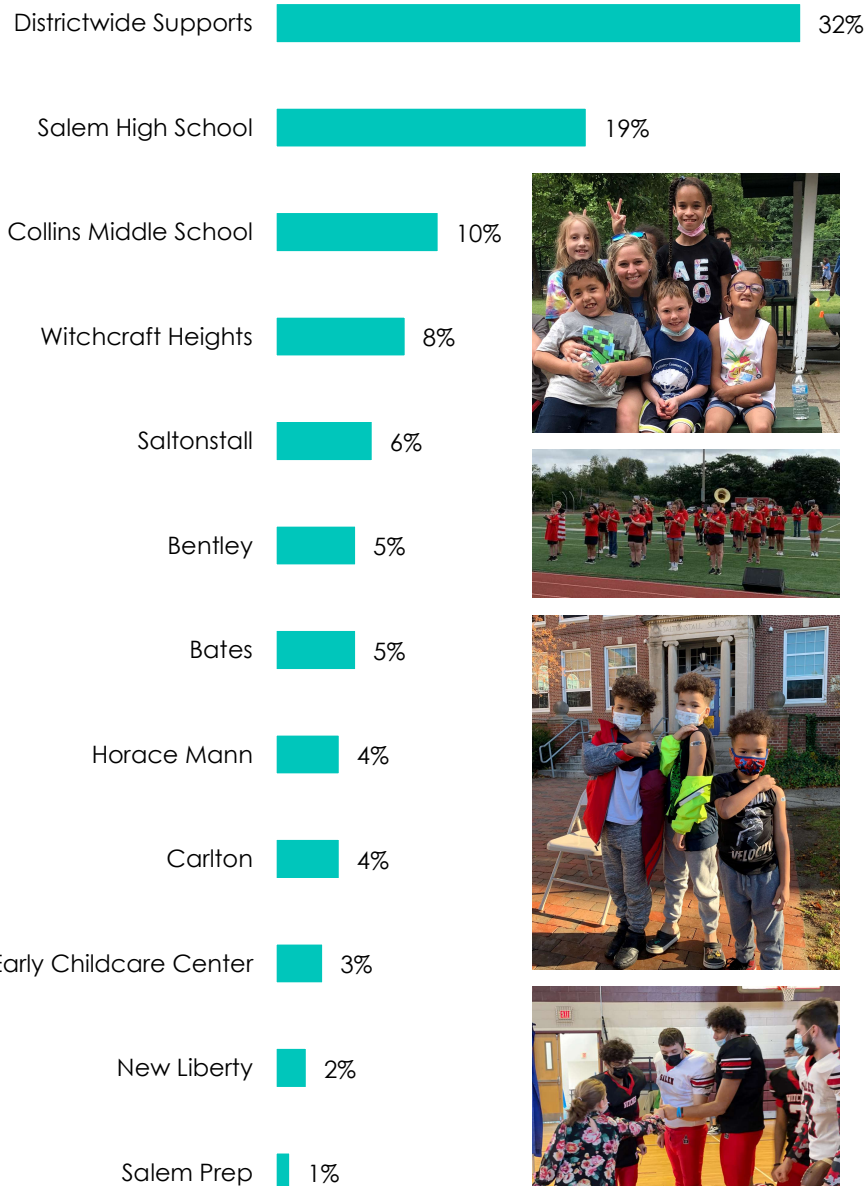
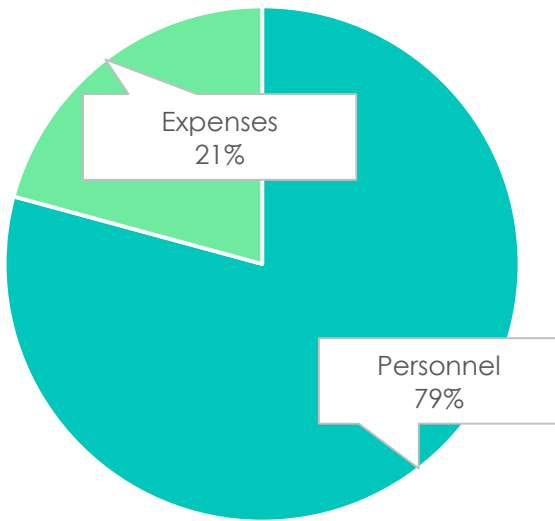
Fixed costs comprise roughly \$68 million, which is 36% of the City's total budget – in other words, about \$1 of every \$3 spent in the budget is on a fixed cost. In FY2023, changes in fixed costs account for about 40% of the budget's overall increase over the previous fiscal year.

## Fixed Costs in the FY2023 Budget



# FY2023 Salem Schools Budget

For FY2023, Salem's school budget is \$68,747,963. This does not include school-related costs that are carried on the "City side" of the budget, like school building project debt, health insurance for teachers and other school employees, and so forth.



## Budget Snapshot

Around 64 cents of every \$1 Salem spends on schools comes from taxes. The next largest source of **school funding** is state aid, which comprises about 27 cents of every \$1. Despite increasing costs, however, state school aid to Salem is level funded in FY23, increasing the share of the school budget that must be funded by the community.

# FY2023 Capital Budget

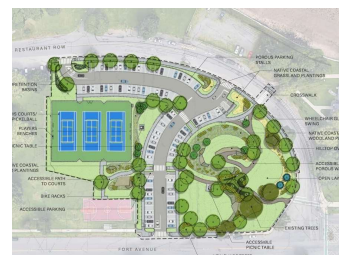
The capital plan section of the budget, Section 7, outlines capital expenditures for FY2023, as well as those planned for future years, how they are being paid for (borrowing, ARPA and federal grants, etc.), and what their long-term impact is projected to be on the regular budget.

## General Capital Highlights

- Pioneer Village Phase 1
- Boston Street Design
- Police/Fire Radio System
- ADA Upgrades
- Road Paving & Sidewalks
- Mack Park Food Farm
- Senior Center Kitchen
- Willows Pier
- Artists Row & Old Town Hall
- School Cameras & HVAC
- Building Energy Efficiencies

## Water/Sewer Capital Highlights

- Palmer Cove Storm Drain
- Ocean Ave Pump Station
- Point Catch Basins Project
- Water System Upgrades



## Budget Snapshot

Capital are tangible assets or projects with a value of \$25,000 or more and a depreciable life of 5 or more years.

Capital projects and equipment are most commonly funded from **bonds** (borrowing). General capital bonds are paid by tax dollars and water/sewer capital bonds are paid by water and sewer ratepayers. Salem currently has its highest bond rating in its history, meaning its interest rates for capital debt is low. This is counterbalanced, however, by rising inflation and material costs.

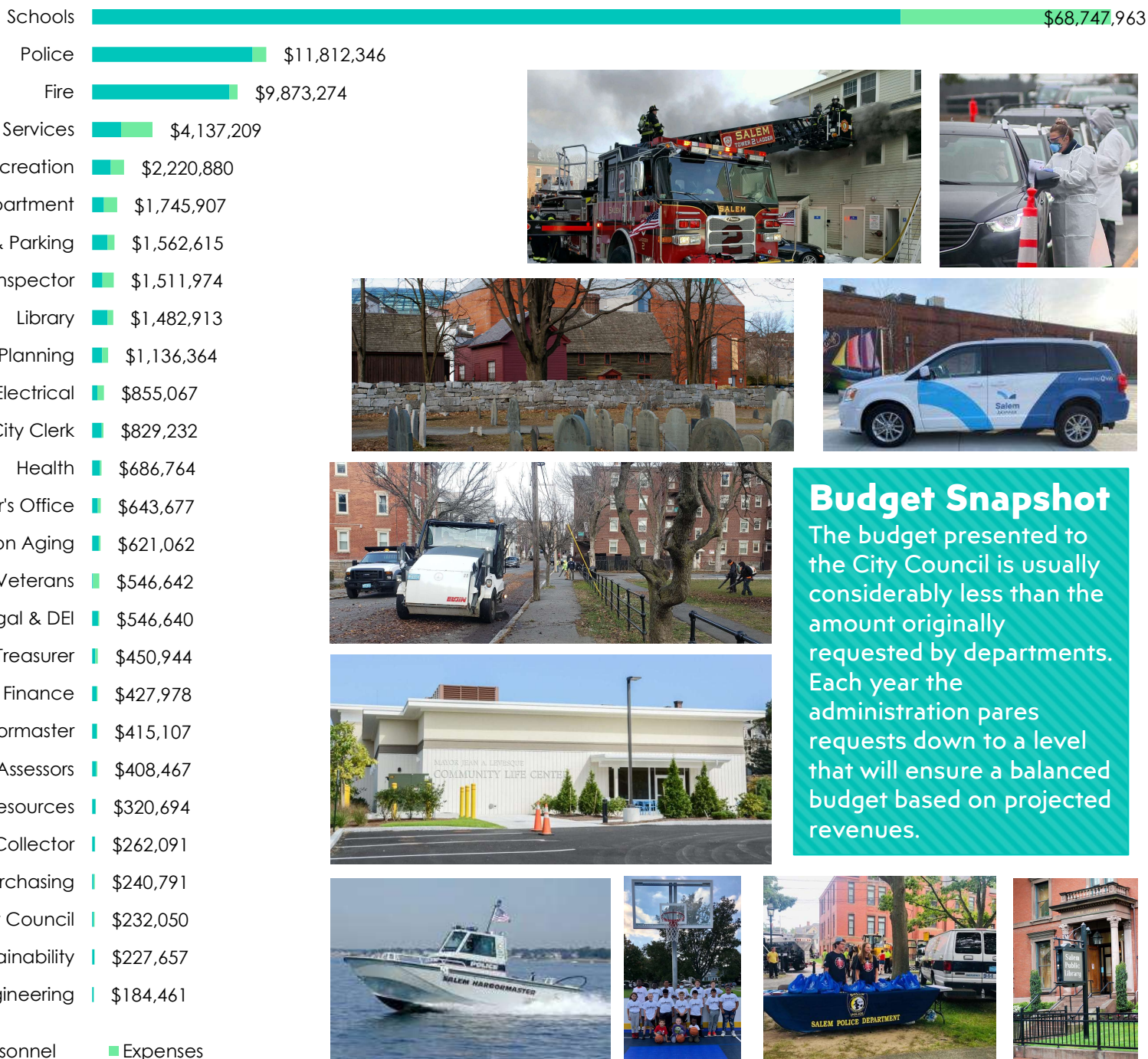
# ARPA and Salem's FY2023 Budget

The American Rescue Plan Act (ARPA) is a federal law passed in 2021 that provides funds to communities to help them recover from the COVID-19 pandemic. Salem is directing its ARPA funds to a wide variety of community and municipal needs. This list outlines how a portion of those resources will be used in FY2023 to take on critical capital projects that otherwise would be funded by taxpayers. For some projects, ARPA funds are used as the City's match to leverage even more grant funding.

Project	ARPA Funds	Grants Due to ARPA Match
Bicycling Infrastructure	\$50,000	-
Charlotte Forten Memorial	\$50,000	\$75,000
Greenlawn Cemetery Roads and Drainage	\$75,000	-
South Salem Commuter Rail station study	\$93,000	\$372,000
Mack Park Food Farm – phase 3	\$94,105	-
Fire Department Chest Compression Devices	\$96,000	-
Park and Playground Repairs	\$100,000	-
Community Life Center Kitchen	\$140,000	\$35,000
Palmer Cove Park project – phase 2	\$140,000	\$115,000
Outdoor Dining Areas	\$270,000	-
Willows Pier	\$350,000	\$3,250,000
Ocean Avenue Stormwater Pump Station – design phase	\$370,000	\$600,000
Salem High School Rooftop Ventilation Units	\$500,000	-
Pioneer Village - phase 1	\$670,000	-
Old Town Hall restoration – phases 2 & 3	\$1,000,000	\$3,000,000
Police/Fire Radio Communications System	\$2,500,000	\$75,375
<b>Total</b>	<b>\$6,498,105</b>	<b>\$7,522,375</b>



# FY2023 Departmental Budgets



## Budget Snapshot

The budget presented to the City Council is usually considerably less than the amount originally requested by departments. Each year the administration pares requests down to a level that will ensure a balanced budget based on projected revenues.