

# City of Salem

## FY07 Budget Overview

June 6, 2006

Kimberley Driscoll – Mayor  
Richard Viscay – Finance Director

## FY07 Budget Goals

- ◆ Present a balanced budget to the City Council
- ◆ Eliminate the use of one time revenues to balance budget
- ◆ Minimize the City's over reliance of property taxes as a revenue source
- ◆ Identify realistic revenue streams to offset rising municipal expenses
- ◆ Enhance and maintain current levels of service to all residents of Salem
- ◆ Initiate cost saving mechanisms throughout City operations
- ◆ Professionalize all aspects of municipal operations and improve efficiencies

## FY07 Budget – Revenue Assumptions Property Taxes

### FY06 Actual

### FY07 Estimated

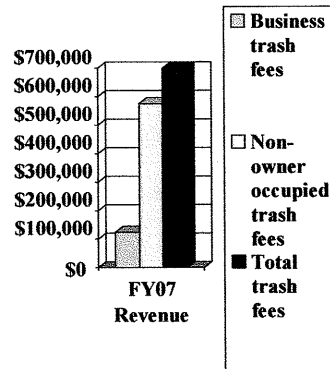
Levy limit: 57,148,394	Levy limit: 59,342,731
2 ½% inc.: 1,428,710	2 ½% inc.: 1,483,568
New growth: 765,627	New growth: 750,393*
	<i>* 5 year average</i>
FY06	FY07
Levy limit: 59,342,731	Levy limit: 61,576,692

## FY07 Budget – Revenue Assumptions Local Receipts

- ◆ FY06 budget = \$11,093,500
- ◆ FY07 budget = \$12,024,000
  - Increase of \$930,500 due to:
    1. Business & non-owner occupied trash fees
    2. Medicare Part D reimbursement

## Trash Fee Analysis

- ♦ Non-owner occupied @ \$20/month will generate:  
**\$576,000 ± in FY07**
- ♦ Business @ \$30/month will generate:  
**\$124,000 ± in FY07**
- ♦ Total estimated revenue generated via trash fee =  
**\$700,000 ± in FY07**



## Medicare Part D Reimbursement

- ♦ What is Medicare Part D?
  - Prescription drug benefit for seniors funded through the Federal Government
- ♦ Why do we get reimbursed?
  - Because our health insurance plan for seniors/retirees has a prescription drug benefit that exceeds the Federal Government's program (credible coverage)
- ♦ How much should the City expect to receive?
  - \$600 per year per retiree
  - 437 retirees x \$600/yr. = \$262,200

## Cherry Sheet Revenue & Charges

FY06 Cherry Sheet Revenue:

♦ \$19,960,906

FY06 Cherry Sheet Charges:

♦ \$5,184,105

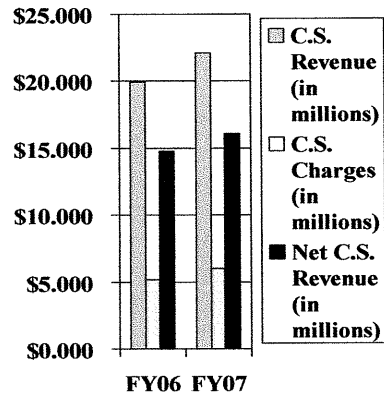
FY07 Cherry Sheet Rev. Estimate

♦ \$22,092,968

FY07 Cherry Sheet Chg. Estimate

♦ \$5,994,904

Net Increase: 8.94%



## Other Financing Sources

One time revenues used to  
balance the budget:

FY06

♦ Stabilization: 1,000,000  
♦ FY06 Free Cash: 2,417,595  
♦ FY05 Free Cash: 1,032,436  
♦ C.I.P.: 600,000  
♦ Other Avail. Funds 120,443  
♦ Overlay: 121,500

TOTAL: 5,291,974

One time revenues used to  
balance the budget:

FY07

♦ Overlay: 73,733

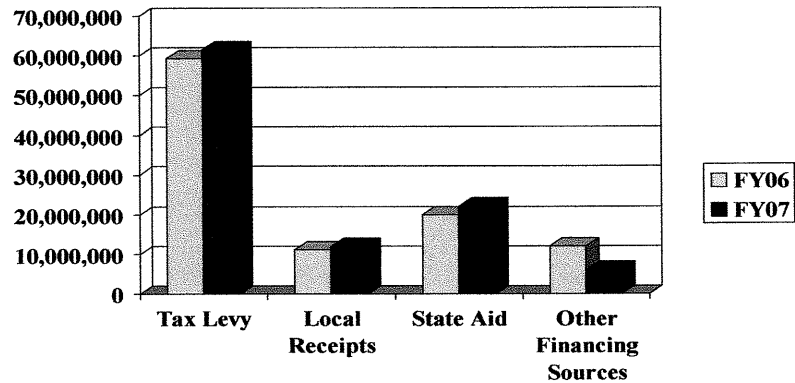
TOTAL: 73,733

*Difference between one  
time revenues used:*

*FY06 to FY07*

**\$5,218,241**

## Revenues Used to Balance Budget FY06 Vs. FY07 General Fund Only



## Revenues Used to Balance Budget FY06 Vs. FY07 General Fund Only

FY06		FY07	
Tax Levy	58%	Tax Levy	60%
\$59,342,731		\$61,576,692	
Local Receipts	11%	Local Receipts	12%
\$11,093,500		\$12,024,000	
State Aid	19%	State Aid	22%
\$19,960,906		\$22,092,968	
Other Financing Sources	12%	Other Financing Sources	6%
SBA payment:	\$5,961,980	SBA payment:	\$5,140,317
Receipts Reserved:	864,669	Receipts Reserved:	886,552
One Time Revenues:	5,291,974	One Time Revenues:	73,733*

\* Overlay Surplus

# Expenditure Summary

General Fund Only

	FY06	FY07	Difference
General Govt.	3,854,857	3,731,173	(123,684)
Public Safety	14,058,342	14,341,161	282,819
Public Works	5,475,123	6,279,989	804,866
Human Services	869,424	833,372	(36,052)
Culture/Recreation	2,557,461	2,016,605	(540,856)
Debt Service	7,243,839	6,985,704	(258,135)
Fixed Costs	18,320,564	19,700,247	1,379,683
Education	42,163,350	42,163,350	0
<b>TOTAL</b>	<b>94,542,960</b>	<b>96,051,601</b>	<b>1,508,641</b>

# FY07 Expenditure Notes

- ◆ Total expenditure increase – general fund: \$1,508,641
  - Fixed Cost increase = \$1,379,683
  - All other increases = \$128,958
- ◆ Fixed Costs Summary
  - North Shore Regional Vocational Assessment
  - Group Insurance (Health, Life, Dental)
  - Property and Casualty Insurance
  - Salem Contributory Retirement Assessment
  - Unemployment
  - Workers Compensation
  - Medicare
- ◆ Proposed FY07 budget is \$441,099 less than FY06 Actual Budgeted expenditures

## FY07 Cost Saving Measures

- ◆ Adopted Chapter 32B Section 18
- ◆ Department Reorganization & Consolidation
- ◆ Staff Reduction – FY06 vs. FY07:
  - Schools reduced staffing by 52.9 FTE
  - City reduced staffing by 14.5 FTE
- ◆ Municipal Insurance Procured
  - \$180,000+ savings
- ◆ Privatization of Services
- ◆ Overhaul of Health Insurance Trust internal control system

## Water & Sewer Enterprise Funds

- ◆ Water enterprise fund has been supplementing revenue to the Sewer enterprise fund over the last nine years.
- ◆ We need to adjust rates to comply with Mass General Laws and Management Letter of our independent auditors.
  - “The City should document the rationale for charging sewer assessment to the water fund. If the charge is arbitrary, then it should be discontinued immediately.”
- ◆ Recommended rate adjustments to be submitted for Council review and adoption

# Summary

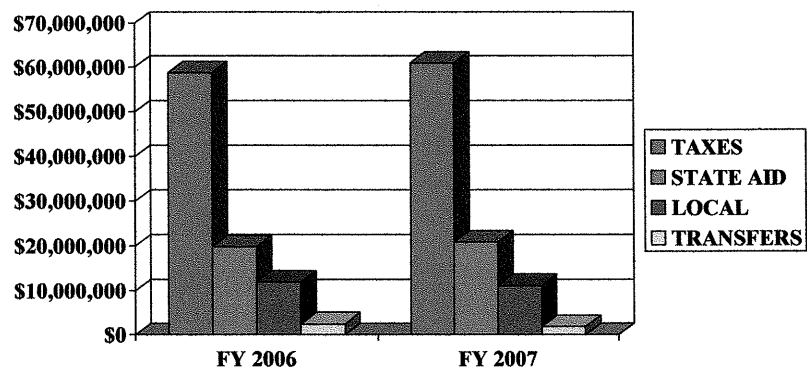
- ◆ FY07 Budget is a “true” balanced budget
- ◆ Does not assume any supplemental appropriations
- ◆ No reliance on Free Cash for FY07
  - If there is any free cash, a large portion should be used to replenish the Stabilization Fund and the C.I.P. fund prior to any supplemental appropriations
- ◆ Continue to explore cost saving measures and recurring revenue enhancements in FY07
- ◆ Develop prudent financial policies
  - Five Year Financial Forecast
  - Capital Improvement Plan
  - Reserve Policies



# BUDGET GRAPHS

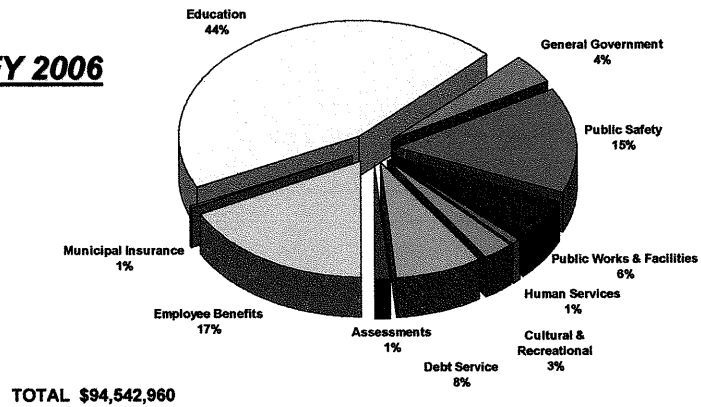
FY 2007

## REVENUES FY06 VS FY07



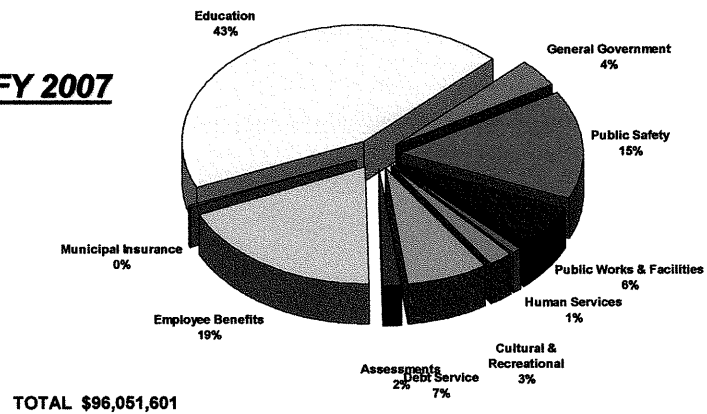
## OPERATING BUDGET GENERAL FUND

**FY 2006**



## OPERATING BUDGET GENERAL FUND

**FY 2007**

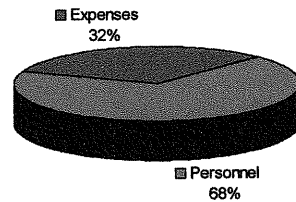


## APPROPRIATIONS GENERAL FUND (CITY)

**FY 2006**

### GENERAL FUND

• Personnel	\$35,834,394
• Expenses	16,545,216
• TOTAL	<b>\$52,379,610</b>



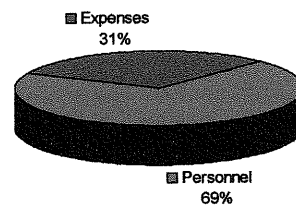
■ Personnel    ■ Expenses

## APPROPRIATIONS GENERAL FUND (CITY)

**FY 2007**

### GENERAL FUND

• Personnel	\$37,410,277
• Expenses	16,477,974
• TOTAL	<b>\$53,888,251</b>



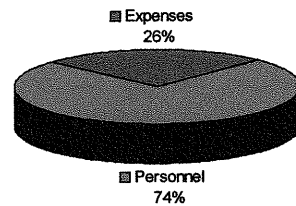
■ Personnel    ■ Expenses

## APPROPRIATIONS GENERAL FUND (SCHOOLS)

**FY 2006**

### GENERAL FUND

• Personnel	\$31,379,517
• Expenses	10,783,833
• <b>TOTAL</b>	<b>\$42,163,350</b>



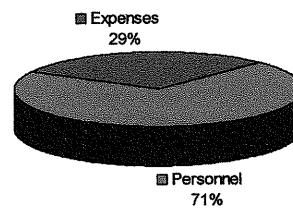
■ Personnel      ■ Expenses

## APPROPRIATIONS GENERAL FUND (SCHOOLS)

**FY 2007**

### GENERAL FUND

• Personnel	\$29,792,326
• Expenses	12,371,024
• <b>TOTAL</b>	<b>\$42,163,350</b>



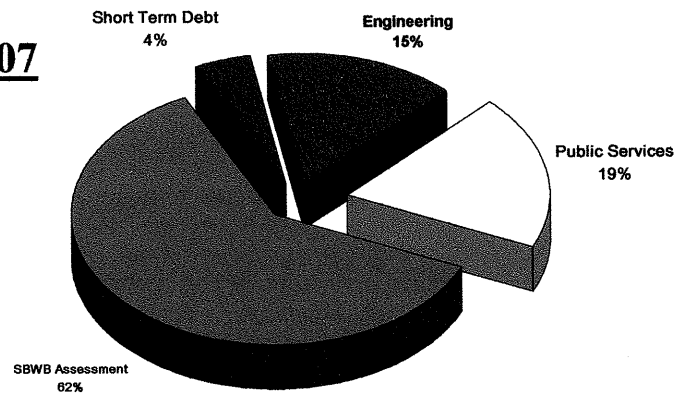
■ Personnel      ■ Expenses

# WATER/SEWER GRAPHS

FY 2007

## OPERATING BUDGET WATER

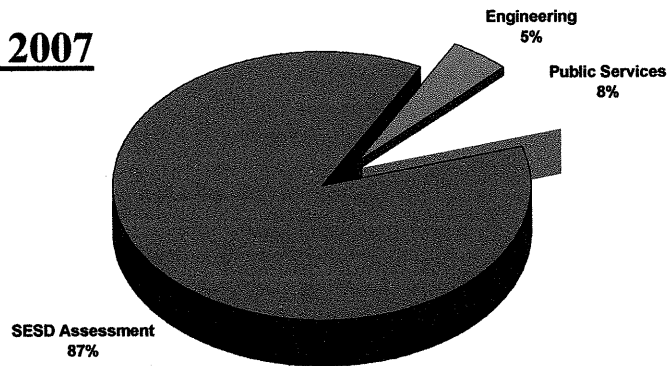
**FY 2007**



TOTAL \$ 3,415,681

## OPERATING BUDGET SEWER

**FY 2007**



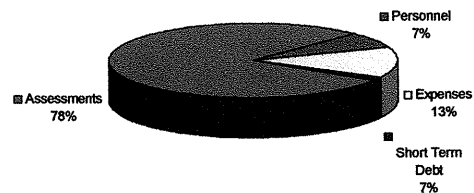
**TOTAL \$6,295,244**

## OPERATING EXPENSES WATER & SEWER

**FY 2007**

### **WATER & SEWER**

• Personnel	\$ 667,136
• Expenses	\$ 1,294,922
• Short Term Debt	\$ 151,604
• Assessments	<u>\$ 7,597,263</u>
• TOTAL	<b>\$ 9,710,925</b>



■ Personnel	□ Expenses
■ Short Term Debt	■ Assessments