



SECTION 2 – City Overview

CITY OVERVIEW

Profile of the City

The City of Salem, which was incorporated as a town in 1630 and became a city on March 23, 1836, is situated on the Massachusetts coast, 16 miles northeast of Boston. The City has a population of approximately 40,407 and occupies a land area of approximately 8 square miles. The second city in the Commonwealth to be incorporated, it is the Shire City of Essex County. Salem has operated under the Plan B form of government, with a mayor and an eleven-person City Council, seven elected from wards, and four at-large, since 1915.

Historic Information

Salem was originally founded in 1626 by Roger Conant and a group of settlers from the Cape Ann area. In 1630, the area was incorporated into a town; and the name of Salem from "Sholem," meaning "peace" in the Hebrew language, was adopted. Salem is perhaps best remembered as the site of the infamous witchcraft hysteria that swept the colonies in the late 17th century. Early in the 18th century, Salem was a thriving commercial port. The protected harbor encouraged trade, but industrial development occurred slowly. During this time, shipbuilding and allied industries were well established and trading with the West Indies and European ports was extensive. This commercial expansion brought about a cultural expansion in the life of the town. The depression following the War of 1812 seriously affected the economy of Salem. Thereafter, the opening of the Erie Canal brought serious new trade competition; and with the building of larger vessels, trading was limited because the harbor was not deep enough to accommodate the larger vessels. As the level of commerce decreased, the growth of industry increased. In 1848, a large cotton mill was established; and after the Civil War several tanneries, shoe and paint factories were founded in Salem. A fire destroyed a large part of the industrial district in 1914, but the area was again built up as a thriving industrial center.

Among the many sites of historical interest are the Crowninshield-Bentley House, House of Seven Gables, Pierce-Nichols House, Pickering House, Pingree House, The Peabody-Essex Museum, Pioneer Village, Ropes Mansion House, the Witch House, and the Salem Maritime National Historical site which was the first national historic site in the United States.

Governmental Structure

The Mayor is elected for four years in November of unevenly-numbered years. The Mayor is the administrative head of the city and chairman ex-officio of the School Committee, the Board of Library Trustees, and the Board of Trust Fund Commissioners. The Mayor acts with the City Council and School Committee to carry out city business. The Mayor appoints his or her office staff, the City Solicitor, and the Assistant City Solicitor without City Council confirmation. The appointments of most city department heads, and members of the various boards and commissions, however, require City Council confirmation. The Mayor has the right to veto any order, resolution, or ordinance passed by the Council. However, a veto may be overturned by a two-thirds vote of all councilors. After reviewing and revising estimates prepared by department heads, the Mayor submits the budget to the City Council for final action. The Mayor approves all municipal payrolls, vouchers, contracts and instruments; and recommends bond issues, legislations and orders to the City Council; and represents the city with other levels of government. As the general administrator of all city departments, the Mayor is consulted by department heads pertaining to the city's welfare.

The City Council is primarily the legislative branch of the city government. As the legislative body, the Council confirms appointments made by the Mayor and appropriates all monies necessary to city operation. It can approve, disapprove, or reduce the amount of appropriations, but not add to the appropriation. The Council receives orders of recommendation by the Mayor and petitions from the public, and acts on them after committee

study. The City Council also has the power to enact the Ordinances and other regulations. A majority of the City Council constitutes a quorum, and the affirmative vote of a majority of all the members of the Council is necessary for the adoption of any motion resolution, or ordinance. In some instance, adoption by a two-thirds vote of the members is required by statute.

The City provides general governmental services for the territory within its boundaries, including police and fire protection, disposal of garbage and rubbish (for residential properties); public education, including vocational-technical education at the high school level; street maintenance; certain water services, through the Salem and Beverly Water Supply Board; certain sewerage disposal services, through the South Essex Sewerage District; and parks and recreational facilities. Approximately 95 percent of the City is connected to the sewerage system; the entire area of the City is served by the municipal water system. The Salem Housing Authority is responsible for managing 1,462 units of low income housing for the City. Buildings are either owned by the Authority, or are part of the rental subsidy program or the voucher program. Of the 1,462 units, 715 are included in twelve elderly developments, nine family developments, and one handicapped accessible family developments. These units are owned and operated by the Authority. The principal highways serving the City are state Routes 1A, 107, and 114, all of which provide immediate access to Routes 1 and 128 and other major highways serving the greater Boston area. The City is a member municipality of the Massachusetts Bay Commuter Railroad, which provides passenger and freight service.

Within 170 days after the annual organization of the city government (which is ordinarily in early January), the Mayor is required to submit a budget of proposed expenditures for the fiscal year beginning on the next July 1. The City Council may make appropriations for the recommended purposes and may reduce or reject any item. Without recommendation of the Mayor, the City Council may not increase any item or make an appropriation for a purpose not included in the proposed budget (except by a two-thirds vote in case of the failure of the Mayor to recommend an appropriation for such a purpose within 7 days after a request from the City Council, pursuant to state statute). If the Council fails to act on any item of the proposed budget within 45 days, that item takes effect. The City's operating budget for fiscal year 2006 totaled approximately \$102 million.

Cultural and Historical Facilities

The City of Salem is a historic waterfront community that has a rich cultural heritage, known worldwide for its architecture, maritime history, literary prominence, and witchcraft hysteria. For this reason, tourism is one of the City's major industries, accommodating almost one million visitors each year.

Salem originated as one of the earliest landing sites of the English colonists, and went on to rise as the first major port in the United States, opening up the East Indian trade. In its heyday, Salem was known as a thriving hub of American commerce and was the home of Nathaniel Hawthorne. Salem is well known for the infamous Salem Witchcraft Trials of 1692, when nineteen people were convicted for the crime of witchcraft and were put to their deaths.

The City's golden years have left her modern inhabitants with architectural treasures, fine museums, and a sparkling literary heritage. Equally important, the development of Salem has produced a rich ethnic history, to which people of all races, creeds, colors and origins have contributed over the generations. Long a trading, manufacturing and retail center, Salem has been making a slow, and sometimes painful, transition to a service-based economy. The City today serves as the home of Salem State College, the North Shore Medical Center, the Essex County District Superior and Probate Courts, and Registry of Deeds, the world-famous Peabody and Essex Museum, and a host of banks and other financial institutions. It is the educational, medical, legal, cultural and banking hub of the North Shore.

Salem boasts an impressive collection of historically significant residential structures that are always in high demand. The uniqueness of these historic homes, coupled with a growing downtown condominium market, have helped boost home sales prices in Salem.

The City also enjoys a mix of commercial businesses and markets. Commercial development has been prominent in the Highland Avenue and Vinnin Square areas. Additionally, the City has recently experienced a \$100 million expansion of the Peabody Essex Museum and the privately funded renovation and reuse of several key properties. In fact, private investment in commercial and residential developments in downtown since 2001 totals close to \$50 million, and expected future investment over the next two years totals close to an additional \$10 million. The redevelopment of long dormant and underutilized industrial sites is helping to revitalize our central business district.

The Salem waterfront is also experiencing a great deal of investment from the addition of the Pickering Wharf Hotel and a municipally managed Harbor Walkway project which will connect pedestrians walking along the harbor from the Pickering Wharf area to adjacent areas.

The City also boasts Shetland Park, a sprawling business park which houses more than 70 concerns and an industrial park on Technology Way which houses large or expanding companies. The North Shore Medical Center has recently invested \$12 million for their new 10,700 square foot cardiac surgical suite and also built a new 19,000 square foot Emergency Department, which is one of the most sophisticated and modern emergency facilities in the state.

According to the Massachusetts Workforce Development Agency, the City had a labor force of 23,504, of whom 22,531 were employed and 973, or 4.1% were unemployed. The Commonwealth, for the same period, had an unadjusted unemployment rate of 5.1%.

Fiscal Challenges & Initiatives

On the operating side, the City had experienced financial challenges during fiscal year 2005 and into the 2006 budget cycle. One of the key challenges for the City has been rising health care costs for City employees/retirees, as well as increases in pension costs. Since the state law, known as proposition 2 ½, caps the City's ability to raise taxes to meet rising costs, the City is actively exploring the use of alternative, local revenue sources to help offset the aforementioned rising expenditures. In fiscal year 2006, the City Council accepted the provisions of Massachusetts General Law (M.G.L.) chapter 32B, section 18, a Massachusetts statute requiring all Medicare-eligible retirees who are currently on self-insured plans to move from self-insured coverage to a fully insured Medicare supplement plan, is estimated to save the City approximately \$700,000 this fiscal year and next. This is a major cost saving initiative that will insure that all retirees over the age of 65 are treated consistently, while also providing greater control of costs associated with the City's Healthcare Insurance Trust account, the fastest rising municipal budget item for each of the last five years.

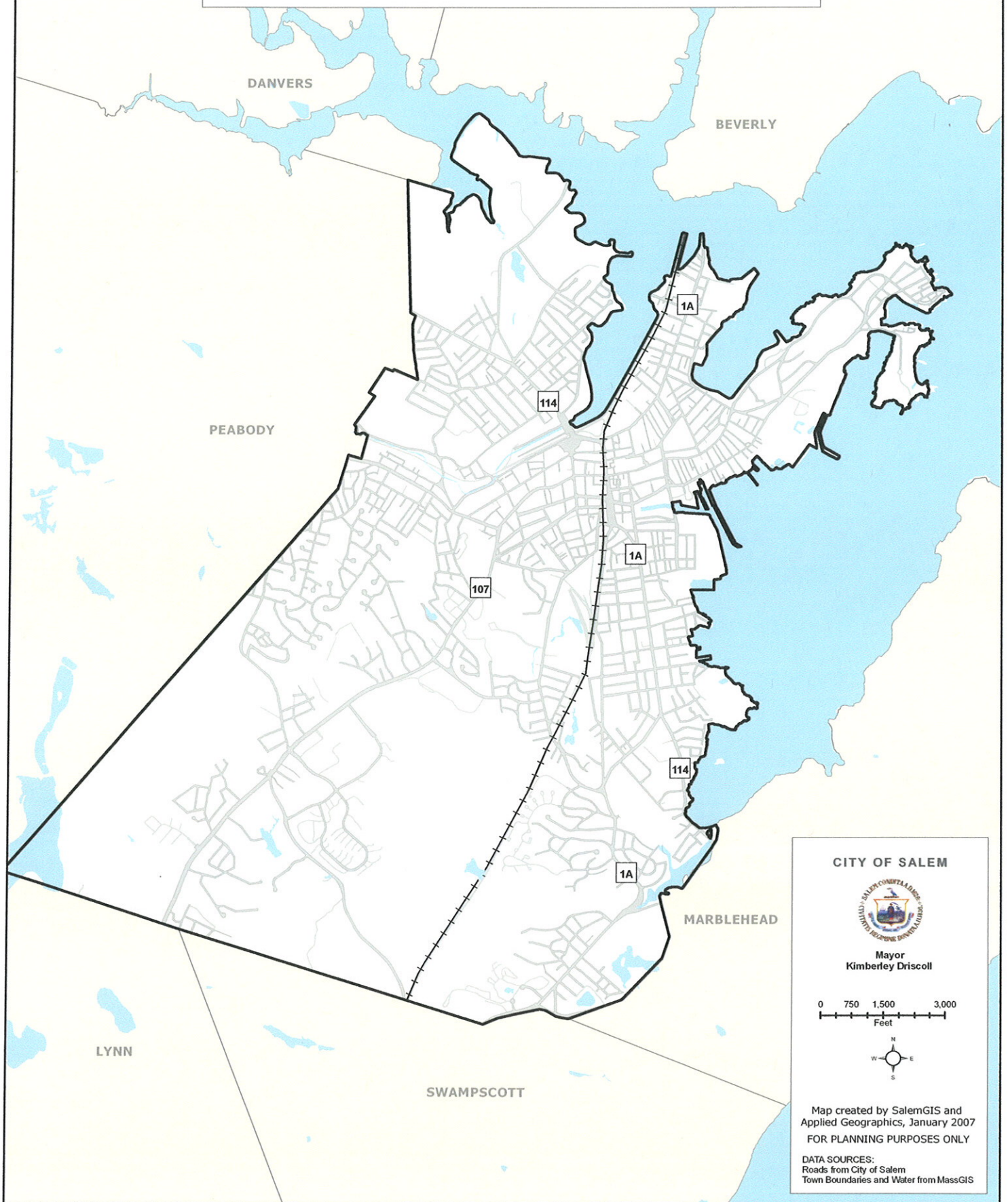
To help curb the fiscal challenges, the City also expanded the hours at the parking garage, instituted Saturday meter collections, and also installed seasonal meters at Salem Willows recreational park. The additional revenue from these new collections is estimated to generate \$100,000 per year.

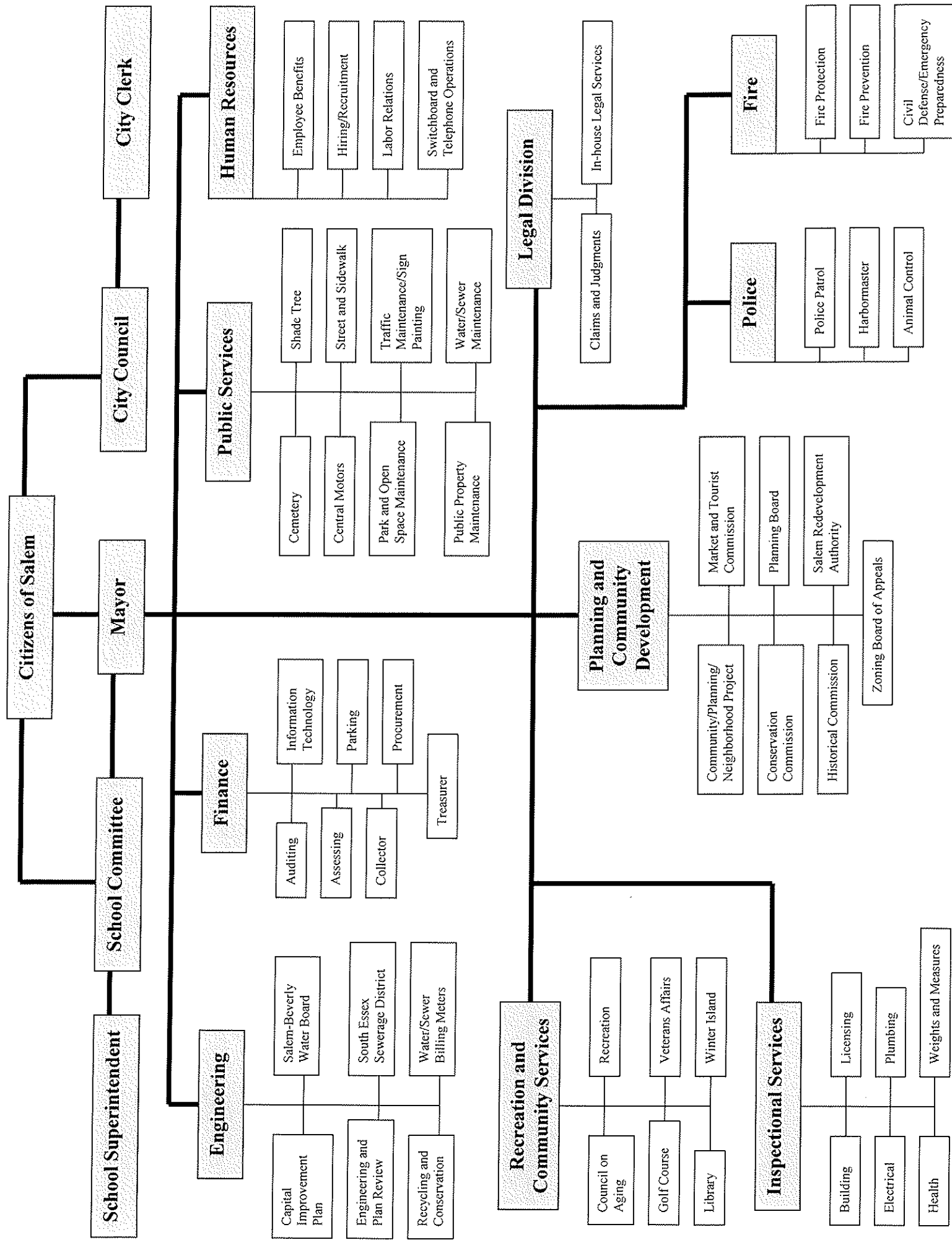
At the end of fiscal year 2006, the City purchased a Ferry Boat in which they received a state grant for 75% of the purchase cost. The City is leasing the Ferry Boat to Water Transportation Services, Inc., which operates the ferry. The City anticipates revenue from the ferry to grow from \$60,000 to \$100,000 over the next three years.

The City implemented a trash fee for fiscal year 2007 which went into effect in September 2006. The revenue generated from the trash fees is anticipated to be \$700 thousand for the ten months of collections during fiscal year 2007 and \$840 thousand a year for the twelve months of collections in future fiscal years. These amounts are based on the number of residential and commercial units that are currently being billed for trash. The fees collected are used to offset the cost of collecting solid waste. The City plans to adopt an Enterprise Fund for solid waste collections by fiscal year 2008.

The City has been in the process of renovating several schools that are being financed, in part, by the State's School Building Assistance Program which is run by the Massachusetts School Building Authority. Through this program, the City is reimbursed for 90% of the construction and debt interest costs of the projects.

CITY OF SALEM





Organizational Summary-Department Heads

EXECUTIVE DIVISION

Mayor

Mayor Kimberley Driscoll

LEGISLATIVE DIVISION

City Clerk

Cheryl LaPointe

FINANCE DIVISION

Assessors

Frank Kulik

Collector

Bonnie Celi

Data Processing

Joanne Rust

Finance

Richard Viscay

Parking Department

James Hacker

Parking Fines

Bonnie Celi

Purchasing

Albert Hill

Treasurer

Anne Busteed

LEGAL DIVISION

Solicitor

Elizabeth Rennard

HUMAN RESOURCE DIVISION

Human Resources

Lisa Cammarata

FIRE DIVISION

Fire

Chief David Cody

POLICE DIVISION

Harbormaster

Sgt. Peter Gifford

Police

Chief Robert St. Pierre

INSPECTIONAL SERVICES DIVISION

Electrical

John Giardi

Health

Joanne Scott

Licensing

David Shea, Board Chairman

Public Property

Thomas St. Pierre

PLANNING & COMMUNITY DEVELOPMENT DIVISION

Planning

Lynn Duncan

PUBLIC SERVICES DIVISION

Public Services

Richard Rennard

Water & Sewer Enterprise

ENGINEERING DIVISION

Engineering

David Knowlton

Water, Sewer & Trash Enterprise

RECREATION & COMMUNITY SERVICES DIVISION

Council On Aging

Doug Bollen

Library

Lorraine Jackson

Recreation

Doug Bollen

Veterans

Jean-Guy Martineau

EDUCATION DIVISION

School

Lawrence Callahan, Superintendent

At A Glance Report for Salem**Socioeconomic**

County	Essex	
School Structure	K-12	
Form of Government	Mayor Council B)	
2006 Population		41,343
2006 Labor Force		23,433
2006 Unemployment Rate		5.1
1999 Per Capita Income		23,857
2006 Population Per Square Mile		5,104.1
2006 Housing Units Per Square Mile		2,243.8
2006 Road Miles		96.14
EQV Per Capita (2006 EQV/2006 Population)		119,085
Number of Registered Vehicles (January 2005)		35,194
Average Age of Vehicles (January 2005)		9.1
2006 Number of Registered Voters		26,096

Revaluation

Most Recent	2007
Next Scheduled	2010

Bond Ratings

Moody's Bond Rating as of January 2007*	A2
S & P Bond Rating as of July 2007*	A-

*Blank indicates the community has not been rated by the bond agency.

Fiscal Year 2008 Estimated Cherry Sheet Aid

Education Aid	13,901,810
General Government	9,286,732
Total Receipts	23,188,542
Total Assessments	6,214,013
Net State Aid	16,974,529

At A Glance Report for Salem

Fiscal Year 2007 Tax Classification

Tax Classification	Assessed Values	Tax Levy	Tax Rate
Residential	4,137,021,751	44,555,724	10.77
Open Space	0	0	0.00
Commercial	435,740,235	8,923,960	20.48
Industrial	150,255,420	3,077,231	20.48
Personal Property	255,302,680	5,228,599	20.48
Total	4,978,320,086	61,785,514	

Fiscal Year 2007 Revenues by Source

Revenue Source		Percent of Total
Tax Levy	61,785,514	54.39
State Aid	27,292,394	24.03
Local Receipts	23,059,550	20.30
Other Available	1,457,207	1.28
Total	113,594,665	

Fiscal Year 2007 Proposition 2½ Levy Capacity

New Growth	966,627
Override	0
Debt Exclusion	0
Levy Limit	61,792,926
Excess Capacity	7,412
Ceiling	124,458,002
Override Capacity	62,665,076

Other Available Funds

7/1/2006 Free Cash	FY2006 Stabilization Fund	FY2007 Overlay Reserve
538,372	277,759	650,000

At A Glance Report for Salem**Fiscal Year 2007 Average Single Family Tax Bill****

Number of Single Family Parcels	4,766
Assessed Value of Single Family	355,319
Average Single Family Tax Bill	3,827

State Average Single Family Tax Bill

Fiscal Year 2004	3,412
Fiscal Year 2005	3,588
Fiscal Year 2006	3,801
Fiscal Year 2007	3,962

Salem issues property tax bills Quarterly.

**For the communities granting residential exemptions, DLS does not collect enough information to calculate an average single-family tax bill. In FY07 those communities are Barnstable, Boston, Brookline, Cambridge, Chelsea, Marlborough, Nantucket, Somerville, Somerset, Tisbury, Waltham and Watertown. Therefore, the average single-family tax bill information in this report will be blank.

Fiscal Year 2006 Schedule A – Actual Revenues and Expenditures

	General Fund	Special Revenue	Capital Projects	Enterprise Funds	Trust Revenue	Total All Funds
Revenues	91,349,518	18,967,421	11,005,002	11,534,047	12,850,650	145,706,638
Expenditures	95,162,356	18,532,850	5,369,732	9,488,793	12,710,236	141,263,967
Police	6,990,421	0	0	0	0	6,990,421
Fire	5,745,593	0	0	0	0	5,745,593
Education	44,062,839	10,320,377	1,431,289	0	0	55,814,505
Public Works	5,665,359	807,420	1,075,567	9,488,793	0	17,037,139
Debt Service	7,280,135	0	0	0	0	7,280,135
Health Ins	8,388,154	0	0	0	0	8,388,154
Pension	7,012,754	0	0	0	0	7,012,754
All Other	10,017,101	7,405,053	2,862,876	0	12,710,236	32,995,266

This data only represents the revenues and expenditures occurring in these funds and does **not** reflect any transfers to or from other funds. Therefore, this data should not be used to calculate an ending fund balance.

Total Revenues and Expenditures Per Capita

	General Fund	Special Revenue	Capital Projects	Enterprise Funds	Trust Revenue	Total All Funds
Revenues	2,209.6	458.8	266.2	279.0	310.8	3,524.3
Expenditures	2,301.8	448.3	129.9	229.5	307.4	3,416.9

If you have questions regarding the data contained in this report, please contact the Municipal Databank/Local Aid Section at (617) 626-2384 or databank@dor.state.ma.us.