

**City of Salem**  
**Five Year Financial Forecast**  
**FY 2012 - 2016**

Updated 5/23/2012

|   | % INC/DEC<br>FY12 v FY13 | % INC/DEC<br>FY14-FY16 | FY12<br>RECAP      | FY13<br>Mayor's Rec. | FY14<br>PROJECTED  | FY15<br>PROJECTED  | FY16<br>PROJECTED  |
|---|--------------------------|------------------------|--------------------|----------------------|--------------------|--------------------|--------------------|
| <b>REVENUES</b>                             |                          |                        |                    |                      |                    |                    |                    |
| TAX LEVY                                    |                          |                        |                    |                      |                    |                    |                    |
| TOTAL: TAX LEVY                             | 3.16%                    | see above              | 75,492,988         | 77,880,313           | 80,332,321         | 82,850,679         | 85,437,096         |
| TOTAL: LOCAL RECEIPTS                       | -6.91%                   |                        | 15,004,377         | 13,967,835           | 14,242,031         | 14,523,082         | 14,811,159         |
| CHERRY SHEET REVENUE                        | 10.12%                   | 1.00%                  | 25,017,427         | 27,548,673           | 27,824,160         | 28,102,401         | 28,383,425         |
| SCHOOL BLDG ASSISTANCE                      | per SBA                  | per SBA                | 3,521,535          | 2,534,339            | 2,534,330          | 2,534,339          | 2,534,339          |
| OFS - RECURRING                             | -6.03%                   | 2.50%                  | 1,115,327          | 1,048,106            | 1,073,309          | 1,099,141          | 1,125,620          |
| OFS - NON RECURRING                         |                          | 0.00%                  | 3,250,281          | 0                    | 0                  | 0                  | 0                  |
| TOTAL ENTERPRISE FUND REVENUE               | 2.06%                    | varies                 | 13,766,502         | 14,050,015           | 14,480,000         | 14,680,000         | 14,880,000         |
| <b>TOTAL REVENUES</b>                       | <b>7.08%</b>             |                        | <b>137,168,437</b> | <b>137,029,281</b>   | <b>140,486,150</b> | <b>143,789,642</b> | <b>147,171,639</b> |
| <b>EXPENDITURES</b>                         |                          |                        |                    |                      |                    |                    |                    |
| TOTAL: GENERAL GOVERNMENT                   | 15.68%                   | 3.00%                  | 4,329,537          | 5,008,545            | 4,765,117          | 4,908,071          | 5,055,313          |
| TOTAL: PUBLIC SAFETY                        | 4.66%                    | varies                 | 16,728,235         | 17,508,361           | 18,352,238         | 19,237,363         | 20,165,769         |
| TOTAL: PUBLIC WORKS & FACILITIES            | 4.00%                    | varies                 | 3,220,679          | 3,349,406            | 3,478,761          | 3,614,089          | 3,755,674          |
| TOTAL: HUMAN SERVICES                       | 4.65%                    | 3.00%                  | 920,210            | 963,032              | 991,923            | 1,021,681          | 1,052,331          |
| TOTAL: CULTURAL AND RECREATIONAL            | 1.26%                    |                        | 2,318,374          | 2,347,595            | 2,418,023          | 2,490,564          | 2,565,280          |
| TOTAL FIXED COSTS                           | 8.83%                    |                        | 23,262,179         | 25,316,729           | 26,798,588         | 28,373,270         | 30,046,732         |
| DEBT SERVICE - LONG TERM                    | -17.57%                  | varies                 | 6,641,058          | 5,474,185            | 5,584,884          | 4,926,909          | 4,926,909          |
| DEBT SERVICE - FY2013 bond sale             |                          |                        |                    | 982,361              | 982,361            | 982,361            | 982,361            |
| DEBT SERVICE - SHORT TERM                   | 13.71%                   | varies                 | 35,000             | 39,797               | 100,000            | 100,000            | 100,000            |
| ASSESSMENT - NORTH SHORE VOC.               | 0.15%                    | 5.00%                  | 1,601,211          | 1,603,586            | 1,683,765          | 1,767,954          | 1,856,351          |
| ESSEX AGGIE/NORTH SHORE VOC MERGER          |                          | varies                 |                    | 0                    | 274,000            | 559,000            | 468,000            |
| <b>CITY EXPENDITURE TOTAL</b>               | <b>5.99%</b>             |                        | <b>59,056,483</b>  | <b>62,593,597</b>    | <b>65,429,661</b>  | <b>67,981,260</b>  | <b>70,974,720</b>  |
| <b>SCHOOL EXPENDITURE TOTAL</b>             | <b>3.32%</b>             |                        | <b>48,886,000</b>  | <b>50,508,040</b>    | <b>52,023,281</b>  | <b>53,583,980</b>  | <b>55,191,499</b>  |
| TOTAL: WATER ENTERPRISE                     | 6.03%                    | varies                 | 4,531,381          | 4,804,613            | 4,882,804          | 4,966,425          | 5,048,073          |
| TOTAL: SEWER ENTERPRISE                     | -0.06%                   | varies                 | 7,108,047          | 7,103,476            | 7,301,197          | 7,508,452          | 7,722,538          |
| TOTAL: TRASH ENTERPRISE                     | 2.58%                    | 3.00%                  | 2,739,981          | 2,810,684            | 2,895,005          | 2,981,855          | 3,071,310          |
| <b>ENTERPRISE FUND EXPENDITURE TOTAL</b>    | <b>2.36%</b>             |                        | <b>14,379,409</b>  | <b>14,718,773</b>    | <b>15,079,006</b>  | <b>15,456,732</b>  | <b>15,841,922</b>  |
| <b>TOTAL - CITY, SCHOOL, AND ENTERPRISE</b> | <b>4.50%</b>             |                        | <b>122,321,892</b> | <b>127,820,410</b>   | <b>132,531,948</b> | <b>137,021,972</b> | <b>142,008,141</b> |
| TOTAL: OTHER EXPENDITURES                   | -75.26%                  |                        | 4,410,722          | 1,091,373            | 1,618,037          | 1,645,380          | 1,673,418          |
| <b>TOTAL EXPENDITURES</b>                   | <b>0.69%</b>             |                        | <b>133,505,641</b> | <b>134,422,504</b>   | <b>139,881,135</b> | <b>144,627,748</b> | <b>149,880,370</b> |
| <b>BUDGET GAP</b>                           |                          |                        | <b>3,662,796</b>   | <b>2,606,777</b>     | <b>605,015</b>     | <b>-838,106</b>    | <b>-2,708,731</b>  |

# **Five Year Financial Forecast - Narrative FY2012 through FY2016**

## **Executive Summary**

The five year financial forecast for the City of Salem is used as a budget tool that enables municipal officials to review operating needs, identify fiscal challenges and opportunities, and help develop long term budgeting policies as part of an overall strategic plan. The five year financial forecast is invaluable in identifying key areas that the City needs to focus on such as rising health insurance costs, retirement assessments, and collective bargaining agreements. It also helps the City plan for its capital budget, debt service management, and long term sustainability.

Financial forecasting is the process of projecting revenues and expenditures over a five to ten year period. Factors that affect forecasting are current and future economic conditions, collective bargaining agreements, future operating and capital scenarios, and other factors that affect future revenues and expenditures.

The five year financial forecast is also used as a communication tool for both the City Council and the public. A separate power point document helps the administration communicate the long term strategies, fiscal challenges, and overall financial health of the City of Salem.

The forecast is always evolving and is constantly updated as information becomes available. The recent news of Dominion closing the Power Plant in 2014 has been the most significant item to be addressed in term of long term planning. Additionally, the Salem Public Schools will continue to run the Salem Community Charter School in FY2013. This new Charter School was established in FY2012 to help curb the dropout rate in the City while keeping the Chapter 70 funds in tact.

The City of Salem will also be selling approximately \$19 million worth of long term bonds, to fund the Green Repairs project at the Collins Middle School and Saltonstall School, as well as city hall renovations, road repairs, and water/sewer infrastructure projects. The debt service from the sale of these bonds will hit the budget in FY13, as you will see in the forecast.

Also, the Massachusetts legislature adopted and the Salem City Council approved the Municipal Reform Act during FY2012. As such, a Public Employee Committee (PEC), which consists of one member of each collective bargaining unit, as well as one retiree representative, was created for purposes of negotiating changes to the City's group insurance for FY2013. As a result of the negotiations, the City and PEC agreed to migrate to the Commonwealth's Group Insurance Commission (GIC) commencing July 1, 2013, while also reducing the employer/employee split for PPO plans from 65/35 to 70/30. Also, the City agreed to create a "mitigation fund" that will reimburse employees for 100% of outpatient and inpatient surgery, as well as 50% of all high-tech imaging.

The five year forecast is assumed to be realistic in its assumptions, both for revenue and expenditures. Revenue forecasting is based upon historical trends as well as current economic conditions. Expenditure forecasting is based upon the same factors, as well as known facts that pertain to specific sectors (i.e. collective bargaining agreements, long term contracts, debt service, etc.). Further detail as to the forecasted revenues and expenses are as follows:

## **Revenues**

### **Tax Levy:     \$77,880,313**

The tax levy is the City's primary revenue source, comprising approximately 63% of the City's total general fund revenues. Residential property values pay 71.7% of the total property taxes, while commercial, industrial, and personal property values pay 28.3%. The City has a split tax rate of 1.65, which translates to a residential rate of \$15.63/m. and commercial rate of \$29.81/m. for FY2012.

The City realizes an automatic 2.5% increase to the tax levy under Proposition 2 ½, plus any increase due to "new growth" in the City. New growth includes new development, condominium conversions, and renovations/expansions to existing properties, to name a few. The City's Assessor has seen a dramatic drop in all of the above listed growth categories due to the poor economic climate. The City has typically averaged approximately \$900,000 per year in new growth; however, it is recommended by the City's Assessor that the growth estimate to be used for FY2013 should be \$500,000.

### **Local Receipts:     \$13,967,835**

Local receipts are locally generated revenues other than real and personal property taxes. Examples include motor vehicle excise, investment income, hotel/motel tax, fees, rentals, and charges. The City has decreased its estimate for local receipts by 6.9% for FY2013 due to some of the uncertainty of the affects of the implementation of the parking study, which adjusts many of the fees for parking throughout the City. Estimated non-recurring revenues have been decreased by \$681,377 (18.5%) due to the hold harmless language that expires on December 31, 2011, as well as the uncertainty of any supplemental appropriations from the State of Unrestricted General Government Aid (UGGA). It is expected that the hold harmless agreement will reimburse the City \$3 million in FY13.

Most other local receipts are level funded, except for payments in lieu of taxes (PILOT), which has been increased by \$64,835, which represents the addition of the Weir property to the PILOT program for FY13.. Also, parking fees have been decreased by \$230,000 (10% decrease) and fines/forfeits have been decreased by \$190,000 (20%) due to anticipated decreases in these revenues once the parking study is fully implemented. While the study is projected to be "budget neutral", I have conservatively estimated the FY13 revenues to ensure that we do not incur a revenue deficit in our estimated local receipts..For purposes of forecasting, it is estimated that local recurring receipts will increase by 2.5% for FY2014 - FY2016.

**Cherry Sheet Revenue (State Aid):**            **\$27,548,673**

Named for the cherry colored paper on which it was originally printed, the Cherry Sheet is the official notification by the Commissioner of Revenue to municipalities and regional school districts of estimated state aid to be paid and charges to be assessed over the next fiscal year. Cherry Sheets are usually issued each spring, following enactment by the Legislature of the state budget for the following year.

This year, the Legislature has increased the estimated state aid to the City of Salem by approximately \$2.5 million from the FY2012 amount. A chapter 70 appropriation has been increased from \$18.5 million in FY12 to \$20.3 million in FY13, a 9.6% increase. Also, Unrestricted General Government Aid (UGGA) has been increased by \$422,000 (from \$5.41 million to \$5.83 million). The increase of the UGGA money is driven by the inclusion of last year's supplemental appropriation of \$422,000 in FY13 estimate by the House Ways and Means committee. The two accounts (Chapter 70 and UGGA) account for the lion's share of the cherry sheet dollars; as such, the total increase to State Aid for FY2013 will go up 10.12%.

It is difficult to gauge the amount that the Commonwealth will allocate to the 351 municipalities due to the volatile economy. Nevertheless, we need to assume a figure for purposes of completing the five-year financial forecast. Therefore, it is predicted that the State will increase the FY2013 appropriation by 1% each year through FY2016. We hope that this is a conservative estimate; however, it could be quite the opposite.

**School Building Assistance:**            **\$2,534,339**

The Massachusetts School Building Authority (MSBA) administers the school building assistance program that reimburses cities, towns, and regional school districts varying percentages of their school construction costs depending on the wealth of the community or district and the category of reimbursement. The City of Salem was lucky enough to receive 90% reimbursement for all its building projects.

In FY13, the amount of SBA reimbursement has decreased by \$987,196 due to the retirement of the debt service on the Collins Middle School West repairs. The amounts listed in the five year forecast reflect the funding schedule of the MSBA for FY2013 through FY2016.



**Enterprise Fund Revenue: \$14,050,016**

An enterprise fund, authorized by MGL Chapter 44, Section 53F ½ is a separate accounting and financial reporting mechanism for municipal services for which a fee is charged in exchange for goods or services. It allows a community to demonstrate to the public the portion of total costs of a service that is recovered through user charges and the portion that is subsidized by the tax levy, if any.

The City of Salem has three Enterprise Funds; water, sewer, and solid waste. The water and sewer enterprise funds, with estimated revenues of \$5,513,490 and \$7,886,525 respectively, provide for full cost recovery, including indirect costs that are appropriated in the general fund. Water and sewer enterprise fund revenues are estimated to have various increases over the next four fiscal years depending on the costs of assessments from the Salem Beverly Water Supply Board and the South Essex Sewer District, as well as the debt service from some of the major projects underway in the City, including the installation of new water meters throughout the City, the reconstruction of several water mains, the Highland Ave. Water tank construction, the rehabilitation of the Gallows and Folly Hill storage tanks, South River Basin upgrades, and the Forrester St. relief drain.

For FY13, the administration is recommending a water rate increase of 9% and a sewer rate increase of 4% to cover the costs of debt service for the infrastructure repairs listed above. These rate increases are estimated to increase the average single family water/sewer bill by \$51 per year. The City's overall average bill is estimated to be \$969 per year, approximately \$367 less than the average of comparable surrounding communities, such as Beverly, Danvers, Gloucester, and Marblehead.

The Solid Waste Enterprise fund, established in FY08, does not recoup all operating costs. However, the \$650,000 estimated revenues will cover approximately 23% of the total cost of \$2,810,684 in FY2013. The revenues from the Solid Waste Enterprise fund are projected to be flat through FY2015, as the fee is not expected to change in the near future.

**Other Financial Resources – Recurring: \$1,048,106**

The City has three “receipts reserve” accounts; Harbormaster, Witch House, and Golf Course. Receipts reserve accounts are accounts in which proceeds are earmarked by law and placed in separate accounts for appropriation for particular purposes. The City treats these accounts similar to Enterprise Funds, by which the fees charged cover the expenses of the particular program. It is estimated that the revenues generated will increase each year by 2.5% to keep up with rising costs of running each of the three departments. The City also has one “offset receipt” account for the Electrical department, used to pay the City Electricians for their work on fire systems of commercial properties. This account is expected to be level funded for the foreseeable future. The City has not budgeted any non-recurring “other financial resources” for FY2013 through FY2016.

## Expenses

### **General Government:      \$5,008,545**

Departments under General Government include all of the financial offices and overhead support functions, including Mayor, City Council, accounting, assessing, legal, treasury, collector, purchasing, city clerk, etc. In FY13, the administration has budgeted \$525,000 in the Human Resources department, which will go toward funding collective bargaining agreements in FY13. It is not known whether the \$525,000 will be enough to fund all contracts, as such, supplemental appropriation may be necessary to fully fund any agreements that are reached in FY13.

The estimated expense increase for general government services for the City will be 3% for FY2014 through FY2016.

### **Public Safety:      \$17,508,361**

Departments under Public Safety include police, fire, inspectional services, electrical, and harbormaster. The estimated expense increase for public safety for the City will be 5% for police and fire and 3% for inspectional services, electrical and harbormaster for FY2014 through FY2016. These increased are expected due to the historical costs of collective bargaining agreements for police and fire, including minimum staffing levels, as well as the rising costs of utilities for both electrical and harbormaster departments.

### **Public Works and Facilities:      \$3,349,406**

Departments under Public Works and Facilities include public services, engineering, snow and ice removal, and parking department. Estimated expense increase for public services is expected to increase at 5% per year through FY2016. Engineering and parking expense increase are expected to increase by 3% per year through FY2016, and the snow and ice budget will be level funded through FY2016.

### **Human Services:      \$963,032**

Departments under Human Services include the health department, council on aging, and veterans' services. Expenses in human services are projected to increase by 3% per year due to normal increases in salaries and expenses, although the increase of veterans returning from war may put additional pressures on the veterans' budget which is primarily driven by costs of veterans' benefits.

### **Cultural and Recreation:      \$2,347,595**

Departments under Cultural and Recreation include library, park & recreation, golf course, witch house, Winter Island, and historical commission. Expenses in Culture and Recreation are projected to increase by 3% per year due to normal increases in salaries and expenses.

**Fixed Costs:            \$25,316,729**

Fixed costs are costs that are legally or contractually mandated such as health insurance, retirement assessment, Medicare, workers compensation, unemployment, and several other items. Fixed costs continue to be the biggest challenge in municipal budgets. They account for approximately 19% of the total budget in FY2013. Each fixed cost has its own projected increase over the five year forecast that reflects the average costs municipalities are seeing in each category. The projected increases for FY2014 through FY2016 for each fixed cost are as follows:

- Health Insurance: 7%
  - Average increase statewide over the last several years.
- Retirement Assessment: 5.7%
  - Estimated increases needed to fully fund liability by 2030..
- Retirement Anticipation Stabilization Fund: 5%
  - This fund is for those employees who retire and are due sick/vacation buyback.
- Capital Improvement Fund: various
  - This fund is typically used for unexpected capital purchases/repairs; however, the FY2013 Capital Improvement Program has proposed to fund \$340,000 into this account to pay for many capital needs throughout the City. By using this approach, the City will not look to issue long term bonds for these projects/equipment purchases. The City plans to fund the CIP with \$340,000 per year through FY2016 and beyond.
- Medicare: 3%
  - Average increase in wages for City workers over the past several years.
- Municipal Insurance: 3%
  - Historical average of our increases since 2006.
- Worker's Compensation: 3%
  - We are fully insured and expect rates to increase at this level.
- Unemployment: 3%
  - Reasonable estimate
- Non – Contributory Pension: -3%
  - Negative number due to the shrinking number of those retirees who are part of this group.

**Fixed Costs – Debt Service:                \$6,496,343**

Debt service is the repayment cost, usually stated in annual terms and based on an amortization schedule, of the principal and interest on any particular bond issue. The overall debt service for the City is scheduled to decrease for existing debt; however, as part of our capital planning, we try to maintain a 2% increase in the total cost of debt service so that we can actively manage the replacement of vehicles and machinery, maintenance on existing buildings and infrastructure, and construction of new facilities.

**Assessment – North Shore Regional Vocational School District:                \$1,603,586**

The assessment to the City of Salem from NSRVSD reflects the number of students attending the school and the associated costs. It is estimated that these assessments will increase 5% through FY2016. This does not include the cost of the debt service that is to be assessed for the construction of the new school that will combine NWRVS D with the Essex Aggie. These payments are forecasted at \$274,000, \$559,000, and \$468,000 for FY14 through FY16 respectively, as per estimated debt schedules provided by the district.

**Education:    \$50,508,040 for Salem School District & \$1,011,111 for Salem Community Charter School**

The School Committee oversees the budget process for the schools, and it has a bottom line budget of \$50,508,040 for FY2013 regular school, an increase of \$1,652,040 that was approved in fiscal year 2012 (\$48,886,000). Additional funds have been budgeted (\$1,011,111) to fund the new Charter School that was started in September of 2011.

For financial forecasting purposes, we expect that the cost of education will increase the general fund budget by 3% per year in both personnel and non-personnel expenses. The City's finance director and the School's business administrator continue to work on cost saving measures and shared services to ensure that the level of staff at the SPS will be adequate to provide quality education to its students.

**Enterprise Fund Expenses: \$14,718,773**

Expenses in the enterprise fund represent personnel, expenses, contracted services, assessments, and debt service costs for the three enterprise funds of the City: water, sewer, and solid waste. Expenses in the funds are projected to rise from FY2014 to FY2016 as follows:

- Water Enterprise
  - Personnel:                    3%
  - Expenses:                    3%
  - Assessments:                3%
  - Debt Service: per debt schedule (actual and projected)



- Sewer Enterprise
  - Personnel: 3%
  - Expenses: 3%
  - Assessments: 3%
  - Debt Service: per debt schedule (actual and projected)
  
- Solid Waste Enterprise
  - Personnel: 3%
  - Expenses: 3%
  - Contracted Services: 3%

**Cherry Sheet Assessment: \$5,510,721**

Named for the cherry colored paper on which it was originally printed, the Cherry Sheet is the official notification by the Commissioner of Revenue to municipalities and regional school districts of estimated state aid to be paid and charges to be assessed over the next fiscal year. Cherry Sheets are usually issued each spring, following enactment by the Legislature of the state budget for the following year.

The categories of charges include mosquito control projects, RMV non-renewal surcharge, MBTA, and tuition assessment. This year's overall assessments have decreased by 18.6% (decrease of \$1,262,306) from last year's assessment of \$6,773,027. The most significant change in this assessment is the retired municipal teachers insurance was formerly assessed as part of the Cherry Sheet (FY12 = \$1.9 million) but now all city employees and retirees are part of the City's fixed cost budget due to the adoption of Health Reform by the City Council.

It is projected that the Cherry Sheet assessment from the Commonwealth will increase 4% from FY2014 to FY2016.

**Other Expenditures: \$1,091,373**

- Overlay: \$975,349
  - Overlay is an account established annually to fund anticipated property tax abatements exemptions and uncollected taxes in that year. It is anticipated that overlay will vary in its increases due to the triennial certifications of values per the DOR and the increased values of properties throughout the City. Typically, a municipality will increase its overlay on

certification years (our triennial will occur in FY2013) due to the adjustments typically made to conform to all Massachusetts General Laws for assessing property taxes.

- Snow and Ice Deficit \$0
  - The winter season of FY2012 was mild, as such, we find ourselves in a rare situation with no deficit to raise in FY13. It is anticipated that future years will have deficits. Therefore, the amount budgeted for FY14 through FY16 is \$500,000.
- Cherry Sheet Offset: \$76,024
  - Offset receipts are receipts from the Cherry Sheet that are to be used for a specific purpose (school lunch and public library). These obligations are expected to increase 3% for FY2014 to FY2016.

## Conclusion

The City of Salem, like all municipalities throughout the Commonwealth, continue to struggle with rising fixed costs, a sluggish economy, and contractual obligations that make balancing budgets very challenging. In most cases, Proposition 2 ½, the law that regulates the increases a municipality can increase its property taxes, does not allow for property tax revenue to keep up with the costs of doing business.

The five year financial forecast is a tool that helps us best manage the challenges. It is a tool that uses reasonable estimates in both revenue and expenditure trends while considering the overall economic picture of the current times. The goal is to project revenues and expenditures up to five years into the future which will help the administration analyze where current trends are leading and estimate if money will be available for discretionary spending such as capital purchases, collective bargaining settlements, and new municipal program. It also will help identify those “budget buster” items that need reform from the local or state government.

The five year forecast, combined with the capital improvement program and FY2013 budget will continue to be the basis for all future financial planning for the City of Salem.

Long-Term Debt Obligations

Fiscal Year 2011 - 2028

| Date of Issue                              | Original Issue | Project                    | O/S | Pmt Sch | Interest Rate (%) | Outstanding at June 30, 2011 | 2012         |              | 2013         |              | 2014         |              | 2015         |              | 2016         |              |
|--|----------------|----------------------------|-----|---------|-------------------|------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
|  |                |                            |     |         |                   |                              | Principal    | Interest     | Principal    | Interest     | Principal    | Interest     | Principal    | Interest     | Principal    | Interest     |
| Bonds:                                     |                |                            |     |         |                   |                              |              |              |              |              |              |              |              |              |              |              |
| 9/15/2000                                  | 10,705,000     | Bates School Construction* | x   | x       | 4.50-6.75%        |                              | \$ -         | \$ -         | \$ -         | \$ -         | \$ -         | \$ -         | \$ -         | \$ -         | \$ -         | \$ -         |
| 9/15/2000                                  | 450,000        | Swimming Pool*             | x   | x       | 4.50-6.75%        |                              | \$ -         | \$ -         | \$ -         | \$ -         | \$ -         | \$ -         | \$ -         | \$ -         | \$ -         | \$ -         |
| 9/15/2000                                  | 470,000        | Golf Course*               | x   | x       | 4.50-6.75%        |                              | \$ -         | \$ -         | \$ -         | \$ -         | \$ -         | \$ -         | \$ -         | \$ -         | \$ -         | \$ -         |
| 8/1/2001                                   | 4,710,000      | School Construction        | x   | x       | 3.50-4.00%        |                              | \$ -         | \$ -         | \$ -         | \$ -         | \$ -         | \$ -         | \$ -         | \$ -         | \$ -         | \$ -         |
| 8/1/2001                                   | 6,495,000      | School Construction        | x   | x       | 3.50-4.00%        | \$ 612,000                   | \$ 612,000   | \$ 12,240    | \$ -         | \$ -         | \$ -         | \$ -         | \$ -         | \$ -         | \$ -         | \$ -         |
| 8/1/2001                                   | 2,935,000      | Police Station             | x   | x       | 3.50-4.00%        | \$ 293,000                   | \$ 293,000   | \$ 5,860     | \$ -         | \$ -         | \$ -         | \$ -         | \$ -         | \$ -         | \$ -         | \$ -         |
| 1/15/2003                                  | 17,646,075     | School Construction        | x   | x       | 3.00-5.00%        | \$ 12,280,000                | \$ 805,000   | \$ 540,100   | \$ 840,000   | \$ 509,913   | \$ 875,000   | \$ 476,313   | \$ 915,000   | \$ 441,313   | \$ 950,000   | \$ 404,713   |
| 1/15/2003                                  | 9,523,925      | School Construction        | x   | x       | 3.00-5.00%        | \$ 6,625,000                 | \$ 435,000   | \$ 291,329   | \$ 455,000   | \$ 275,016   | \$ 470,000   | \$ 256,816   | \$ 495,000   | \$ 238,016   | \$ 515,000   | \$ 218,216   |
| 1/15/2003                                  | 1,500,000      | School Construction        | x   | x       | 3.00-5.00%        | \$ 920,000                   | \$ 85,000    | \$ 39,655    | \$ 90,000    | \$ 36,468    | \$ 95,000    | \$ 32,868    | \$ 100,000   | \$ 29,068    | \$ 100,000   | \$ 25,068    |
| 6/1/2003                                   | 4,480,000      | School Construction        | x   | x       | 2.25-4.50%        | \$ 925,000                   | \$ 465,000   | \$ 27,675    | \$ 480,000   | \$ 10,350    | \$ -         | \$ -         | \$ -         | \$ -         | \$ -         | \$ -         |
| 1/1/2005                                   | 1,887,447      | School Construction        | x   | x       | 3.00-5.00%        | \$ 1,315,000                 | \$ 95,000    | \$ 55,561    | \$ 95,000    | \$ 52,331    | \$ 95,000    | \$ 47,581    | \$ 95,000    | \$ 42,831    | \$ 95,000    | \$ 38,081    |
| 1/1/2005                                   | 577,553        | School Construction        | x   | x       | 3.00-5.00%        | \$ 395,000                   | \$ 30,000    | \$ 16,708    | \$ 30,000    | \$ 15,688    | \$ 30,000    | \$ 14,188    | \$ 30,000    | \$ 12,688    | \$ 30,000    | \$ 11,188    |
| 1/1/2005                                   | 1,100,000      | Parking Garage Repairs     | x   | x       | 3.00-5.00%        | \$ 650,000                   | \$ 75,000    | \$ 27,800    | \$ 75,000    | \$ 25,250    | \$ 75,000    | \$ 21,500    | \$ 75,000    | \$ 17,750    | \$ 75,000    | \$ 14,000    |
| 10/15/2007                                 | 6,885,633      | High School                | x   | x       | 4.125-5.00%       | \$ 5,850,000                 | \$ 345,000   | \$ 233,119   | \$ 345,000   | \$ 215,869   | \$ 345,000   | \$ 200,344   | \$ 345,000   | \$ 186,544   | \$ 345,000   | \$ 173,175   |
| 10/15/2007                                 | 658,864        | Police Equipment           | x   | x       | 3.750-5.00%       | \$ 400,000                   | \$ 80,000    | \$ 15,400    | \$ 80,000    | \$ 11,400    | \$ 80,000    | \$ 7,800     | \$ 80,000    | \$ 4,600     | \$ 80,000    | \$ 1,500     |
| 10/15/2007                                 | 775,000        | Ferry Boat Project         | x   | x       | 4.00-5.00%        | \$ 595,000                   | \$ 60,000    | \$ 23,350    | \$ 60,000    | \$ 20,350    | \$ 60,000    | \$ 17,650    | \$ 60,000    | \$ 15,250    | \$ 60,000    | \$ 12,925    |
| 1/19/2010                                  | 8,285,000      | G.O. State Qual Refunding* | x   | x       | 2.00-5.00%        | \$ 8,285,000                 | \$ 870,000   | \$ 254,975   | \$ 840,000   | \$ 237,875   | \$ 1,400,000 | \$ 194,475   | \$ 840,000   | \$ 146,875   | \$ 850,000   | \$ 121,525   |
| 10/15/2010                                 | 1,995,000      | CIP 2009 Bonds             | x   | x       | 3.00 & 4.00%      | \$ 1,995,000                 | \$ 245,000   | \$ 64,525    | \$ 245,000   | \$ 57,175    | \$ 235,000   | \$ 49,975    | \$ 225,000   | \$ 43,075    | \$ 210,000   | \$ 36,550    |
| 10/15/2010                                 | 4,224,000      | CIP 2010 Bonds             | x   | x       | 3.00 & 4.00%      | \$ 4,224,000                 | \$ 394,000   | \$ 143,760   | \$ 290,000   | \$ 101,500   | 285,000.00   | 92,875.00    | 280,000.00   | 84,400.00    | 280,000.00   | 76,000.00    |
| New Debt - FY13                            |                |                            |     |         |                   |                              |              |              |              |              |              |              |              |              |              |              |
| G.F. BOND TOTAL                            |                |                            |     |         |                   | \$ 45,364,000                | \$ 4,889,000 | \$ 1,752,056 | \$ 3,905,000 | \$ 1,569,184 | \$ 4,045,000 | \$ 1,412,384 | \$ 3,540,000 | \$ 1,262,409 | \$ 3,590,000 | \$ 1,132,940 |
| Water Loans                                |                |                            |     |         |                   |                              |              |              |              |              |              |              |              |              |              |              |
| 2006                                       | 2,330,656      | Water-MWPAT-DW-05-12       | N/A | x       | 2.00%             | \$ 1,939,280                 | \$ 103,880   | \$ 37,747    | \$ 105,978   | \$ 35,648    | \$ 108,119   | \$ 33,507    | \$ 110,303   | \$ 31,323    | \$ 112,532   | \$ 29,095    |
| 10/15/2007                                 | 3,250,503      | Water System Improvements  | x   | x       | 4.125-5.00%       | \$ 2,750,000                 | \$ 165,000   | \$ 109,563   | \$ 165,000   | \$ 101,313   | \$ 165,000   | \$ 93,888    | \$ 165,000   | \$ 87,288    | \$ 165,000   | \$ 80,894    |
| 10/15/2010                                 | 7,464,000      | Water Bonds                | x   | x       | 3.00 & 4.00%      | \$ 7,464,000                 | \$ 444,000   | \$ 269,860   | \$ 540,000   | \$ 287,100   | 540,000.00   | 270,900.00   | 540,000.00   | 254,700.00   | 540,000.00   | 238,500.00   |
| New Debt - FY13                            |                |                            |     |         |                   |                              |              |              |              |              |              |              |              |              |              |              |
| WATER BOND TOTAL                           |                |                            |     |         |                   | \$ 12,153,280                | \$ 712,880   | \$ 417,169   | \$ 810,978   | \$ 424,061   | \$ 813,119   | \$ 398,295   | \$ 815,303   | \$ 373,311   | \$ 817,532   | \$ 348,488   |
| Sewer Loans                                |                |                            |     |         |                   |                              |              |              |              |              |              |              |              |              |              |              |
| 10/15/2010                                 | 1,690,000      | Sewer Bonds                | x   | x       | 3.00 & 4.00%      | \$ 1,690,000                 | \$ 105,000   | \$ 61,125    | \$ 100,000   | \$ 58,050    | \$ 95,000    | \$ 55,125    | \$ 95,000    | \$ 52,275    | \$ 95,000    | \$ 49,425    |
| New Debt - FY13                            |                |                            |     |         |                   |                              |              |              |              |              |              |              |              |              |              |              |
| SEWER BOND TOTAL                           |                |                            |     |         |                   | \$ 1,690,000                 | \$ 105,000   | \$ 61,125    | \$ 100,000   | \$ 58,050    | \$ 95,000    | \$ 55,125    | \$ 95,000    | \$ 52,275    | \$ 95,000    | \$ 49,425    |
| TOTAL BONDS                                |                |                            |     |         |                   | \$ 59,207,280                | \$ 5,706,880 | \$ 2,230,351 | \$ 4,815,978 | \$ 2,051,295 | \$ 4,953,119 | \$ 1,865,804 | \$ 4,450,303 | \$ 1,687,994 | \$ 4,502,532 | \$ 1,530,853 |
| HUD Section 108 Loans:                     |                |                            |     |         |                   |                              |              |              |              |              |              |              |              |              |              |              |
| 6/30/2004                                  | 350,000        | HUD Section 108 B-94-MC-25 |     |         | 2.31-5.19%        | \$ 140,000                   | \$ 35,000    | \$ 6,169     | \$ 35,000    | \$ 4,463     | \$ 35,000    | \$ 2,706     | \$ 35,000    | \$ 908       |              |              |
| HUD SECTION 108 TOTAL                      |                |                            |     |         |                   | \$ 140,000                   | \$ 35,000    | \$ 6,169     | \$ 35,000    | \$ 4,463     | \$ 35,000    | \$ 2,706     | \$ 35,000    | \$ 908       |              |              |
| TOTAL LONG-TERM DEBT (bonds and 108 Loans) |                |                            |     |         |                   | \$ 59,347,280                | \$ 5,741,880 | \$ 2,236,519 | \$ 4,850,978 | \$ 2,055,757 | \$ 4,988,119 | \$ 1,868,509 | \$ 4,485,303 | \$ 1,688,903 | \$ 4,502,532 | \$ 1,530,853 |

\*Refinanced 1/19/10 as General Obligation State Qualified Bond

Long-Term Debt Obligations

Fiscal Year 2011 - 2028

| Date of Issue                                     | Original Issue | Project                    | O/S | Pmt Sch | Interest Rate (%) | Principal    | 2017 Interest | Principal    | 2018 Interest | Principal    | 2019 Interest | Principal    | 2020 Interest | Principal    | 2021 Interest | Principal    | 2022 Interest |
|---|----------------|----------------------------|-----|---------|-------------------|--------------|---------------|--------------|---------------|--------------|---------------|--------------|---------------|--------------|---------------|--------------|---------------|
| <b>Bonds:</b>                                     |                |                            |     |         |                   |              |               |              |               |              |               |              |               |              |               |              |               |
| 9/15/2000   | 10,705,000     | Bates School Construction* | x   | x       | 4.50-6.75%        | \$ -         | \$ -          | \$ -         | \$ -          | \$ -         | \$ -          | \$ -         | \$ -          | \$ -         | \$ -          | \$ -         | \$ -          |
| 9/15/2000   | 450,000        | Swimming Pool*             | x   | x       | 4.50-6.75%        | \$ -         | \$ -          | \$ -         | \$ -          | \$ -         | \$ -          | \$ -         | \$ -          | \$ -         | \$ -          | \$ -         | \$ -          |
| 9/15/2000   | 470,000        | Golf Course*               | x   | x       | 4.50-6.75%        | \$ -         | \$ -          | \$ -         | \$ -          | \$ -         | \$ -          | \$ -         | \$ -          | \$ -         | \$ -          | \$ -         | \$ -          |
| 8/1/2001  | 4,710,000      | School Construction        | x   | x       | 3.50-4.00%        | \$ -         | \$ -          | \$ -         | \$ -          | \$ -         | \$ -          | \$ -         | \$ -          | \$ -         | \$ -          | \$ -         | \$ -          |
| 8/1/2001  | 6,495,000      | School Construction        | x   | x       | 3.50-4.00%        | \$ -         | \$ -          | \$ -         | \$ -          | \$ -         | \$ -          | \$ -         | \$ -          | \$ -         | \$ -          | \$ -         | \$ -          |
| 8/1/2001  | 2,935,000      | Police Station             | x   | x       | 3.50-4.00%        | \$ -         | \$ -          | \$ -         | \$ -          | \$ -         | \$ -          | \$ -         | \$ -          | \$ -         | \$ -          | \$ -         | \$ -          |
| 1/15/2003   | 17,646,075     | School Construction        | x   | x       | 3.00-5.00%        | \$ 990,000   | \$ 365,525    | \$ 1,035,000 | \$ 323,450    | \$ 1,080,000 | \$ 278,945    | \$ 1,125,000 | \$ 224,945    | \$ 1,170,000 | \$ 168,695    | \$ 1,220,000 | \$ -          |
| 1/15/2003   | 9,523,925      | School Construction        | x   | x       | 3.00-5.00%        | \$ 535,000   | \$ 196,973    | \$ 560,000   | \$ 174,235    | \$ 580,000   | \$ 150,155    | \$ 605,000   | \$ 121,155    | \$ 630,000   | \$ 90,905     | \$ 660,000   | \$ -          |
| 1/15/2003   | 1,500,000      | School Construction        | x   | x       | 3.00-5.00%        | \$ 105,000   | \$ 20,943     | \$ 110,000   | \$ 16,480     | \$ 115,000   | \$ 11,750     | \$ 120,000   | \$ 6,000      | \$ -         | \$ -          | \$ -         | \$ -          |
| 6/1/2003  | 4,480,000      | School Construction        | x   | x       | 2.25-4.50%        | \$ -         | \$ -          | \$ -         | \$ -          | \$ -         | \$ -          | \$ -         | \$ -          | \$ -         | \$ -          | \$ -         | \$ -          |
| 1/1/2005  | 1,887,447      | School Construction        | x   | x       | 3.00-5.00%        | \$ 95,000    | \$ 34,281     | \$ 95,000    | \$ 30,481     | \$ 95,000    | \$ 26,681     | \$ 95,000    | \$ 22,881     | \$ 95,000    | \$ 19,081     | \$ 95,000    | \$ -          |
| 1/1/2005  | 577,553        | School Construction        | x   | x       | 3.00-5.00%        | \$ 30,000    | \$ 9,988      | \$ 30,000    | \$ 8,788      | \$ 30,000    | \$ 7,588      | \$ 30,000    | \$ 6,388      | \$ 25,000    | \$ 5,188      | \$ 25,000    | \$ -          |
| 1/1/2005  | 1,100,000      | Parking Garage Repairs     | x   | x       | 3.00-5.00%        | \$ 75,000    | \$ 11,000     | \$ 75,000    | \$ 8,000      | \$ 75,000    | \$ 5,000      | \$ 50,000    | \$ 2,000      | \$ -         | \$ -          | \$ -         | \$ -          |
| 10/15/2007  | 6,885,633      | High School                | x   | x       | 4.125-5.00%       | \$ 345,000   | \$ 159,806    | \$ 345,000   | \$ 146,006    | \$ 345,000   | \$ 132,206    | \$ 345,000   | \$ 118,406    | \$ 345,000   | \$ 104,606    | \$ 345,000   | \$ -          |
| 10/15/2007  | 658,864        | Police Equipment           | x   | x       | 3.750-5.00%       | \$ -         | \$ -          | \$ -         | \$ -          | \$ -         | \$ -          | \$ -         | \$ -          | \$ -         | \$ -          | \$ -         | \$ -          |
| 10/15/2007  | 775,000        | Ferry Boat Project         | x   | x       | 4.00-5.00%        | \$ 60,000    | \$ 10,600     | \$ 60,000    | \$ 8,200      | \$ 60,000    | \$ 5,800      | \$ 60,000    | \$ 3,400      | \$ 55,000    | \$ 1,100      | \$ -         | \$ -          |
| 1/19/2010   | 8,285,000      | G.O. State Qual Refunding* | x   | x       | 2.00-5.00%        | \$ 785,000   | \$ 73,300     | \$ 830,000   | \$ 47,888     | \$ 860,000   | \$ 17,200     | \$ -         | \$ -          | \$ -         | \$ -          | \$ -         | \$ -          |
| 10/15/2010  | 1,995,000      | CIP 2009 Bonds             | x   | x       | 3.00 & 4.00%      | \$ 150,000   | \$ 30,400     | \$ 140,000   | \$ 24,600     | \$ 135,000   | \$ 19,100     | \$ 130,000   | \$ 13,800     | \$ 130,000   | \$ 8,600      | \$ 30,000    | \$ -          |
| 10/15/2010  | 4,224,000      | CIP 2010 Bonds             | x   | x       | 3.00 & 4.00%      | 230,000.00   | 67,200.00     | 215,000.00   | 58,300.00     | 215,000.00   | 49,700.00     | 210,000.00   | 41,200.00     | 205,000.00   | 32,900.00     | 170,000.00   | \$ -          |
| New Debt - FY13                                   |                |                            |     |         |                   |              |               |              |               |              |               |              |               |              |               |              |               |
| <b>G.F. BOND TOTAL</b>                            |                |                            |     |         |                   | \$ 3,400,000 | \$ 980,015    | \$ 3,495,000 | \$ 846,428    | \$ 3,590,000 | \$ 704,125    | \$ 2,770,000 | \$ 560,175    | \$ 2,655,000 | \$ 431,075    | \$ 2,545,000 | \$ -          |
| <b>Water Loans</b>                                |                |                            |     |         |                   |              |               |              |               |              |               |              |               |              |               |              |               |
| 2006  | 2,330,656      | Water-MWPAT-DW-05-12       | N/A | x       | 2.00%             | \$ 114,805   | \$ 26,821     | \$ 117,124   | \$ 24,502     | \$ 119,490   | \$ 22,136     | \$ 121,904   | \$ 19,722     | \$ 124,367   | \$ 17,259     | \$ 126,880   | \$ -          |
| 10/15/2007  | 3,250,503      | Water System Improvements  | x   | x       | 4.125-5.00%       | \$ 165,000   | \$ 74,500     | \$ 160,000   | \$ 68,000     | \$ 160,000   | \$ 61,600     | \$ 160,000   | \$ 55,200     | \$ 160,000   | \$ 48,800     | \$ 160,000   | \$ -          |
| 10/15/2010  | 7,464,000      | Water Bonds                | x   | x       | 3.00 & 4.00%      | 540,000.00   | 219,600.00    | 540,000.00   | 198,000.00    | 540,000.00   | 176,400.00    | 540,000.00   | 154,800.00    | 540,000.00   | 133,200.00    | 440,000.00   | \$ -          |
| New Debt - FY13                                   |                |                            |     |         |                   |              |               |              |               |              |               |              |               |              |               |              |               |
| <b>WATER BOND TOTAL</b>                           |                |                            |     |         |                   | \$ 819,805   | \$ 320,921    | \$ 817,124   | \$ 290,502    | \$ 819,490   | \$ 260,136    | \$ 821,904   | \$ 229,722    | \$ 824,367   | \$ 199,259    | \$ 726,880   | \$ -          |
| <b>Sewer Loans</b>                                |                |                            |     |         |                   |              |               |              |               |              |               |              |               |              |               |              |               |
| 10/15/2010  | 1,690,000      | Sewer Bonds                | x   | x       | 3.00 & 4.00%      | \$ 95,000    | \$ 46,100     | \$ 95,000    | \$ 42,300     | \$ 95,000    | \$ 38,500     | \$ 95,000    | \$ 34,700     | \$ 90,000    | \$ 31,000     | \$ 85,000    | \$ -          |
| New Debt - FY13                                   |                |                            |     |         |                   |              |               |              |               |              |               |              |               |              |               |              |               |
| <b>SEWER BOND TOTAL</b>                           |                |                            |     |         |                   | \$ 95,000    | \$ 46,100     | \$ 95,000    | \$ 42,300     | \$ 95,000    | \$ 38,500     | \$ 95,000    | \$ 34,700     | \$ 90,000    | \$ 31,000     | \$ 85,000    | \$ -          |
| <b>TOTAL BONDS</b>                                |                |                            |     |         |                   | \$ 4,314,805 | \$ 1,347,036  | \$ 4,407,124 | \$ 1,179,230  | \$ 4,504,490 | \$ 1,002,761  | \$ 3,686,904 | \$ 824,597    | \$ 3,569,367 | \$ 661,334    | \$ 3,356,880 | \$ -          |
| <b>HUD Section 108 Loans:</b>                     |                |                            |     |         |                   |              |               |              |               |              |               |              |               |              |               |              |               |
| 6/30/2004   | 350,000        | HUD Section 108 B-94-MC-25 |     |         | 2.31-5.19%        | \$ -         | \$ -          | \$ -         | \$ -          | \$ -         | \$ -          | \$ -         | \$ -          | \$ -         | \$ -          | \$ -         | \$ -          |
| <b>HUD SECTION 108 TOTAL</b>                      |                |                            |     |         |                   |              |               |              |               |              |               |              |               |              |               |              |               |
| <b>TOTAL LONG-TERM DEBT (bonds and 108 Loans)</b> |                |                            |     |         |                   | \$ 4,314,805 | \$ 1,347,036  | \$ 4,407,124 | \$ 1,179,230  | \$ 4,504,490 | \$ 1,002,761  | \$ 3,686,904 | \$ 824,597    | \$ 3,569,367 | \$ 661,334    | \$ 3,356,880 | \$ -          |

\*Refinanced 1/19/10 as General Obligation State Qualified Bond



Long-Term Debt Obligations

Fiscal Year 2011 - 2028

| Date of Issue                                     | Original Issue | Project                    | O/S | Pmt Sch | Interest Rate (%) | Interest          | 2023 Principal      | Interest          | 2024 Principal      | Interest          | 2025 Principal      | Interest          | 2026 Principal      | Interest          | 2027 Principal    | Interest         | 2028 Principal    | Interest         |
|---|----------------|----------------------------|-----|---------|-------------------|-------------------|---------------------|-------------------|---------------------|-------------------|---------------------|-------------------|---------------------|-------------------|-------------------|------------------|-------------------|------------------|
| <b>Bonds:</b>                                     |                |                            |     |         |                   |                   |                     |                   |                     |                   |                     |                   |                     |                   |                   |                  |                   |                  |
| 9/15/2000   | 10,705,000     | Bates School Construction* | x   | x       | 4.50-6.75%        | \$ -              | \$ -                | \$ -              | \$ -                | \$ -              | \$ -                | \$ -              | \$ -                | \$ -              | \$ -              | \$ -             | \$ -              | \$ -             |
| 9/15/2000   | 450,000        | Swimming Pool*             | x   | x       | 4.50-6.75%        | \$ -              | \$ -                | \$ -              | \$ -                | \$ -              | \$ -                | \$ -              | \$ -                | \$ -              | \$ -              | \$ -             | \$ -              | \$ -             |
| 9/15/2000   | 470,000        | Golf Course*               | x   | x       | 4.50-6.75%        | \$ -              | \$ -                | \$ -              | \$ -                | \$ -              | \$ -                | \$ -              | \$ -                | \$ -              | \$ -              | \$ -             | \$ -              | \$ -             |
| 8/1/2001  | 4,710,000      | School Construction        | x   | x       | 3.50-4.00%        | \$ -              | \$ -                | \$ -              | \$ -                | \$ -              | \$ -                | \$ -              | \$ -                | \$ -              | \$ -              | \$ -             | \$ -              | \$ -             |
| 8/1/2001  | 6,495,000      | School Construction        | x   | x       | 3.50-4.00%        | \$ -              | \$ -                | \$ -              | \$ -                | \$ -              | \$ -                | \$ -              | \$ -                | \$ -              | \$ -              | \$ -             | \$ -              | \$ -             |
| 8/1/2001  | 2,935,000      | Police Station             | x   | x       | 3.50-4.00%        | \$ -              | \$ -                | \$ -              | \$ -                | \$ -              | \$ -                | \$ -              | \$ -                | \$ -              | \$ -              | \$ -             | \$ -              | \$ -             |
| 1/15/2003   | 17,646,075     | School Construction        | x   | x       | 3.00-5.00%        | \$ 116,045        | \$ 1,275,000        | \$ 59,925         | \$ -                | \$ -              | \$ -                | \$ -              | \$ -                | \$ -              | \$ -              | \$ -             | \$ -              | \$ -             |
| 1/15/2003   | 9,523,925      | School Construction        | x   | x       | 3.00-5.00%        | \$ 62,555         | \$ 685,000          | \$ 32,195         | \$ -                | \$ -              | \$ -                | \$ -              | \$ -                | \$ -              | \$ -              | \$ -             | \$ -              | \$ -             |
| 1/15/2003   | 1,500,000      | School Construction        | x   | x       | 3.00-5.00%        | \$ -              | \$ -                | \$ -              | \$ -                | \$ -              | \$ -                | \$ -              | \$ -                | \$ -              | \$ -              | \$ -             | \$ -              | \$ -             |
| 6/1/2003  | 4,480,000      | School Construction        | x   | x       | 2.25-4.50%        | \$ -              | \$ -                | \$ -              | \$ -                | \$ -              | \$ -                | \$ -              | \$ -                | \$ -              | \$ -              | \$ -             | \$ -              | \$ -             |
| 1/1/2005  | 1,887,447      | School Construction        | x   | x       | 3.00-5.00%        | \$ 15,281         | \$ 90,000           | \$ 11,363         | \$ 90,000           | \$ 7,650          | \$ 90,000           | \$ 3,825          | \$ -                | \$ -              | \$ -              | \$ -             | \$ -              | \$ -             |
| 1/1/2005  | 577,553        | School Construction        | x   | x       | 3.00-5.00%        | \$ 4,188          | \$ 25,000           | \$ 3,156          | \$ 25,000           | \$ 2,125          | \$ 25,000           | \$ 1,063          | \$ -                | \$ -              | \$ -              | \$ -             | \$ -              | \$ -             |
| 1/1/2005  | 1,100,000      | Parking Garage Repairs     | x   | x       | 3.00-5.00%        | \$ -              | \$ -                | \$ -              | \$ -                | \$ -              | \$ -                | \$ -              | \$ -                | \$ -              | \$ -              | \$ -             | \$ -              | \$ -             |
| 10/15/2007  | 6,885,633      | High School                | x   | x       | 4.125-5.00%       | \$ 90,806         | \$ 345,000          | \$ 77,006         | \$ 345,000          | \$ 63,206         | \$ 345,000          | \$ 49,191         | \$ 340,000          | \$ 35,063         | \$ 340,000        | \$ 21,038        | \$ 340,000        | \$ 7,013         |
| 10/15/2007  | 658,864        | Police Equipment           | x   | x       | 3.750-5.00%       |                   |                     |                   |                     |                   |                     |                   |                     |                   |                   |                  |                   |                  |
| 10/15/2007  | 775,000        | Ferry Boat Project         | x   | x       | 4.00-5.00%        |                   |                     |                   |                     |                   |                     |                   |                     |                   |                   |                  |                   |                  |
| 1/19/2010   | 8,285,000      | G.O. State Qual Refunding* | x   | x       | 2.00-5.00%        |                   |                     |                   |                     |                   |                     |                   |                     |                   |                   |                  |                   |                  |
| 10/15/2010  | 1,995,000      | CIP 2009 Bonds             | x   | x       | 3.00 & 4.00%      | \$ 5,400          | \$ 30,000           | \$ 4,200          | \$ 30,000           | \$ 3,000          | \$ 30,000           | \$ 1,800          | \$ 30,000           | \$ 600            |                   |                  |                   |                  |
| 10/15/2010  | 4,224,000      | CIP 2010 Bonds             | x   | x       | 3.00 & 4.00%      | 25,400.00         | 170,000.00          | 18,600.00         | 170,000.00          | 11,800.00         | 170,000.00          | 5,000.00          | 40,000.00           | 800.00            |                   |                  |                   |                  |
| New Debt - FY13                                   |                |                            |     |         |                   |                   |                     |                   |                     |                   |                     |                   |                     |                   |                   |                  |                   |                  |
| <b>G.F. BOND TOTAL</b>                            |                |                            |     |         |                   | <b>\$ 319,675</b> | <b>\$ 2,620,000</b> | <b>\$ 206,445</b> | <b>\$ 660,000</b>   | <b>\$ 87,781</b>  | <b>\$ 660,000</b>   | <b>\$ 60,878</b>  | <b>\$ 410,000</b>   | <b>\$ 36,463</b>  | <b>\$ 340,000</b> | <b>\$ 21,038</b> | <b>\$ 340,000</b> | <b>\$ 7,013</b>  |
| <b>Water Loans</b>                                |                |                            |     |         |                   |                   |                     |                   |                     |                   |                     |                   |                     |                   |                   |                  |                   |                  |
| 2006  | 2,330,656      | Water-MWPAT-DW-05-12       | N/A | x       | 2.00%             | \$ 14,747         | \$ 129,443          | \$ 12,184         | \$ 132,058          | \$ 9,569          | \$ 134,726          | \$ 6,901          | \$ 137,447          | \$ 4,179          | \$ 140,224        | \$ 1,402         |                   |                  |
| 10/15/2007  | 3,250,503      | Water System Improvements  | x   | x       | 4.125-5.00%       | \$ 42,400         | \$ 160,000          | \$ 36,000         | \$ 160,000          | \$ 29,600         | \$ 160,000          | \$ 23,100         | \$ 160,000          | \$ 16,500         | \$ 160,000        | \$ 9,900         | \$ 160,000        | \$ 3,300         |
| 10/15/2010  | 7,464,000      | Water Bonds                | x   | x       | 3.00 & 4.00%      | 113,600.00        | 440,000.00          | 96,000.00         | 435,000.00          | 78,500.00         | 435,000.00          | 61,100.00         | 430,000.00          | 43,800.00         | 230,000.00        | 30,600.00        | 230,000.00        | 21,400.00        |
| New Debt - FY13                                   |                |                            |     |         |                   |                   |                     |                   |                     |                   |                     |                   |                     |                   |                   |                  |                   |                  |
| <b>WATER BOND TOTAL</b>                           |                |                            |     |         |                   | <b>\$ 170,747</b> | <b>\$ 729,443</b>   | <b>\$ 144,184</b> | <b>\$ 727,058</b>   | <b>\$ 117,669</b> | <b>\$ 729,726</b>   | <b>\$ 91,101</b>  | <b>\$ 727,447</b>   | <b>\$ 64,479</b>  | <b>\$ 530,224</b> | <b>\$ 41,902</b> | <b>\$ 390,000</b> | <b>\$ 24,700</b> |
| <b>Sewer Loans</b>                                |                |                            |     |         |                   |                   |                     |                   |                     |                   |                     |                   |                     |                   |                   |                  |                   |                  |
| 10/15/2010  | 1,690,000      | Sewer Bonds                | x   | x       | 3.00 & 4.00%      | \$ 27,500         | \$ 85,000           | \$ 24,100         | \$ 85,000           | \$ 20,700         | \$ 85,000           | \$ 17,300         | \$ 85,000           | \$ 13,900         | \$ 85,000         | \$ 10,500        | \$ 85,000         | \$ 7,100         |
| New Debt - FY13                                   |                |                            |     |         |                   |                   |                     |                   |                     |                   |                     |                   |                     |                   |                   |                  |                   |                  |
| <b>SEWER BOND TOTAL</b>                           |                |                            |     |         |                   | <b>\$ 27,500</b>  | <b>\$ 85,000</b>    | <b>\$ 24,100</b>  | <b>\$ 85,000</b>    | <b>\$ 20,700</b>  | <b>\$ 85,000</b>    | <b>\$ 17,300</b>  | <b>\$ 85,000</b>    | <b>\$ 13,900</b>  | <b>\$ 85,000</b>  | <b>\$ 10,500</b> | <b>\$ 85,000</b>  | <b>\$ 7,100</b>  |
| <b>TOTAL BONDS</b>                                |                |                            |     |         |                   | <b>\$ 517,922</b> | <b>\$ 3,434,443</b> | <b>\$ 374,729</b> | <b>\$ 1,472,058</b> | <b>\$ 226,150</b> | <b>\$ 1,474,726</b> | <b>\$ 169,279</b> | <b>\$ 1,222,447</b> | <b>\$ 114,841</b> | <b>\$ 955,224</b> | <b>\$ 73,440</b> | <b>\$ 815,000</b> | <b>\$ 38,813</b> |
| <b>HUD Section 108 Loans:</b>                     |                |                            |     |         |                   |                   |                     |                   |                     |                   |                     |                   |                     |                   |                   |                  |                   |                  |
| 6/30/2004   | 350,000        | HUD Section 108 B-94-MC-25 |     |         | 2.31-5.19%        |                   |                     |                   |                     |                   |                     |                   |                     |                   |                   |                  |                   |                  |
| <b>HUD SECTION 108 TOTAL</b>                      |                |                            |     |         |                   |                   |                     |                   |                     |                   |                     |                   |                     |                   |                   |                  |                   |                  |
| <b>TOTAL LONG-TERM DEBT (bonds and 108 Loans)</b> |                |                            |     |         |                   | <b>\$ 517,922</b> | <b>\$ 3,434,443</b> | <b>\$ 374,729</b> | <b>\$ 1,472,058</b> | <b>\$ 226,150</b> | <b>\$ 1,474,726</b> | <b>\$ 169,279</b> | <b>\$ 1,222,447</b> | <b>\$ 114,841</b> | <b>\$ 955,224</b> | <b>\$ 73,440</b> | <b>\$ 815,000</b> | <b>\$ 38,813</b> |

\*Refinanced 1/19/10 as General Obligation State Qualified Bond

Long-Term Debt Obligations

Fiscal Year 2011 - 2028

| Date of Issue                              | Original Issue | Project                    | O/S | Pmt Sch | Interest Rate (%) | 2029 Principal | 2029 Interest | 2030 Principal | 2030 Interest | 2031 Principal | 2031 Interest |
|--|----------------|----------------------------|-----|---------|-------------------|----------------|---------------|----------------|---------------|----------------|---------------|
| <b>Bonds:</b>                              |                |                            |     |         |                   |                |               |                |               |                |               |
| 9/15/2000                                  | 10,705,000     | Bates School Construction* | x   | x       | 4.50-6.75%        |                |               |                |               |                |               |
| 9/15/2000                                  | 450,000        | Swimming Pool*             | x   | x       | 4.50-6.75%        |                |               |                |               |                |               |
| 9/15/2000                                  | 470,000        | Golf Course*               | x   | x       | 4.50-6.75%        |                |               |                |               |                |               |
| 8/1/2001                                   | 4,710,000      | School Construction        | x   | x       | 3.50-4.00%        |                |               |                |               |                |               |
| 8/1/2001                                   | 6,495,000      | School Construction        | x   | x       | 3.50-4.00%        |                |               |                |               |                |               |
| 8/1/2001                                   | 2,935,000      | Police Station             | x   | x       | 3.50-4.00%        |                |               |                |               |                |               |
| 1/15/2003                                  | 17,646,075     | School Construction        | x   | x       | 3.00-5.00%        |                |               |                |               |                |               |
| 1/15/2003                                  | 9,523,925      | School Construction        | x   | x       | 3.00-5.00%        |                |               |                |               |                |               |
| 1/15/2003                                  | 1,500,000      | School Construction        | x   | x       | 3.00-5.00%        |                |               |                |               |                |               |
| 6/1/2003                                   | 4,480,000      | School Construction        | x   | x       | 2.25-4.50%        |                |               |                |               |                |               |
| 1/1/2005                                   | 1,887,447      | School Construction        | x   | x       | 3.00-5.00%        |                |               |                |               |                |               |
| 1/1/2005                                   | 577,553        | School Construction        | x   | x       | 3.00-5.00%        |                |               |                |               |                |               |
| 1/1/2005                                   | 1,100,000      | Parking Garage Repairs     | x   | x       | 3.00-5.00%        |                |               |                |               |                |               |
| 10/15/2007                                 | 6,885,633      | High School                | x   | x       | 4.125-5.00%       |                |               |                |               |                |               |
| 10/15/2007                                 | 658,864        | Police Equipment           | x   | x       | 3.750-5.00%       |                |               |                |               |                |               |
| 10/15/2007                                 | 775,000        | Ferry Boat Project         | x   | x       | 4.00-5.00%        |                |               |                |               |                |               |
| 1/19/2010                                  | 8,285,000      | G.O. State Qual Refunding* | x   | x       | 2.00-5.00%        |                |               |                |               |                |               |
| 10/15/2010                                 | 1,995,000      | CIP 2009 Bonds             | x   | x       | 3.00 & 4.00%      |                |               |                |               |                |               |
| 10/15/2010                                 | 4,224,000      | CIP 2010 Bonds             | x   | x       | 3.00 & 4.00%      |                |               |                |               |                |               |
| New Debt - FY13                            |                |                            |     |         |                   |                |               |                |               |                |               |
| G.F. BOND TOTAL                            |                |                            |     |         |                   | \$ -           | \$ -          | \$ -           | \$ -          | \$ -           | \$ -          |
| <b>Water Loans</b>                         |                |                            |     |         |                   |                |               |                |               |                |               |
| 2006                                       | 2,330,656      | Water-MWPAT-DW-05-12       | N/A | x       | 2.00%             |                |               |                |               |                |               |
| 10/15/2007                                 | 3,250,503      | Water System Improvements  | x   | x       | 4.125-5.00%       |                |               |                |               |                |               |
| 10/15/2010                                 | 7,464,000      | Water Bonds                | x   | x       | 3.00 & 4.00%      | 230,000.00     | 12,200.00     | 95,000.00      | 5,700.00      | 95,000.00      | 1,900.00      |
| New Debt - FY13                            |                |                            |     |         |                   |                |               |                |               |                |               |
| WATER BOND TOTAL                           |                |                            |     |         |                   | \$ 230,000     | \$ 12,200     | \$ 95,000      | \$ 5,700      | \$ 95,000      | \$ 1,900      |
| <b>Sewer Loans</b>                         |                |                            |     |         |                   |                |               |                |               |                |               |
| 10/15/2010                                 | 1,690,000      | Sewer Bonds                | x   | x       | 3.00 & 4.00%      | \$ 85,000      | \$ 3,700      | \$ 50,000      | \$ 1,000      |                |               |
| New Debt - FY13                            |                |                            |     |         |                   |                |               |                |               |                |               |
| SEWER BOND TOTAL                           |                |                            |     |         |                   | \$ 85,000      | \$ 3,700      | \$ 50,000      | \$ 1,000      | \$ -           | \$ -          |
| TOTAL BONDS                                |                |                            |     |         |                   | \$ 315,000     | \$ 15,900     | \$ 145,000     | \$ 6,700      | \$ 95,000      | \$ 1,900      |
| <b>HUD Section 108 Loans:</b>              |                |                            |     |         |                   |                |               |                |               |                |               |
| 6/30/2004                                  | 350,000        | HUD Section 108 B-94-MC-25 |     |         | 2.31-5.19%        |                |               |                |               |                |               |
| HUD SECTION 108 TOTAL                      |                |                            |     |         |                   |                |               |                |               |                |               |
| TOTAL LONG-TERM DEBT (bonds and 108 Loans) |                |                            |     |         |                   | \$ 315,000     | \$ 15,900     | \$ 145,000     | \$ 6,700      | \$ 95,000      | \$ 1,900      |

\*Refinanced 1/19/10 as General Obligation State Qualified Bond

City of Salem, Massachusetts  
Fiscal 2013  
Long Term Debt Service By Month  
As of May 2, 2012

| Purpose  | 1710        | Original Principal | July      | August     | September | October    | November   | December | January      | February | March      | April      | May | June | Total        |
|--|-------------|--------------------|-----------|------------|-----------|------------|------------|----------|--------------|----------|------------|------------|-----|------|--------------|
| 1 Building Const. Police Refunding   | 5910        | \$2,935,000        | Principal |            |           |            |            |          |              |          |            |            |     |      | 0.00         |
|  | 5930        |                    | Interest  |            |           |            |            |          |              |          |            |            |     |      | 0.00         |
| 2 School Project Refunding   | 5901        | \$6,495,000        | Principal |            |           |            |            |          |              |          |            |            |     |      | 0.00         |
|  | 5943        |                    | Interest  |            |           |            |            |          |              |          |            |            |     |      | 0.00         |
| General Obligation Bonds of 2001 Payable July 15 and January 15                  |             |                    | Principal | 0.00       |           |            |            |          |              |          |            |            |     |      | 0.00         |
|  |             |                    | Interest  | 0.00       |           |            |            |          |              |          |            |            |     |      | 0.00         |
| 3 School Project Bowditch School   | 5908A       | \$17,646,075       | Principal | 0.00       |           |            |            |          | 840,000.00   |          |            |            |     |      | 840,000.00   |
|  | 5948A       |                    | Interest  | 254,956.25 |           |            |            |          | 254,956.25   |          |            |            |     |      | 509,912.50   |
| 4 School Project Carlton School  | 5908E       | \$9,523,925        | Principal | 0.00       |           |            |            |          | 455,000.00   |          |            |            |     |      | 455,000.00   |
|  | 5948B       |                    | Interest  | 137,508.13 |           |            |            |          | 137,508.13   |          |            |            |     |      | 275,016.26   |
| 5 School Project Bates School  | 5908C       | \$1,500,000        | Principal | 0.00       |           |            |            |          | 90,000.00    |          |            |            |     |      | 90,000.00    |
|  | 5948C       |                    | Interest  | 18,233.75  |           |            |            |          | 18,233.75    |          |            |            |     |      | 36,467.50    |
| General Obligation Bonds of 2003 Payable July 15 and January 15                  |             |                    | Principal | 0.00       |           |            |            |          | 1,385,000.00 |          |            |            |     |      | 1,385,000.00 |
|  |             |                    | Interest  | 410,698.13 |           |            |            |          | 410,698.13   |          |            |            |     |      | 821,396.26   |
| 6 School Project Refunding   | 5908E       | \$4,480,000        | Principal | 460,000.00 |           |            |            |          | 0.00         |          |            |            |     |      | 460,000.00   |
|  | 5948D       |                    | Interest  | 10,350.00  |           |            |            |          | 0.00         |          |            |            |     |      | 10,350.00    |
| General Obligation Bonds of 2003 Payable July 15 and January 15                  |             |                    | Principal | 460,000.00 |           |            |            |          | 0.00         |          |            |            |     |      | 460,000.00   |
|  |             |                    | Interest  | 10,350.00  |           |            |            |          | 0.00         |          |            |            |     |      | 10,350.00    |
| 7 Parking Garage   | 5908E       | \$1,100,000        | Principal | 0.00       |           |            |            |          | 75,000.00    |          |            |            |     |      | 75,000.00    |
|  | 5948E       |                    | Interest  | 12,625.00  |           |            |            |          | 12,625.00    |          |            |            |     |      | 25,250.00    |
| 8 Witchcraft Elementary  | 5908F       | \$1,887,447        | Principal | 0.00       |           |            |            |          | 95,000.00    |          |            |            |     |      | 95,000.00    |
|  | 5948F       |                    | Interest  | 26,165.63  |           |            |            |          | 26,165.63    |          |            |            |     |      | 52,331.26    |
| 9 Carlton School   | 5908G       | \$577,553          | Principal | 0.00       |           |            |            |          | 30,000.00    |          |            |            |     |      | 30,000.00    |
|  | 5948G       |                    | Interest  | 7,843.75   |           |            |            |          | 7,843.75     |          |            |            |     |      | 15,687.50    |
| General Obligation Bonds of 2005 Payable July 1 and January 1                    |             |                    | Principal | 0.00       |           |            |            |          | 200,000.00   |          |            |            |     |      | 200,000.00   |
|  |             |                    | Interest  |            |           |            |            |          | 46,634.38    |          |            |            |     |      | 93,268.76    |
| 10 MWPAT DW-05-12  | 610034 5916 | \$2,330,656        | Principal | 105,978.00 |           |            |            |          | 0.00         |          |            |            |     |      | 105,978.00   |
|  | 610034 5936 |                    | Interest  | 18,354.00  |           |            |            |          | 17,294.22    |          |            |            |     |      | 35,648.22    |
| MWPAT DW-05-12 Payable July 15 and January 15                                    |             |                    | Principal | 105,978.00 |           |            |            |          | 0.00         |          |            |            |     |      | 105,978.00   |
|  |             |                    | Interest  | 18,354.00  |           |            |            |          | 17,294.22    |          |            |            |     |      | 35,648.22    |
| 11 High School   | 5908H       | \$6,885,633        | Principal |            |           |            | 345,000.00 |          |              |          |            | 0.00       |     |      | 345,000.00   |
|  | 5948H       |                    | Interest  |            |           |            | 112,246.88 |          |              |          |            | 103,621.88 |     |      | 215,868.76   |
| 12 Police Equipment  | 5910A       | \$658,864          | Principal |            |           |            | 80,000.00  |          |              |          |            | 0.00       |     |      | 80,000.00    |
|  | 5930A       |                    | Interest  |            |           |            | 6,700.00   |          |              |          |            | 4,700.00   |     |      | 11,400.00    |
| 13 Ferry Boat Project  | 5918        | \$775,000          | Principal |            |           |            | 60,000.00  |          |              |          |            | 0.00       |     |      | 60,000.00    |
|  | 5938        |                    | Interest  |            |           |            | 10,925.00  |          |              |          |            | 9,425.00   |     |      | 20,350.00    |
| 14 Water System Improvements   | 610034 5920 | \$3,250,503        | Principal |            |           |            | 165,000.00 |          |              |          |            | 0.00       |     |      | 165,000.00   |
|  | 610034 5939 |                    | Interest  |            |           |            | 52,718.75  |          |              |          |            | 48,593.75  |     |      | 101,312.50   |
| General Obligation Bonds of 2007 Payable October 15 and April 15                 |             |                    | Principal |            |           |            | 650,000.00 |          |              |          |            | 0.00       |     |      | 650,000.00   |
|  |             |                    | Interest  |            |           |            | 182,590.63 |          |              |          |            | 166,340.63 |     |      | 348,931.26   |
| 15 School Remodeling Refunding   | 5919A       | \$870,000          | Principal |            |           | 80,000.00  |            |          |              |          | 0.00       |            |     |      | 80,000.00    |
|  |             |                    | Interest  |            |           | 16,475.00  |            |          |              |          | 15,675.00  |            |     |      | 32,150.00    |
| 16 School Renovations Refunding  | 5919B       | \$545,000          | Principal |            |           | 90,000.00  |            |          |              |          | 0.00       |            |     |      | 90,000.00    |
|  |             |                    | Interest  |            |           | 5,575.00   |            |          |              |          | 4,675.00   |            |     |      | 10,250.00    |
| 17 Bates School Refunding  | 5919C       | \$6,656,100        | Principal |            |           | 639,000.00 |            |          |              |          | 0.00       |            |     |      | 639,000.00   |
|  |             |                    | Interest  |            |           | 98,842.50  |            |          |              |          | 92,452.50  |            |     |      | 191,295.00   |
| 18 Golf Course Clubhouse Refunding   | 5919D       | \$172,000          | Principal |            |           | 31,000.00  |            |          |              |          | 0.00       |            |     |      | 31,000.00    |
|  |             |                    | Interest  |            |           | 2,245.00   |            |          |              |          | 1,935.00   |            |     |      | 4,180.00     |
| 19 Swimming Pool Refunding   | 5919E       | \$41,900           | Principal |            |           |            |            |          |              |          | 0.00       |            |     |      | 0.00         |
|  |             |                    | Interest  |            |           |            |            |          |              |          | 0.00       |            |     |      | 0.00         |
| General Obligation State Qualified Bonds of 2010 Payable September 1 and March 1 |             |                    | Principal |            |           | 840,000.00 |            |          |              |          | 0.00       |            |     |      | 840,000.00   |
|  |             |                    | Interest  |            |           | 123,137.50 |            |          |              |          | 114,737.50 |            |     |      | 237,875.00   |
| 20 Water Systems Improvement   |             | \$1,964,000        | Principal |            |           | 100,000.00 |            |          |              |          | 0.00       |            |     |      | 100,000.00   |
|  |             |                    | Interest  |            |           | 35,200.00  |            |          |              |          | 33,700.00  |            |     |      | 68,900.00    |
| 21 Water Meters  |             | \$3,000,000        | Principal |            |           | 200,000.00 |            |          |              |          | 0.00       |            |     |      | 200,000.00   |
|  |             |                    | Interest  |            |           | 52,000.00  |            |          |              |          | 49,000.00  |            |     |      | 101,000.00   |
| 22 Water Main  |             | \$2,500,000        | Principal |            |           | 140,000.00 |            |          |              |          | 0.00       |            |     |      | 140,000.00   |
|  |             |                    | Interest  |            |           | 44,400.00  |            |          |              |          | 42,300.00  |            |     |      | 86,700.00    |
| 23 Sewer Pump Station  |             | \$190,000          | Principal |            |           | 15,000.00  |            |          |              |          | 0.00       |            |     |      | 15,000.00    |

City of Salem, Massachusetts  
Fiscal 2013  
Long Term Debt Service By Month  
As of May 2, 2012

| Purpose                             | 1710 | Original<br>Principal | July | August | September | October | November | December | January | February | March     | April | May | June | Total     |
|-------------------------------------|------|-----------------------|------|--------|-----------|---------|----------|----------|---------|----------|-----------|-------|-----|------|-----------|
| 24 South River Basin Upgrade        |      | Interest              |      |        | 3,275.00  |         |          |          |         |          | 3,050.00  |       |     |      | 6,325.00  |
|                                     |      | Principal             |      |        | 85,000.00 |         |          |          |         |          | 0.00      |       |     |      | 85,000.00 |
| 25 Golf Course Dept. Equip          |      | Interest              |      |        | 26,500.00 |         |          |          |         |          | 25,225.00 |       |     |      | 51,725.00 |
|                                     |      | Principal             |      |        | 10,000.00 |         |          |          |         |          | 0.00      |       |     |      | 10,000.00 |
| 26 Dump Truck                       |      | Interest              |      |        | 1,600.00  |         |          |          |         |          | 1,450.00  |       |     |      | 3,050.00  |
|                                     |      | Principal             |      |        | 10,000.00 |         |          |          |         |          | 0.00      |       |     |      | 10,000.00 |
| 27 DPW Equipment                    |      | Interest              |      |        | 925.00    |         |          |          |         |          | 775.00    |       |     |      | 1,700.00  |
|                                     |      | Principal             |      |        | 10,000.00 |         |          |          |         |          | 0.00      |       |     |      | 10,000.00 |
| 28 Engineering Infrastructure       |      | Interest              |      |        | 925.00    |         |          |          |         |          | 775.00    |       |     |      | 1,700.00  |
|                                     |      | Principal             |      |        | 15,000.00 |         |          |          |         |          | 0.00      |       |     |      | 15,000.00 |
| 29 Engineering Seawalls             |      | Interest              |      |        | 2,400.00  |         |          |          |         |          | 2,175.00  |       |     |      | 4,575.00  |
|                                     |      | Principal             |      |        | 5,000.00  |         |          |          |         |          | 0.00      |       |     |      | 5,000.00  |
| 30 Police Vehicles                  |      | Interest              |      |        | 800.00    |         |          |          |         |          | 725.00    |       |     |      | 1,525.00  |
|                                     |      | Principal             |      |        | 15,000.00 |         |          |          |         |          | 0.00      |       |     |      | 15,000.00 |
| 31 Police Equipment                 |      | Interest              |      |        | 825.00    |         |          |          |         |          | 600.00    |       |     |      | 1,425.00  |
|                                     |      | Principal             |      |        | 10,000.00 |         |          |          |         |          | 0.00      |       |     |      | 10,000.00 |
| 32 Police Radar                     |      | Interest              |      |        | 600.00    |         |          |          |         |          | 450.00    |       |     |      | 1,050.00  |
|                                     |      | Principal             |      |        | 5,000.00  |         |          |          |         |          | 0.00      |       |     |      | 5,000.00  |
| 33 Police Range Repair              |      | Interest              |      |        | 300.00    |         |          |          |         |          | 225.00    |       |     |      | 525.00    |
|                                     |      | Principal             |      |        | 10,000.00 |         |          |          |         |          | 0.00      |       |     |      | 10,000.00 |
| 34 Fire Pumper Truck                |      | Interest              |      |        | 450.00    |         |          |          |         |          | 300.00    |       |     |      | 750.00    |
|                                     |      | Principal             |      |        | 25,000.00 |         |          |          |         |          | 0.00      |       |     |      | 25,000.00 |
| 35 Turnout Gear Equipment           |      | Interest              |      |        | 6,500.00  |         |          |          |         |          | 6,125.00  |       |     |      | 12,625.00 |
|                                     |      | Principal             |      |        | 10,000.00 |         |          |          |         |          | 0.00      |       |     |      | 10,000.00 |
| 36 Parking Equipment                |      | Interest              |      |        | 375.00    |         |          |          |         |          | 225.00    |       |     |      | 600.00    |
|                                     |      | Principal             |      |        | 5,000.00  |         |          |          |         |          | 0.00      |       |     |      | 5,000.00  |
| 37 Witch House                      |      | Interest              |      |        | 800.00    |         |          |          |         |          | 725.00    |       |     |      | 1,525.00  |
|                                     |      | Principal             |      |        | 5,000.00  |         |          |          |         |          | 0.00      |       |     |      | 5,000.00  |
| 38 Departmental Equipment           |      | Interest              |      |        | 800.00    |         |          |          |         |          | 725.00    |       |     |      | 1,525.00  |
|                                     |      | Principal             |      |        | 5,000.00  |         |          |          |         |          | 0.00      |       |     |      | 5,000.00  |
| 39 Forest River Pool                |      | Interest              |      |        | 800.00    |         |          |          |         |          | 725.00    |       |     |      | 1,525.00  |
|                                     |      | Principal             |      |        | 20,000.00 |         |          |          |         |          | 0.00      |       |     |      | 20,000.00 |
| 40 Forest River Park                |      | Interest              |      |        | 2,550.00  |         |          |          |         |          | 2,250.00  |       |     |      | 4,800.00  |
|                                     |      | Principal             |      |        | 5,000.00  |         |          |          |         |          | 0.00      |       |     |      | 5,000.00  |
| 41 Willow Public Bathroom           |      | Interest              |      |        | 800.00    |         |          |          |         |          | 725.00    |       |     |      | 1,525.00  |
|                                     |      | Principal             |      |        | 10,000.00 |         |          |          |         |          | 0.00      |       |     |      | 10,000.00 |
| 42 Fire Alarm Receiver              |      | Interest              |      |        | 1,600.00  |         |          |          |         |          | 1,450.00  |       |     |      | 3,050.00  |
|                                     |      | Principal             |      |        | 5,000.00  |         |          |          |         |          | 0.00      |       |     |      | 5,000.00  |
| 43 Traffic Signal                   |      | Interest              |      |        | 400.00    |         |          |          |         |          | 325.00    |       |     |      | 725.00    |
|                                     |      | Principal             |      |        | 20,000.00 |         |          |          |         |          | 0.00      |       |     |      | 20,000.00 |
| 44 School Fire Alarm Systems        |      | Interest              |      |        | 1,200.00  |         |          |          |         |          | 900.00    |       |     |      | 2,100.00  |
|                                     |      | Principal             |      |        | 15,000.00 |         |          |          |         |          | 0.00      |       |     |      | 15,000.00 |
| 45 School Buses                     |      | Interest              |      |        | 2,000.00  |         |          |          |         |          | 1,775.00  |       |     |      | 3,775.00  |
|                                     |      | Principal             |      |        | 15,000.00 |         |          |          |         |          | 0.00      |       |     |      | 15,000.00 |
| 46 School Infrastructure            |      | Interest              |      |        | 2,100.00  |         |          |          |         |          | 1,875.00  |       |     |      | 3,975.00  |
|                                     |      | Principal             |      |        | 5,000.00  |         |          |          |         |          | 0.00      |       |     |      | 5,000.00  |
| 47 School Equipment                 |      | Interest              |      |        | 1,300.00  |         |          |          |         |          | 1,225.00  |       |     |      | 2,525.00  |
|                                     |      | Principal             |      |        | 10,000.00 |         |          |          |         |          | 0.00      |       |     |      | 10,000.00 |
| 48 Parking Multi Space Meters       |      | Interest              |      |        | 375.00    |         |          |          |         |          | 225.00    |       |     |      | 600.00    |
|                                     |      | Principal             |      |        | 10,000.00 |         |          |          |         |          | 0.00      |       |     |      | 10,000.00 |
| 49 Parking Posts & Signage          |      | Interest              |      |        | 600.00    |         |          |          |         |          | 450.00    |       |     |      | 1,050.00  |
|                                     |      | Principal             |      |        | 10,000.00 |         |          |          |         |          | 0.00      |       |     |      | 10,000.00 |
| 50 Police Vehicles 2                |      | Interest              |      |        | 600.00    |         |          |          |         |          | 450.00    |       |     |      | 1,050.00  |
|                                     |      | Principal             |      |        | 30,000.00 |         |          |          |         |          | 0.00      |       |     |      | 30,000.00 |
| 51 Fire SCBA Compressor             |      | Interest              |      |        | 1,650.00  |         |          |          |         |          | 1,200.00  |       |     |      | 2,850.00  |
|                                     |      | Principal             |      |        | 5,000.00  |         |          |          |         |          | 0.00      |       |     |      | 5,000.00  |
| 52 Public Service Equip. & Vehicles |      | Interest              |      |        | 800.00    |         |          |          |         |          | 725.00    |       |     |      | 1,525.00  |
|                                     |      | Principal             |      |        | 30,000.00 |         |          |          |         |          | 0.00      |       |     |      | 30,000.00 |
| 53 Public Service Garage Doors      |      | Interest              |      |        | 4,700.00  |         |          |          |         |          | 4,250.00  |       |     |      | 8,950.00  |
|                                     |      | Principal             |      |        | 5,000.00  |         |          |          |         |          | 0.00      |       |     |      | 5,000.00  |



City of Salem, Massachusetts  
Fiscal 2013  
Long Term Debt Service By Month  
As of May 2, 2012

| Purpose  | 1710 | Original<br>Principal | July         | August | September    | October    | November | December | January      | February | March      | April      | May  | June | Total        |
|--|------|-----------------------|--------------|--------|--------------|------------|----------|----------|--------------|----------|------------|------------|------|------|--------------|
| 54 Roads, Sidewalks & Crosswalks                 |      | Interest              |              |        | 400.00       |            |          |          |              |          | 325.00     |            |      |      | 725.00       |
|  |      | Principal             |              |        | 110,000.00   |            |          |          |              |          | 0.00       |            |      |      | 110,000.00   |
| 55 Playground Equipment                          |      | Interest              |              |        | 25,600.00    |            |          |          |              |          | 23,950.00  |            |      |      | 49,550.00    |
|  |      | Principal             |              |        | 5,000.00     |            |          |          |              |          | 0.00       |            |      |      | 5,000.00     |
| 56 Furlong Park Remodeling                       |      | Interest              |              |        | 800.00       |            |          |          |              |          | 725.00     |            |      |      | 1,525.00     |
|  |      | Principal             |              |        | 25,000.00    |            |          |          |              |          | 0.00       |            |      |      | 25,000.00    |
| 57 Willows Gazebo Roof                           |      | Interest              |              |        | 4,875.00     |            |          |          |              |          | 4,500.00   |            |      |      | 9,375.00     |
|  |      | Principal             |              |        | 5,000.00     |            |          |          |              |          | 0.00       |            |      |      | 5,000.00     |
| 58 Roads, Sidewalks & Crosswalks 2               |      | Interest              |              |        | 300.00       |            |          |          |              |          | 225.00     |            |      |      | 525.00       |
|  |      | Principal             |              |        | 10,000.00    |            |          |          |              |          | 0.00       |            |      |      | 10,000.00    |
| 59 Canal St. Improvement Design                  |      | Interest              |              |        | 2,600.00     |            |          |          |              |          | 2,450.00   |            |      |      | 5,050.00     |
|  |      | Principal             |              |        | 35,000.00    |            |          |          |              |          | 0.00       |            |      |      | 35,000.00    |
| 60 Storage Tanks                                 |      | Interest              |              |        | 8,200.00     |            |          |          |              |          | 7,675.00   |            |      |      | 15,875.00    |
|  |      | Principal             |              |        | 100,000.00   |            |          |          |              |          | 0.00       |            |      |      | 100,000.00   |
| 61 School Ballfield Remodeling                   |      | Interest              |              |        | 16,000.00    |            |          |          |              |          | 14,500.00  |            |      |      | 30,500.00    |
|  |      | Principal             |              |        | 5,000.00     |            |          |          |              |          | 0.00       |            |      |      | 5,000.00     |
| 62 School Field House Remodeling                 |      | Interest              |              |        | 1,200.00     |            |          |          |              |          | 1,125.00   |            |      |      | 2,325.00     |
|  |      | Principal             |              |        | 5,000.00     |            |          |          |              |          | 0.00       |            |      |      | 5,000.00     |
|  |      | Interest              |              |        | 600.00       |            |          |          |              |          | 525.00     |            |      |      | 1,125.00     |
| General Obligation State Qualified Bonds of 2010 |      | Principal             |              |        | 1,175,000.00 |            |          |          |              |          | 0.00       |            |      |      | 1,175,000.00 |
| Payable September 1 and March 1                  |      | Interest              |              |        | 260,725.00   |            |          |          |              |          | 243,100.00 |            |      |      | 503,825.00   |
| Total  |      | Principal             | 565,978.00   | 0.00   | 2,015,000.00 | 650,000.00 | 0.00     | 0.00     | 1,585,000.00 | 0.00     | 0.00       | 0.00       | 0.00 | 0.00 | 4,815,978.00 |
|  |      | Interest              | 486,036.51   | 0.00   | 383,862.50   | 182,590.63 | 0.00     | 0.00     | 474,626.73   | 0.00     | 357,837.50 | 166,340.63 | 0.00 | 0.00 | 2,051,294.50 |
| Grand Total                                      |      |                       | 1,052,014.51 | 0.00   | 2,398,862.50 | 832,590.63 | 0.00     | 0.00     | 2,059,626.73 | 0.00     | 357,837.50 | 166,340.63 | 0.00 | 0.00 | 6,867,272.50 |

(1) Does not include HUD 108 1995-A loans.

Fiscal 2013  
Short Term Debt Service By Month

| Purpose                                       | Amount<br>Borrowed | July | August | September | October | November | December | January | February | March | April | May  | June | Total |
|---|--------------------|------|--------|-----------|---------|----------|----------|---------|----------|-------|-------|------|------|-------|
| Wharf Expansion - State Aid Anticipation Note | Interest           |      |        |           | 0.00    |          |          |         |          |       |       |      |      | 0.00  |
| Total   | 1,795,677          | 0.00 | 0.00   | 0.00      | 0.00    | 0.00     | 0.00     | 0.00    | 0.00     | 0.00  | 0.00  | 0.00 | 0.00 | 0.00  |

Total Debt Service

|             |           |              |      |              |            |      |      |              |      |            |            |      |      |              |
|-------------|-----------|--------------|------|--------------|------------|------|------|--------------|------|------------|------------|------|------|--------------|
| Total       | Principal | 565,978.00   | 0.00 | 2,015,000.00 | 650,000.00 | 0.00 | 0.00 | 1,585,000.00 | 0.00 | 0.00       | 0.00       | 0.00 | 0.00 | 4,815,978.00 |
|             | Interest  | 486,036.51   | 0.00 | 383,862.50   | 182,590.63 | 0.00 | 0.00 | 474,626.73   | 0.00 | 357,837.50 | 166,340.63 | 0.00 | 0.00 | 2,051,294.50 |
| Grand Total |           | 1,052,014.51 | 0.00 | 2,398,862.50 | 832,590.63 | 0.00 | 0.00 | 2,059,626.73 | 0.00 | 357,837.50 | 166,340.63 | 0.00 | 0.00 | 6,867,272.50 |

# Financial Reserve Policies

## Stabilization Fund

A stabilization fund is a fund designed to accumulate amounts for capital and other future spending purposes, although it may be appropriated for any lawful purpose (MGL Ch. 40 §5B). Communities may establish one or more stabilization funds for different purposes and may appropriate into them in any year an amount not to exceed ten percent of the prior year's tax levy. The total of all stabilization fund balances shall not exceed ten percent of the community's equalized value, and any interest shall be added to and become a part of the funds. A two-thirds vote of the city council is required to establish, amend the purpose of, or appropriate money from the stabilization fund.

The City has set a target level for the Stabilization fund of 5% of the City's current general fund operating budget (5.8M based on 2013 budget). The target funding date is projected to occur by fiscal year 2015. The stabilization fund shall be funded by appropriations from free cash, operating budget appropriations when available, and other one time non-recurring revenues that become available for appropriation per M.G.L.

1. Any draw down of the stabilization fund from the prior fiscal year should be allocated from the certified free cash if available.
2. Twenty percent of any free cash available after funding #1 above will be allocated from free cash to the stabilization fund, up to the proposed reserve balance of the stabilization fund (5% of operating budget).

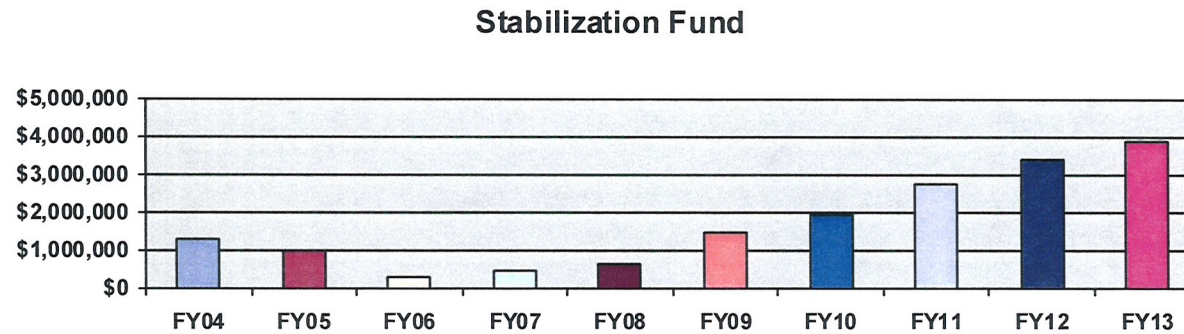
The stabilization fund should only be used for the following circumstances:

1. When net State Aid (receipts less assessments) is reduced by an amount less than the average of the prior two years.
2. When Local Receipts projected are below a three per cent (3%) increase of the prior two year's actual receipts as reported on page three of the Tax Rate Recapitulation as certified by the Director of the Bureau of Accounts (excluding non-recurring receipts).
3. When there is a catastrophic or emergency event(s) that cannot be supported by current general fund appropriations.

In FY 2012 there was a transfer made from the general fund to the stabilization fund. The transfer was \$649,875.00 which was 20% of the free cash certification.

In FY 2012, any remaining balance MAY be transferred to the stabilization fund. Should factors changes between now and the time the actual tax rate is set, or once Free Cash has been certified, there could be transfers to the stabilization fund at that time. We anticipate 20% of the FY 2012 Free cash certification to be transferred to stabilization as per policy.

| Stabilization Fund |           |             |                     |
|--------------------|-----------|-------------|---------------------|
| Fiscal Year        | Balance   | Fiscal Year | Balance             |
| 2004               | 1,297,417 | 2009        | 1,489,907           |
| 2005               | 1,021,351 | 2010        | 1,913,913           |
| 2006               | 277,759   | 2011        | 2,736,777           |
| 2007               | 487,980   | 2012        | 3,400,563 Estimated |
| 2008               | 648,947   | 2013        | 3,900,000 Estimated |



## **Retirement Stabilization Fund**

The Retirement Stabilization Fund was created in FY 2008 to fund all appropriations for sick and vacation time earned by an employee as regulated by collective bargaining agreements or City of Salem policy for non-union and management employees. When budget season begins, the finance department will request each department to determine if there are any employees in their department who may be retiring. Departments (including Salem Public Schools) will submit list of employees and the anticipated amounts of each employee's retirement buyout.

The Finance Department will calculate the cumulative amount of anticipated retirement dollars needed for the following year's budget and incorporate the amount into the Mayor's recommended budget submitted to Council. Starting in Fiscal year 2010, a line item was added to the budget to account for retirement anticipations. This line item will be reviewed and voted on by the City Council as it does with other budgets.

Once Council approves the budget, the funds are then booked into the Retirement Stabilization Fund as voted. Appropriations both into and from the Retirement Stabilization Fund require a 2/3 vote of the City Council.

1. The fund is limited to 10% of the prior year's tax levy.
2. All interest earned in the Retirement Stabilization Fund will stay with the Fund.

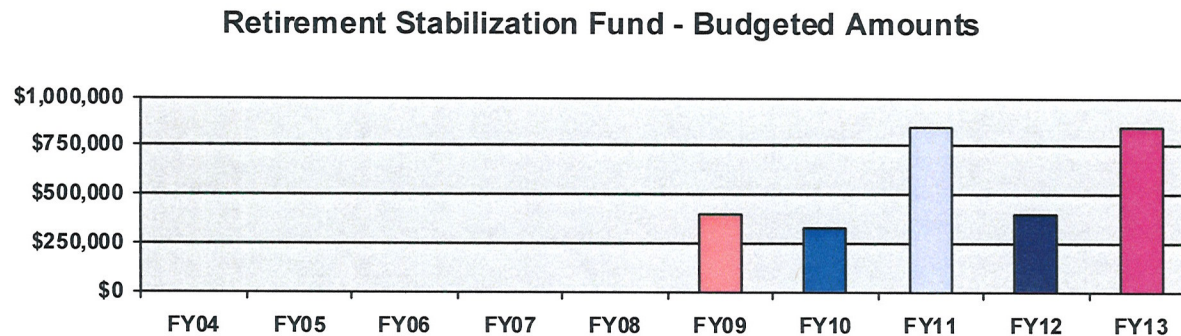
Any appropriations that are not used during the fiscal year will be carried over into the next fiscal year as a fund balance. All employees who are on the list will then be compensated at retirement for their accrued sick, vacation, and other benefits that they are entitled once approved by both Human Resources and the Department Head.

If an employee retires that was not anticipated (nor budgeted for in the Retirement Stabilization Fund), the department head shall submit a request to the Mayor for a supplemental appropriation for the amount due to the employee who is retiring. The Mayor and Finance Director will consider the request and fund it from surplus Retirement Stabilization funds, other available funds or have the department fund the costs within their operating budget if other funds are unavailable.

In FY 2012 we budgeted \$400,000 to be transferred from the General Fund to the Retirement Stabilization Fund to cover anticipated retirements with the City and School during the year. In FY 2013 we are budgeting 850,000 to be transfer to this fund. The increase is due to a large number of teachers retiring at the end of the school year that will be paid in FY 2013.



| Retirement Stabilization Fund – Budgeted Amounts |          |             |                  |
|--|----------|-------------|------------------|
| Fiscal Year                                      | Budgeted | Fiscal Year | Budgeted         |
| 2004   |          | 2009        | 400,000          |
| 2005   |          | 2010        | 325,000          |
| 2006   |          | 2011        | 850,000          |
| 2007   |          | 2012        | 400,000          |
| 2008   |          | 2013        | 850,000 Budgeted |



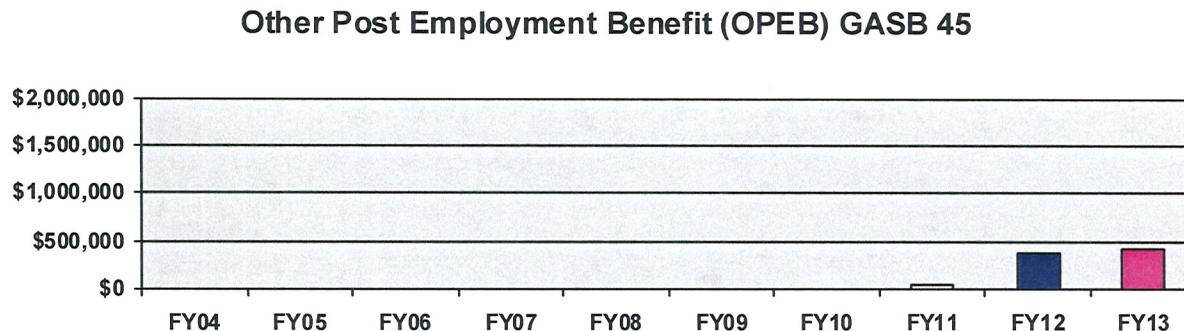
### Other Post Employment Benefit (GASB 45)

The City is mandated by the Governmental Accounting Standards Board (GASB) to start accounting for Other Post Employment Benefit (OPEB) as outlined in statement 45. In FY 2011 the City Council voted to establish an OPEB Stabilization Fund. We anticipate funding this account through annual appropriation from certified free cash (10%) as we do for our Capital Project and our Stabilization fund.

Ten percent (10%) of any free cash certified will be allocated from free cash to the OPEB Reserve Fund for the future liability of current worker's post employment benefits (other than retirement pension). This includes the cost of health, life, and dental benefits. The amount to be funded for GASB 45 is to be determined by an actuarial study that is to be performed by an actuary that the City chooses (perhaps in conjunction with actuarial studies done by the Salem Contributory Retirement System).

In FY 2012 the City transferred 324,924.00 (10% of the FY 2011 certified free cash) to this fund. Any remaining balance in free cash at the end of the fiscal year MAY also be transferred to this fund at the discretion of the Finance Director and Mayor.

| Other Post Employment Benefit (OPEB) GASB 45 |         |             |                      |
|--|---------|-------------|----------------------|
| Fiscal Year                                  | Balance | Fiscal Year | Balance              |
| 2003   |         | 2008        |                      |
| 2004   |         | 2009        | 0                    |
| 2005   |         | 2011        | 50,000               |
| 2006   |         | 2012        | 374,924              |
| 2007   |         | 2013        | 420,000    Estimated |



## Capital Project Fund – Short-Term Supplemental Miscellaneous & Unanticipated Funds

The City of Salem uses a capital project fund to supplement the short-term capital needs of the City.

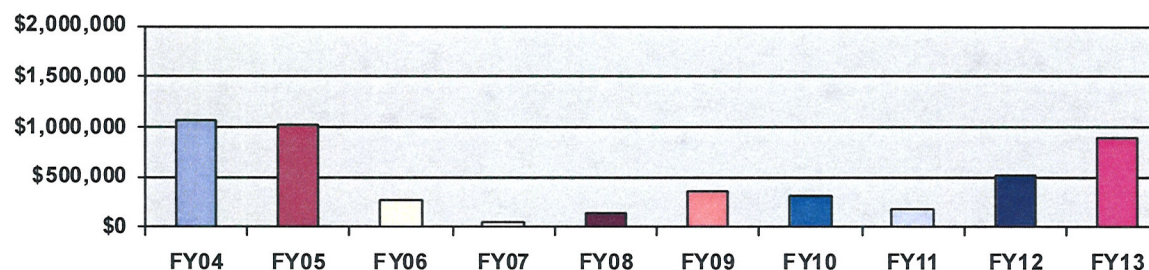
1. Twenty percent of any free cash available after funding #1 above will be allocated from free cash to the Capital Improvement Program (CIP) Fund.

These funds are used during the fiscal year for to supplement the Capital Improvement Plan (Section 7) for unanticipated or emergency equipment or repairs as needed, or for those items that don't meet the CIP criteria (value > \$25,000 and a life expectancy of 5 or more years).

In FY 2012, \$649,875.00 (20%) of the free cash was allocated to the CIP fund. In FY 2013 we have budgeted \$340,000 to be transferred from the General Fund to the Capital Projects Fund to cover short term capital needs during the fiscal year. Additional funds (20% of free cash) could be transferred once the Free Cash has been certified by the Department of Revenue (DOR). We estimate the FY 2013 beginning fund balance to be approximately \$900,000.

| Capital Project Fund – Short Term |           |             |                    |
|-----------------------------------|-----------|-------------|--------------------|
| Fiscal Year                       | Balance   | Fiscal Year | Balance            |
| 2004                              | 1,070,569 | 2009        | 367,567            |
| 2005                              | 1,027,976 | 2010        | 309,240            |
| 2006                              | 265,606   | 2011        | 177,173            |
| 2007                              | 53,259    | 2012        | 525,874 As of 4/30 |
| 2008                              | 146,131   | 2013        | 900,000 Estimated  |

Capital Project Fund - Short Term



## Free Cash

Free cash is the remaining, unrestricted funds from operations of the previous fiscal year including unexpended free cash from the previous year, actual receipts in excess of revenue estimates shown on the tax rate recapitulation sheet, and unspent amounts in budget line-items. Unpaid property taxes and certain deficits reduce the amount that can be certified as free cash. The calculation of free cash is based on the balance sheet as of June 30, which is submitted by the community's auditor, accountant, or comptroller. Free cash is not available for appropriation until certified by the Massachusetts Director of Accounts. Free cash is the term used for a community's funds that are available for appropriation. Once free cash is certified, it is available for appropriation by City Council.

Free cash may be used for any lawful municipal purpose and provides communities with flexibility to fund additional appropriations after the tax rate has been set. Free cash balances do not necessarily carry forward to the next fiscal year (July 1st); the Director's certification expires on June 30th at the end of the fiscal year.

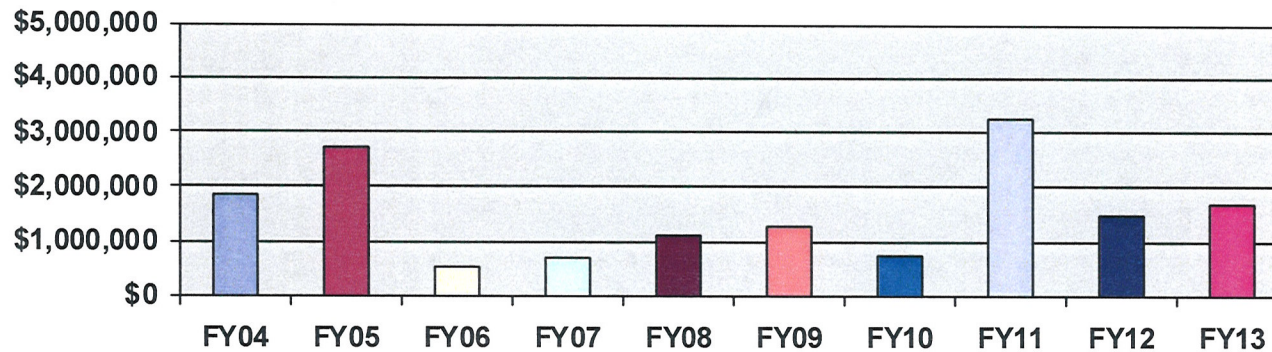
The City's policy is to use free cash for reserves, capital, and special uses in accordance with the policies set forth by the Mayor and Finance Director as stated above. Any free cash available after funding the above may be used to augment trust funds related to fringe benefits and un-funded liabilities related to employee benefits, including Health Insurance Trust Fund, Workers' Compensation Fund, Unemployment Fund, and any health benefits payable through Police and Fire operating budgets (111f settlements). Free Cash available may also be used to augment general fund appropriations for expenses that increased due to extraordinary and/or unforeseen events as detailed by the department head of the affected budget.

FY 2011 saw an additional \$1,000,000 in free cash due to bond premiums received (due to refinancing) that were unanticipated. In FY 2012 the administration used \$1M of free cash to reduce the tax rate. In FY 2012 we once again expect to see an additional \$500,000 in free cash due to bond premiums received.

| Free Cash Certified by DOR |           |             |           |           |
|----------------------------|-----------|-------------|-----------|-----------|
| Fiscal Year                | Certified | Fiscal Year | Certified |           |
| 2004                       | 1,867,737 | 2009        | 1,261,200 |           |
| 2005                       | 2,732,090 | 2010        | 750,607   |           |
| 2006                       | 538,372   | 2011        | 3,249,238 |           |
| 2007                       | 691,149   | 2012        | 1,500,000 | Estimated |
| 2008                       | 1,114,950 | 2013        | 1,700,000 | Estimated |



## Free Cash



## Retained Earnings – Enterprise Funds

Retained Earnings is the portion of Net Assets Unrestricted that is certified by the Department of Revenue as available for appropriation. Certification requires submission of a June 30 balance sheet accompanied by all information necessary to calculate free cash in the General Fund. Once certified, retained earnings may be appropriated through the following June 30 and no appropriation may be in excess of the certified amount.

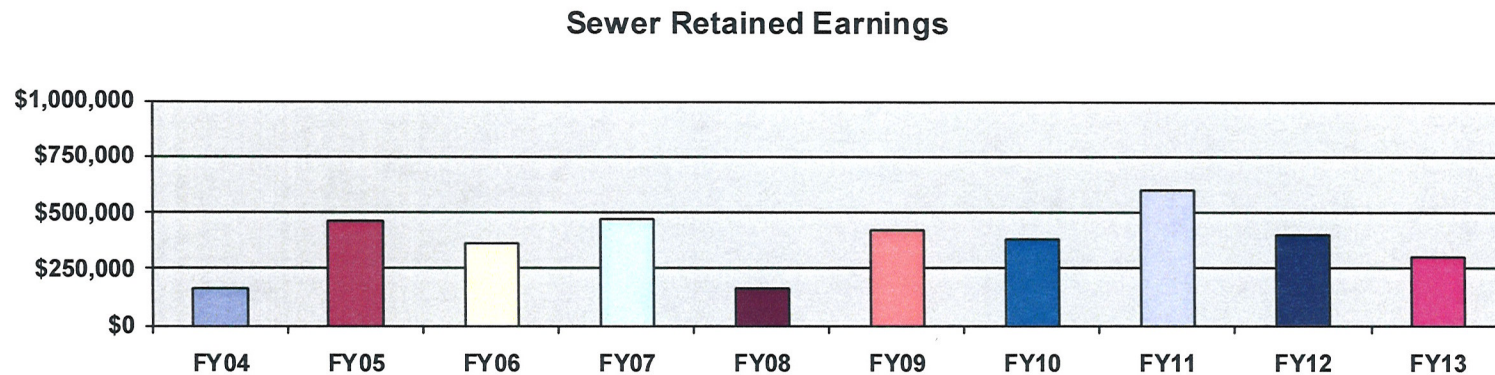
Retained earnings may be appropriated to:

1. Fund direct costs of the enterprise for the current fiscal year;
2. Fund costs appropriated in the General Fund operating budget and allocated to the enterprise for the current fiscal year;
3. Reimburse the General or other fund for subsidized capital costs of the enterprise not already reimbursed for the two full, immediately prior, fiscal years.

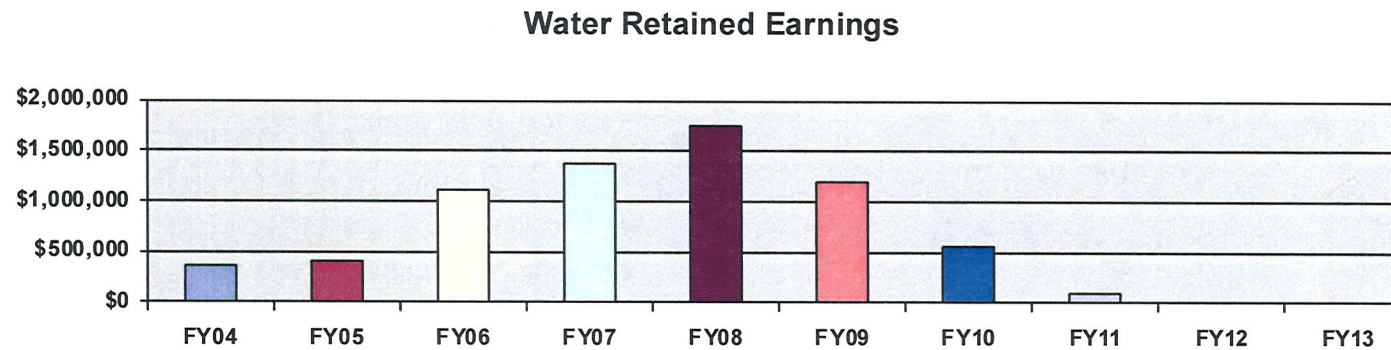
The City of Salem generally uses Water & Sewer retained earnings to fund capital improvements that may come up during the fiscal year as well as emergency repairs needed due to water or sewer main breaks or other related repairs. Some capital equipment may be funded during the year from these as well.

The following are the Sewer and Water retained earnings as of June 30 of each Fiscal Year. The Trash Enterprise fund is not a fully self-supporting fund and only has minimal retained earnings. We do not anticipate any significant balance for FY 2012 or FY 2013.

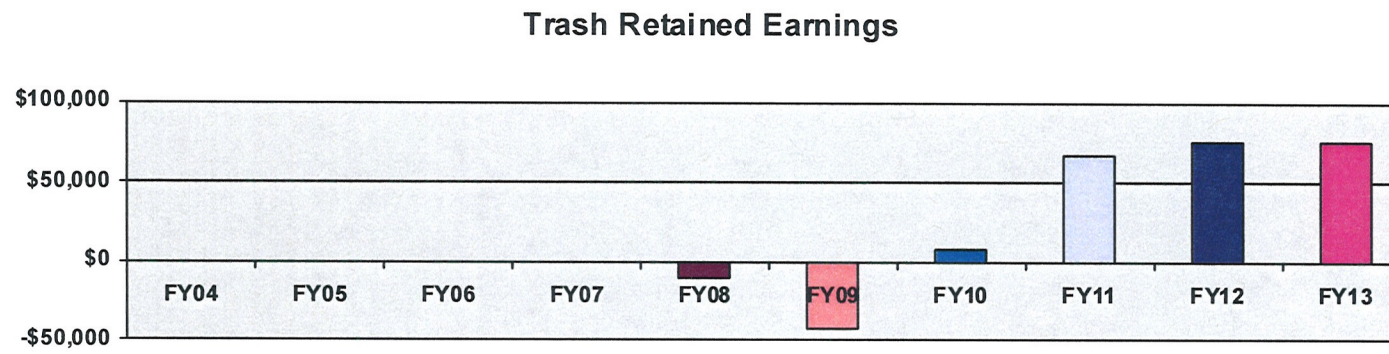
| Sewer Retained Earnings Certified by DOR |           |             |           |           |
|--|-----------|-------------|-----------|-----------|
| Fiscal Year                              | Certified | Fiscal Year | Certified |           |
| 2004                                     | 166,402   | 2009        | 424,141   |           |
| 2005                                     | 463,387   | 2010        | 388,323   |           |
| 2006                                     | 364,610   | 2011        | 597,610   |           |
| 2007                                     | 471,874   | 2012        | 400,000   | Estimated |
| 2008                                     | 168,999   | 2013        | 300,000   | Estimated |



| Water Retained Earnings Certified by DOR |           |  |             |           |           |
|--|-----------|--|-------------|-----------|-----------|
| Fiscal Year                              | Certified |  | Fiscal Year | Certified |           |
| 2004                                     | 365,429   |  | 2009        | 1,189,261 |           |
| 2005                                     | 412,058   |  | 2010        | 552,230   |           |
| 2006                                     | 1,109,910 |  | 2011        | 103,604   |           |
| 2007                                     | 1,382,302 |  | 2012        | 8,000     | Estimated |
| 2008                                     | 1,743,685 |  | 2013        | 10,000    | Estimated |



| Trash Retained Earnings Certified by DOR |           |  |             |           |           |
|--|-----------|--|-------------|-----------|-----------|
| Fiscal Year                              | Certified |  | Fiscal Year | Certified |           |
| 2004                                     | 0         |  | 2009        | -43,454   |           |
| 2005                                     | 0         |  | 2010        | 7,905     |           |
| 2006                                     | 0         |  | 2011        | 66,613    |           |
| 2007                                     | 0         |  | 2012        | 75,000    | Estimated |
| 2008                                     | -11,054   |  | 2013        | 75,000    | Estimated |





# Investment Policies

## Section I - The investment of General Funds, Special Revenue Funds, Enterprise Funds, and Capital Projects Funds.

### Scope

This section of the policy applies only to short term operating funds such as general funds, special revenue funds, enterprise funds, and capital project funds. Section 2 will deal with trust funds, bond proceeds, and any other funds with special circumstances such as stabilization funds. A separate Contributory Retirement Board, either local or county, is responsible for the investment of the pension funds.

### Objectives

Massachusetts General Laws, Chapter 44, section 55B requires the municipal/district treasurer to invest all public funds except those required to be kept un-invested for purposes of immediate distribution. Modern banking systems enable the public treasurer to maintain even these funds in interest bearing form until the date a disbursement order clears through the banking system.

The state law further requires that invested funds are to be placed at the highest possible rate of interest reasonably available, taking account of safety, liquidity and yield. Therefore, these guidelines are intended to further the objective of securing the highest return that is consistent with safety of principal while meeting the daily cash requirements for the operation of the entity's business.

- **Safety** of principal is the foremost objective of the investment program. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital through the mitigation of credit risk and interest rate risk. The diversification and prudent selection of investment instruments and choice of depository shall mitigate these risks. Credit risk is the risk of loss due to the failure of the security issuer or backer. Interest rate risk is the risk that the market value of the security will fall due to changes in general interest rates.
- **Liquidity** is the next most important objective. The overall investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. Since all possible cash demands cannot be anticipated, the treasurer shall carry out investment activities in a manner that provides for meeting unusual cash demands without the liquidation of investments that could result in forfeiture of accrued interest earnings, and loss of principal in some cases.

- **Yield** is the third, and last, objective. Investments shall be undertaken so as to achieve a fair market average rate of return, taking into account safety and liquidity constraints as well as all legal requirements.

## Investment Instruments

The Treasurer may invest in the following instruments:

1. Massachusetts State pooled fund: Unlimited amounts (Pool is liquid)

The Massachusetts Municipal Depository Trust (MMDT), an investment pool for state, local, county and other independent governmental authorities, is under the auspices of the Massachusetts State Treasurer and currently managed by Fidelity Investments. It invests in Bankers Acceptances, Commercial Paper of high quality, Bank Certificates of Deposit, Repurchase agreements (Repos), and U. S. Treasury Obligations. It has Federal Deposit Insurance Corporation (F.D.I.C.) pass-through insurance on the CD's and takes delivery on the Repos and Treasuries. Under Government Accounting Standards Board Regulation (GASB III), it is not considered an uncollateralized product.

2. U. S. Treasuries that will be held to maturity: Unlimited amounts (Up to one-year maturity from date of purchase)
3. U.S. Agency obligations that will be held to maturity. Unlimited amounts (Up to one-year maturity from date of purchase)
4. Bank accounts or Certificates of Deposit, hitherto termed CD's. (Up to one year) which are fully collateralized through a third party agreement: Unlimited amounts
5. Bank accounts and CD's (Up to one year) fully insured by F.D.I.C. and in some cases also Depository Insurance Fund of Massachusetts (D.I.F.M): \$250,000 limit all bank accounts and CD's in one institution are considered in the aggregate to receive the \$250,000 insurance coverage.
6. Unsecured bank deposits of any kind such as other checking, savings, money market, or Certificates of Deposit accounts at Banks that do not fit the above categories. These investments are subject to the following limitations: These investments will be limited to no more than 5% of an institution's assets and no more than 10% of a municipality's cash. Their credit worthiness will be tracked by Veribanc, Sheshunoff, or other bank credit worthiness reporting systems. They will be diversified as much as possible. CD's will be purchased for no more than three months and will be reviewed frequently.
7. Money Market Mutual Funds that are registered with the Securities and Exchange Commission that have received the highest possible rating from at least one nationally recognized statistical rating organization and as otherwise referenced in the

Massachusetts General Law 44 Section 55.

## 8. Risk Tolerance

Credit Risk is the risk that an issuer or other counterparty to an investment neither will nor fulfill its obligations. The City will manage credit risk several ways. There will be no limit to the amount of United States Treasury and United States Government Agency obligations, as they carry an AAA rating. In regards to other investments, the City will only purchase investment grade securities with a high concentration in securities rated A or better. The City may invest in the Massachusetts Municipal Depository Trust (MMDT) with no limit to the amount of funds placed in the fund.

Custodial Risk is the risk for deposits that in the event of the failure of a depository financial institution, a municipality will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a municipality will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The City will review the financial institution's financial statements and the background of the Advisor. The intent of qualification is to limit the City's exposure to only those institutions with a proven financial strength, Capital adequacy of the firm, and the overall affirmative reputation in the municipal industry. Further all securities not held directly by the City, will be held in the City's name and tax identification number by a third party custodian approved by the Treasurer and evidenced by safekeeping receipts showing individual CUSIP numbers for each security.

Concentration of Credit Risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The City will minimize concentration of credit risk by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized or not exist.

Interest Rate Risk is the risk that changes in interest rates will adversely affect the fair market value of an investment. The City will manage interest rate risk by managing duration in the account.

Foreign Currency Risk is the risk that changes in foreign monetary exchange rates will adversely affect the fair value of an investment. The City will not invest in any instrument exposed to foreign currency risk.

## **Diversification**

Diversification should be interpreted in two ways: in terms of maturity as well as instrument type and issuer. The diversification concept should include prohibition against over concentration of maturities as well as concentration in a specific institution. With the exception of U.S. Treasury obligations or investments fully collateralized by U.S. Treasuries or agencies, and State pools (MMDT), no more than 10% of the Town's investments shall be invested in a single financial institution.

## **Authorization**

The Treasurer has authority to invest municipality/district funds, subject to the statutes of the Commonwealth cited above.

## **Ethics**

The Treasurer (and any Assistant Treasurers) shall refrain from any personal activity that may conflict with the proper execution of the investment program or which could impair or appear to impair ability to make impartial investment decisions. Said individuals shall disclose to the Chief Executive Officer any material financial interest in financial institutions that do business with the City. They shall also disclose any large personal financial investment positions or loans that could be related to the performance of the town's investments.

## **Relationship with Financial Institutions**

Financial institutions should be selected first and foremost with regard to safety. Municipalities/Districts should subscribe to and use one or more of the recognized bank rating services, such as Veribanc or Sheshunoff. Brokers should be recognized, reputable dealers.

The Treasurer shall require any brokerage houses and broker/dealers, wishing to do business with the municipality, to supply the following information to the Treasurer:

- Audited financial statements
- Proof of National Association of Security Dealers certification
- A statement that the dealer has read the municipality's investment policy and will comply with it
- Proof of credit worthiness (minimum standards: at least five years in operation and a minimum capital of 10 million dollars)

## Section II - The Investment of Trust Funds and Bond Proceeds

This section of the policy applies only to funds that could be invested long term, i.e. trust funds, stabilization funds and bond proceeds. For issues subject to arbitrage rebate, an arbitrage tracking system such as those available at banks and Mass Municipal Depository Trust (MMDT) will be used to track expenditures of and interest earned on borrowed funds. Alternative tracking systems should be approved by and used under the advice of Bond Counsel.

### Arbitrage Regulations

Tax free debt may be issued by cities, towns, and districts, which means that they are able to borrow at rates well below market rates. At the same time, the federal government has issued regulations to prevent them from issuing debt with the goal of investing the borrowed funds at a higher rate of interest than that at which the money was borrowed, or committing arbitrage. If the federal regulations are not followed, there are fines and penalties, but even worse, the tax free status of the debt could be jeopardized. The following arbitrage regulations will be followed:

Unless debt is issued as a "small issuer," that is, an entity issuing less than \$10 million of tax exempt debt in a calendar year, the proceeds shall be used within certain prescribed time frames, or be subject to fines and penalties as described above.

Following are the general rules and time frames for spending borrowed funds in order to avoid having to pay a rebate to the Federal government on investment income earned on the borrowed funds. All funds must be used according to the following schedules or sooner:

#### CONSTRUCTION DEBT

|                   |      |
|-------------------|------|
| First six months: | 10%  |
| First year:       | 45%  |
| Eighteen months:  | 75%  |
| Two years:        | 100% |

#### CAPITAL EXPENDITURES DEBT OTHER THAN CONSTRUCTION PROJECTS

|                   |      |
|-------------------|------|
| First six months: | 15%  |
| First year:       | 60%  |
| Eighteen months:  | 100% |

### ALL OTHER MUNICIPAL PURPOSE DEBT

First six months: 100%

## **Trust Funds**

Trust Funds may be co-mingled and invested in any instruments allowed by the Legal List issued by the Banking Commissioner each July. Each trust fund must be accounted for separately.

## **Stabilization Funds**

The Stabilization Fund shall not exceed ten per cent of the equalized valuation of the city or town, and any interest shall be added to and become a part of the fund. The treasurer may invest the proceeds in the following:

- National Banks
- Savings Banks
- Cooperative banks or trust companies organized under Massachusetts laws
- Securities legal for savings banks ( i.e. those on the Legal List described above)
- Federal Savings and Loan Associations situated in the Commonwealth
- Massachusetts Municipal Depository Trust

## **Reporting Requirements**

On a regular basis (quarterly, semi-annually, or annually), a report containing the following information will be prepared by the Treasurer and distributed to the Chief Executive Officer, Town Manager, and/or Finance Committee, as appropriate. The quarterly report will include the following information, as a minimum requirement:

- A listing of the individual accounts and individual securities held at the end of the reporting period.
- A listing of the short-term investment portfolio by security type and maturity to ensure compliance with the diversification and maturity guidelines established in the "Diversification" section of this Investment Policy.
- A summary of the income earned on a monthly basis and year to date basis shall be reported.
- The municipal treasurer shall include in the report a brief statement of general market and economic conditions and other factors that may affect the City's cash position.
- The report should demonstrate the degree of compliance with the tenets set forth in the Investment Policy.

## **DEBT POLICY**

### **Bond Ratings – Upgraded**

On October 11, 2010 the City of Salem received notification from Standard and Poor's that they City's bond rating was increased from AA- to A based on their view of the City's improved financial management procedures and sound budgeting practices. The increased bond rating will help decrease the City's borrowing costs and send a positive message with regard to the City's approach to budgeting both operational and capital needs.

The bond rating upgrade is a great acknowledgement of all of the City's work to improve the management of its finances. This is a confirmation that, despite the down economy, Salem is managing its resources as well as it can.

Reasons for the upgrade cited by Standard and Poor's include the City's improved financial management procedures which began in 2007 and budget changes that eliminated the negative general fund balance in FY 2008 allowing for structurally balanced budgets in FY 2009 and FY 2010. A stable area employment and good household incomes, extremely strong per capita market values and low net debt position are other reasons mentioned for the bond rating increase.

Moody's recalibrated local government ratings in Massachusetts, including regional school and other districts. On April 26, 2010, Moody's upgraded the City of Salem's bond rating from A2 to Aa3.

### **Capital Improvement Projects**

When the city finances capital projects by issuing bonds, it will pay back the bonds within a period not to exceed the expected useful life of the project. Total net debt service payments from general obligation debt will not exceed five (5) percent of total annual operating budget as listed on part 1a of the annual tax rate recapitulation as submitted to the Department of Revenue. Per the total amount to be raised on the FY12 Tax Rate Recapitulation Sheet - \$133,463,815.68, this limit would be \$6,673,190.78. The FY13 amount would be calculated on the actual amount to be raised on the FY13 RECAP sheet.

Debt will only be issued for capital that is valued greater than \$25,000, and has a depreciable life of five (5) or more years. A cash flow statement will be required for each project funded with long term debt. Total general obligation debt will not exceed the limits provided in the state statutes.

Whenever possible, the city will use special revenue funds, special assessments, or other self-supporting bonds, instead of general obligation bonds. The city will not use long-term debt for current operations unless otherwise allowed via special legislation.

The city will maintain good communications with bond rating agencies about its financial condition. The city will follow a policy of full disclosure on every financial report and bond prospectus.

### **General Information on Debt Authorization and Legal Limit**

Notes and notes including refunding notes are generally authorized on behalf of the City by vote of two-thirds of all the members of the City Council with the approval of the Mayor. Provision is made for a referendum on the filing of a petition bearing the requisite number of signatures. Borrowings for certain purposes require state administrative approval. When serial bonds or notes have been authorized, bond anticipation notes may be issued by the officers authorized to issue the serial bonds or notes. Temporary loans in anticipation of certain state and county reimbursements are generally authorized by majority vote but provision is made for temporary loans in anticipation of current revenues and federal grants and for other purposes in certain circumstances without City Council authorization.

The general debt limit of the City consists of a normal debt limit and a double debt limit. The normal debt limit is 5 percent of the valuation of taxable property as last equalized by the State Department of Revenue. The City can authorize debt up to this amount without State approval. It can authorize debt up to twice this amount (the double debt limit) with the approval of the State's Municipal Finance Oversight Board. Based on the City's equalized valuation (EQV) of \$4,568,374,700, effective January 1, 2012, its normal debt limit is \$228,418,735 and its double debt limit is \$456,837,470.

There are many categories of general obligation debt which are exempt from and do not count against the general debt limit. Among others, these exempt categories include revenues anticipation notes and grant anticipation notes; emergency loans exempted by special laws, bonds for water (limited to 10 percent of equalized valuation), housing, urban renewal and economic development (subject to



various debt limits) and electric, gas, community antenna television systems, and telecommunication systems (subject to separate limits. Revenue bonds and water pollution abatement revenue bonds are not subject to these debt limits. The general debt limit and the special debt limit for water bonds apply at the time debt is authorized. The other special debt limits generally apply at the time the debt is incurred.

The amount borrowed in each fiscal year by the issue of revenue anticipation notes is limited to the tax levy of the prior fiscal year, together with the net receipts in the prior fiscal year from the motor vehicle excise and certain payments made by the Commonwealth in lieu of taxes. The fiscal year ends on June 30. Notes may mature in the following fiscal year, and notes may be refunded into the following fiscal year to the extent of the uncollected, unabated current tax levy and certain other items, including revenue deficits, overlay deficits, final judgments and lawful un-appropriated expenditures, which are to be added to the next tax levy, but excluding deficits arising from a failure to collect taxes of earlier years. In any event, the period from an original borrowing to its final maturity cannot exceed one year.

## **Types of Obligations**

**General Obligations** - Massachusetts cities and towns are authorized to issue general obligation indebtedness of the following types:

**Serial Bonds and Notes.-** These are generally required to be payable in equal or diminishing annual principal amounts beginning no later than the end of the next fiscal year commencing after the date of issue and ending within the terms permitted by law. Level debt service is permitted for bonds and notes issued for certain purposes including self supporting enterprise purposes, certain state aided school projects and for projects for which debt service has been exempted from property tax limitations. The maximum terms vary from one year to 40 years, depending on the purpose of the issue. Most of the purposes are capital projects. Bonds or notes may be made callable and redeemed prior to their maturity, and a redemption premium may be paid. Refunding bonds or notes may be issued subject to the maximum term measured from the date of the original bonds or notes. Serial bonds may be issued as "qualified bonds" with the approval the state Municipal Finance Oversight Board consisting of the Attorney General, the State Treasurer, the State Auditor, and the Director of Accounts, subject to such conditions and limitations (including restrictions on future indebtedness) as may be required by the Board. Qualified bonds may mature in not less than 10 or more than 30 years from their dates and are not subject to the amortization requirements described above. The State Treasurer is required to pay the debt service on qualified bonds and thereafter to withhold the amount of the debt service from state aid or other state payments. Administrative costs and any loss of interest income to the State are to be assessed upon the city or town.

**Bond Anticipation Notes (BAN).** These generally must mature within two years of their original dates of issuance but may be refunded from time to time for a period not to exceed five years from their original dates of issuances, provided that (except for notes issued for certain school projects that have been approved for state school construction aid) for each year that the notes are refunded beyond the second year they must be paid in part from revenue funds in an amount at least equal to the minimum annual payment that would have been required if the bonds had been issued at the end of the second year. The maximum term of bonds issued to refund bond anticipation notes is measured from the date of the original issue of the notes, (except for certain school projects).

**Revenue Anticipation Notes (RAN).** These are issued to meet current expenses in anticipation of taxes and other revenues. They must mature within one year but, if payable in less than one year, may be refunded from time to time up to one year from the original date of issue. (Such notes may be extended beyond fiscal year end in an amount not exceeding current receivables.)

**Grant Anticipation Notes (GAN).** These are issued for temporary financing in anticipation of federal grants and state and county reimbursements. Generally they must mature within two years, but may be refunded from time to time as long as the municipality remains entitled to the grant or reimbursement.

**Revenue Bonds -** Cities and towns may issue revenue bonds for solid waste disposal facilities and for projects financed under the Commonwealth's Water Pollution Abatement or Drinking Water Revolving Loan Programs and for certain economic development projects supported by tax increment financing. In addition to general obligation bonds and notes, cities and towns having electric departments may issue electric revenue bonds, and notes in anticipation of such bonds, subject to the approval of the State Department of Telecommunications and Energy.