

Budget Calendar - FY 2016

Mayor & City Finance	Start Date	End Date	Mayor & School Committee	Start Date	End Date
Finance Director send out CIP requests to Departments.	1/5/2015		Finance Director send out CIP requests to Departments.	1/5/2015	
Departments submit completed CIP requests to Finance Department	1/29/2015		CIP Review - Superintendent, SBM, Principals, Directors	1/5/2015	1/28/2015
Mayor & Finance Director review CIP requests.	January	March	Finance Director, SBM & Super review CIP requests.	January	March
Finance Director prepares initial Revenue/Expenditure (FY15 RECAP) figures	January		Superintendent & SBM give Budgets to Principals	January	
Mayor issues BUDGET requests to departs with budget instructions, and City's long/short term goals	1/19/2015		Budget workshops with SBM, Principals & Directors.	January	
Budget salary workshops with Finance & Depts.	1/19/2015	to 2/6/2015	Principals compile budget & submit to School Business Office	2/2/2015	to 2/21/2015
Departments compile BUDGETS & submit to Finance	1/19/2015	to 2/6/2015	Budget & CIP Review - Super, SBM, Principals, Directors	2/23/2015	to 3/13/2015
Budgets Entered in MUNIS by Finance	2/9/2015	to 2/13/2015	Budget/CIP Review - Super, SBM, City Finance	February	March
Budget Review-Mayor, Finance, Department Heads	February	to March	School Budget Submitted to School Committee & CIP Budget Submitted to Finance Director	April	
Budge & CIP Review By Mayor & Finance Director	February	to March	School Committee Budget Review Meetings	April	to May
School Budget to City Finance Department for processing for City Council	5/4/2015		School Budget To City Finance Dept	5/4/2015	
Finance Director Finalizes FY2016 Revenue/Expenditures - Balanced Budget to Mayor	5/15/2015		School Committee Approves School Budget	5/27/2015	
School Committee Approves School Budget	5/27/2015				
Finance Department Prepares Final Budget for City Council	5/15/2015	to 5/27/2015			

City Council

Capital Improvement Plan submittid to City Council	5/28/2015
Budget Submitted to City Council	5/28/2015
City Council Administration & Finance budget review process	6/1/2015 to 6/10/2015
City Council Vote on FY 2015 Capital Improvement Plan	6/11/2015
City Council Vote on FY 2015 City Budget	6/11/2015

Fiscal Year 2016 Overview & Timeline Narrative

On January 15, 2015, the Finance Department sent out budget packages to each non-school department requesting that they prepared a FY 2016 budget based on the following:

- Level funded non-personnel budget - utilities should be funded to reflect any anticipated increase or decrease in charges or use a 3 year average.
- Level service personnel budget should be funded to include contractual step increases only – as of 6/30/14 all union contracts will have expired.
- The Mayor requested that the School Department submit a LEVEL SERVICE budget based on step and line increases only.

The departments were required to complete their FY 2016 Mission Statement and Goals, Budget Detail Reports, Revolving Fund budgets (if applicable) and Capital Requests. Pictures are submitted each year by departments which are put in the Mission Statements and throughout the budget.

The FY 2016 budget requests were entered into the cities computerized system by the finance department using the figures submitted by each department. Copies of the department budget requests were printed for each department. A complete copy of the proposed budgets was prepared for the Mayor, Chief Administrative Aide, Finance Director, and the Assistant Finance Director.

The Finance Director prepared the five year forecast, capital improvement plan for FY 2016, as well as a preliminary FY 2016 budget using the Governor proposed state aid figures, estimated local revenue, Real Estate & Personal Property tax revenue estimates, and the budget figures submitted by the departments. During February, March and April, the Mayor, Chief Administrative Aide, Finance Director, and the Assistant Finance Director met with each department head to discuss their budgets and their capital improvement needs.

- All union contracts expired as of 6/30/14. The City is currently in the process of negotiating new contracts for FY 2015-2017. The teachers settled a one year contract for FY 2015. The Firefighters Union reached a three year agreement with the City and the AFSCME 1818 agreement is pending as of budget submittal time. All three union increases are reflected in the FY 2016 budget.

In April, the City received State House local aid figures that we used to update the budget and determine if any changes were necessary to provide a balance budget to the City Council. Local Aid Estimates increased by \$90,913 for FY 2016 and Local Aid Assessments increased by \$813,647. Therefore the City will recognize a net decrease in Local Aid of -\$722,734 for FY 2016. Please note that Local Aid Estimates are based on the House Budget figures that were available at the time the budget was submitted to the City Council.

Once the budget was balanced, the Finance Department then prepared the proposed FY 2016 budget for the City Council. All information is reviewed carefully for accuracy and consistency to ensure that the budget contained all of the information that was necessary for the City Council to make an informed decision regarding the finances and the budget of the City of Salem for the FY 2016.

In May the School Committee met with the School Superintendent, School Business Manager and School Department Heads to review and approve the School budget for submission to the City Council. The final vote of the school committee is expected to be held on May 27, 2015.

On May 28, 2015 the FY 2016 budget was submitted to the City Council for their review and approval along with the FY 2016 Capital Improvement Projects. The budget was sent to the Committee of Administration and Finance for their review and approval. During the months of June the City Council subcommittee on Administration and Finance met with each department head, Mayor, Chief of Staff, Finance Director, and Assistant Finance Director to review each departmental budget. On June 11, 2015 the budget and Capital Plan were approved by the City Council Committee of the Whole.

PROPERTY TAX “101” - A TAXPAYERS GUIDE – FY 2016

Introduction

This information about real estate taxation is designed to explain the process leading to a tax bill and attempts to dispel many of the common misconceptions associated with this often-misunderstood subject. Slightly over half the money needed to fund Salem’s City Government must be raised through property taxation. The remainder of the revenue comes from other sources such as State aid and local receipts.

Massachusetts’s municipal law permits two types of local property taxation – real estate and personal property. Since it affects the greatest number of residents, most public attention is focused on the real estate tax. The following information pertains to the real estate tax.

Assessed Value & Tax Rate

Every year the Assessing Department adjusts all of the City’s taxable property according to a procedure outlined in Massachusetts General Law. The new “assessed value” is designed to reflect the property’s “full and fair cash value” on the first day of January prior to the December bill on which it first appears. It is important to note, that your assessed value is a year old when it appears on your bill and is *not* intended to be a reflection of the property’s current value. The assessors then “add up” the total assessed value of all of the City’s taxable property.

The City’s Finance Department provides the assessors with exactly how much revenue must be raised through property taxation. It is this revenue figure, divided into the total assessed value of the City’s taxable property that determines the basic “equalized” tax rate per \$1000 of assessed value. Some communities use this rate to tax all classes of property – Salem does not.

Since Salem has opted to tax residential taxpayers at a different rate than commercial/industrial taxpayers, the equalized rate information is submitted to the City Council, with a recommendation by the Mayor, and at the “annual classification hearing” it is decided how the tax burden will be apportioned. The two new rates, when applied to the new property values, produce the required total revenue figure and become the tax rates for that fiscal year.

Every three years, subject to the dictates of the Commissioner of Revenue, the City is required to undergo a “recertification” procedure. This is commonly known as a “revaluation year”. In past years, it was at this time that property owners usually saw the greatest change in their property assessments. With the use of computerized mass appraisal systems, most communities, including Salem, now adjust their property assessments on a yearly basis. These assessments closely follow the fluctuations in the marketplace and reflect a property value on the 1st of January prior to the bill on which the new assessed value first appears.

How is Property Value Determined?

The average residential dwelling in Salem gets its new assessment each year from the Assessing Department’s analysis of the property market. You could correctly say that the amount your “new neighbors” paid your “old neighbors” for the houses in your area provided the Assessors with the basis for your

new assessment. The Assessors program the mass appraisal system with relevant sales information and it generates new values for similar property that did not sell.

In periods when residential property sales information indicates a decline in property value, it is important to understand that your fiscal year assessment is based on sales information that took place more than a year before the new assessment appears on your bill. For instance, the FY2016 assessments are meant to reflect the value of your property on January 1st, 2015 and were derived from sales information obtained in calendar year 2014. They *do not* reflect the property's current value. The influence of the market place is always a year behind your annual property assessment. Unlike many "appraisals" that are meant to reflect current value, "assessments" are retrospective and look back in time to "arms length sales" that have already taken place.

Income producing property, such as multi-unit residences or commercial/industrial property is also valued by the mass appraisal system only by a different methodology. Each year the Assessors request "income and expense" information from owners of "income" producing property and develop values based on the "return on investment". Sales and cost aspects of this methodology are important factors but the greatest emphasis is based on income.

What Makes a Tax Bill Go Up or Down?

Many factors can affect the total amount of your property tax bill and often many influences are at work at the same time. Historically, the yearly cost of running a City increases each year much in the same way the cost of maintaining a household increases each year. If nothing else changed, this increase would more than likely cause your tax bill to go up.

These factors could also contribute to an increase:

- Improvement to a property in the form of an addition, finished basement or attic or other alteration that would increase the property's market value.
- A disproportionate increase in the market value of a particular section of the City when compared to another section.
- The discovery by the assessors of incorrect property information such as an additional apartment unit, bathroom or finished basement that was not recorded on the previous assessment.
- In the case of income producing property, the increase of income versus the cost of doing business.
- Loss of taxable property to tax exempt status thereby diminishing the tax base.
- Loss of commercial/industrial property causing a shift in the tax burden to the residential taxpayer.

These factors could contribute to a decrease:

- A disproportionate decrease in the market value of a particular section of the City when compared to another section.
- The reduction in the value of the property as a result of an alteration made to the structure.
- The deterioration of the property as a result of neglect, disaster or accident.
- In the case of income producing property, either the loss of income or a change in the income expense ratio.
- Reduction of a form of revenue consuming municipal service(s).
- The addition to the tax base of taxable property
- Other forms of budget reduction.

As you can see from the above, there are many dynamics to each tax bill. Any single factor, but *usually a combination of factors*, will influence the amount of your bill. Although an “average” tax bill can be statistically produced, very few bills would actually reflect the statistical average.

What about Proposition 2 ½?

Simply stated, Proposition 2 ½ says that a community cannot collect any more than 2 ½ % more than the maximum amount it was legally allowed to collect through property taxation in the previous year. This refers to the “total” amount that the City collects from the community and not the “individual” amount it collects from a taxpayer.

What is “Growth” and Why is it Important

“Growth,” when referred to by municipal officials, means property eligible for taxation this year that was not there last year. The reason why so much importance is attributable to the “growth figures” is that this infusion of this new found revenue assists in defraying the impact of budget increases on the tax bill.

Large capital building projects normally contribute to the bulk of the growth figures, but the simple addition of a deck to the back of a house is also part of the calculation. The cumulative effect of growth on the City’s economy can often reduce a tax bill by a couple of percent over what it would have been had this “growth” not occurred.

What is the “Power Plant” Agreement

In 1997 as a result of the uncertainties surrounding the deregulation of the electricity generating industry, the City entered into a financial agreement with the operators of the power plant on Fort Avenue. Designed to allow both sides a degree of future financial planning, the agreement outlines a yearly schedule of payments in lieu of calculated tax assessments.

Salem had an agreement with Dominion lasting from 1997 until 2014 with yearly reduction in payments down to \$4.75 million and further reduced with the closure of the power plant on June 30, 2014.

The impact the reduction of revenue has on the tax bill is essentially the reverse effect of growth. It was a revenue contribution that was there in previous years that is not there in the ensuing tax years. Because State aid and local receipts are determinants in the amount to be raised from property taxation, the impact does not translate to a dollar for dollar increase, but like growth, can translate to a percent or two on a tax bill.

In the fall of 2011, the Mayor negotiated a “Hold Harmless Agreement” with the Department of Energy Resources (DOER), the group that oversees pollution control for the energy industry in Massachusetts, to keep the remittance for the Power Plant site at \$4.75 million until 2019. In September 2012 Footprint Power Salem became the new owner of the Salem Power Plant and are in the process of permitting a new gas fired plant with the closing of the

coal facility as of July 1, 2014. In December 2014, the Mayor, City Council and Footprint negotiated a 18 year agreement that in starts in 2015. In accordance with the “Hold Harmless Agreement”, the Commonwealth will be making up any balance below the \$4.75 million paid through the Department of Energy Resources until 2020 when the new gas fired facility will be fully operational and on an increasing taxable plan established via the PILOT agreement.

Summary

Although a community’s tax rate or rates are often a measure of comparison by one city to another, your actual tax bill consists of not one but two parts – the tax rate and the property’s value assessment. The better comparison would be to compare a similar home, in a like neighborhood and the “bottom line” of an actual tax bill.

Remember, the city’s budget and what part of those funds come from property taxation, determine the amount property owners are asked to contribute in the form of their tax bills. The property assessment and tax rate are the mathematical way in which that sum is realized.

The City maintains a “state of the art” computerized mass appraisal system and periodically reviews, through various processes, all its taxable property. The resulting citywide adjustments made to property database assure taxpayers the most equitable distribution of the tax burden Salem tax assessors can provide.

Internet access to this information offers Salem’s citizens and taxpayers a clear look at the statistical component of their property assessment and a way to track any discrepancies that might warrant correction now and into the future. Visit www.salem.com for more information.

WHAT IS VOTED BY CITY COUNCIL - BUDGET vs RECAP- FY 2016
Breakdown of Tax Recapitulation Report

		DATE VOTED	
FY 2016 BUDGET - MAJOR FUNDS		Budget Meetings	
General Fund Budget Appropriations Submitted by Mayor			
City	76,444,004.00		
School	53,145,269.00		
Total General Fund Appropriations:	129,589,273.00		
Enterprise Fund Appropriations Submitted by Mayor:			
Sewer	6,561,402.00		
Water	5,123,455.00		
Trash	2,895,784.00		
Total Enterprise Fund Appropriations:	14,580,641.00		
Total Budget to be voted - June (Submitted by Mayor)	144,169,914.00	June	
Other RECAP Items Voted at Tax Rate Setting - December		Tax Rate Meeting	
Cherry Sheet Offsets	60,028.00		
Snow & Ice Deficit - Estimated	2,990,983.00		
Overlay - Allowance for Abatements - Estimated	600,000.00		
Offset Receipts	40,000.00		
Total Other Items on RECAP voted - December	3,691,011.00		
Total RECAP Expenditures	147,860,925.00		December
Other Votes By Council - Non-Major Funds		Regular Council Meetings	
Revolving Funds	1,693,000.00		June
Capital Improvement Projects - General Fund -Capital Outlay/Grants & OFS/Bonding	7,609,904.00		June
Capital Improvement Projects - Enterprise Funds - Retained Earnings/Grants & OFS/Bonding	14,220,000.00		June

**RECAP SHEET
FY 2016 Budget
MAYOR'S RECOMMENDED BUDGET**

	Actual 2014 ACTUAL	Budgeted 2015 RECAP	Mayor's 2016 BUDGET	FY15-16 Variance	% change FY15-16
REVENUES					
PROPERTY TAXES					
PRIOR FISCAL YEAR LEVY LIMIT	77,955,293	80,587,733	83,270,411	2,682,677	3.33%
2 1/2% Increase	1,948,882	2,014,693	2,081,760	67,067	3.33%
Current New Growth (Value increases from new building)	683,558	667,984	600,000	(67,984)	-10.18%
LEVY LIMIT Subtotal (from DOR levy limit sheet)	80,587,733	83,270,411	85,952,171	2,681,760	3.33%
TAX LEVY Real & Personal Actual RECAP - Estimates on Current FY	76,981,209	79,058,307	82,161,382	3,103,075	3.93%
LOCAL RECEIPTS					
MOTOR VEHICLE	3,767,518	3,200,000	3,300,000	100,000	3.13%
Hotel Motel Tax	497,784	425,000	500,000	75,000	17.65%
Boat Excise Tax	31,661	28,000	28,000	0	0.00%
MEALS TAX (local options)	821,634	790,000	810,000	20,000	2.53%
ATG Revenue (Medical Marijuana Dispensary)			50,000		
INTEREST ON TAXES	453,971	380,000	400,000	20,000	5.26%
IN LIEU OF TAXES	1,321,060	1,100,000	1,200,000	100,000	9.09%
CHARGES FOR SERVICES	1,535,118	1,200,000	1,600,000	400,000	33.33%
PARKING FEES	2,510,838	2,100,000	2,300,000	200,000	9.52%
LICENSES AND PERMITS	505,128	450,000	480,000	30,000	6.67%
FINES AND FORFEITS	1,208,544	1,000,000	1,100,000	100,000	10.00%
INVESTMENT INCOME	150,400	100,000	150,000	50,000	50.00%
MISCELLANEOUS RECURRING INCOME	1,102,431	750,000	800,000	50,000	6.67%
MISCELLANEOUS NON-RECURRING INCOME	3,606,906	4,300,000	4,300,000	0	0.00%
Local Receipt Subtotal (pg. 2 recap IIIb. 1)	17,512,993	15,823,000	17,018,000	1,145,000	6.54%
SEWER ENTERPRISE FUND REVENUE	8,843,452	8,947,503	8,095,387	(852,116)	-9.64%
WATER ENTERPRISE FUND REVENUE	5,175,131	5,020,809	4,991,124	(29,685)	-0.57%
TRASH ENTERPRISE FUND REVENUE	678,404	878,702	846,302	(32,400)	-4.78%
Enterprise Fund Subtotal (pg. 2 recap IIIb. 3)	14,696,987	14,847,014	13,932,813	(914,201)	-6.22%
OTHER REVENUES AND FINANCING SOURCES					
CHERRY SHEET REVENUE (pg. 2 recap IIIa. 1)	28,180,010	29,108,507	29,168,576	60,069	0.21%
MASSACHUSETTS SBA PAYMENTS (pg. 2 recap IIIa. 2)	732,834	732,824	732,824	0	0.00%
FREE CASH USED FOR:					
Level the Tax Rate (pg. 2 recap III d. 1b.)	500,000	600,000			
FY15 Debt Proceeds to offset FY 16 Debt			700,000		
OFS-To Reduce Tax Rate (pg. 2 recap III d. 4)					
R/Res - Witch House	184,632	190,089	206,347	16,258	8.81%
R/Res - Golf Course	579,794	629,794	660,000	30,206	5.21%
R/Res - Harbormaster	250,569	230,569	250,000	19,431	7.75%
OFFSET RECEIPTS - Electric Dept	40,000	40,000	40,000	0	0.00%
Estimated State + Other Revenue Subtotal	30,467,839	31,531,783	31,757,747	125,964	0.41%
TOTAL REVENUES	139,659,028	141,260,104	144,869,942	3,038,523	2.18%

**RECAP SHEET
FY 2016 Budget
MAYOR'S RECOMMENDED BUDGET**

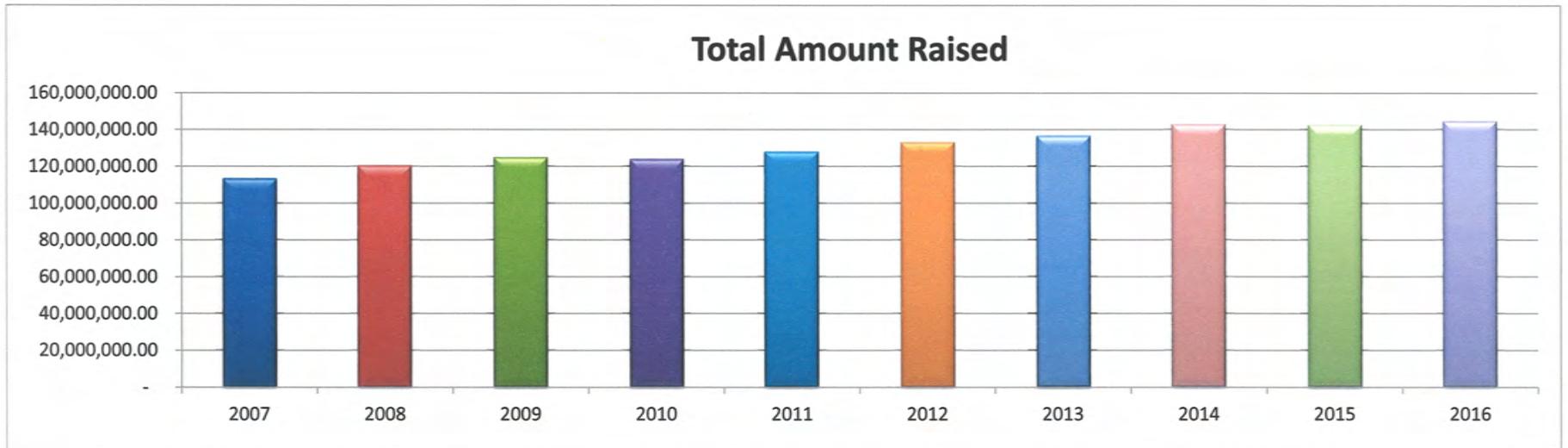
	Actual	Budgeted	Mayor's	FY15-16	% change
	2014 ACTUAL	2015 RECAP	2016 BUDGET	Variance	FY15-16
<u>EXPENDITURES</u>					
GENERAL GOVERNMENT	4,611,804	5,354,857	5,487,393	132,536	2.48%
PUBLIC SAFETY	18,953,624	19,170,700	19,491,454	320,754	1.67%
PUBLIC WORKS AND FACILITIES	4,332,748	3,765,086	3,816,437	51,351	1.36%
HUMAN SERVICES	1,323,046	1,277,835	1,329,231	51,396	4.02%
CULTURAL AND RECREATIONAL	2,395,256	2,520,190	2,559,596	39,406	1.56%
DEBT SERVICE - GENERAL FUND INCLUDING SCHOOLS	4,935,656	4,636,539	5,566,455	929,916	20.06%
ASSESSMENT-Essex NS Agricultural & Vocational Tech	1,900,409	2,376,792	2,561,373	184,581	7.77%
ASSESSMENT-Cherry Sheet	5,658,953	6,365,908	7,179,555	813,647	12.78%
EMPLOYEE BENEFITS:					
SALEM RETIREMENT BOARD ASSESSMENT	9,531,271	10,011,291	10,071,175	59,884	0.60%
NON-CONTRIBUTORY PENSIONS	63,354	76,196	50,773	(25,423)	-33.37%
WORKMAN'S COMPENSATION	797,118	752,345	327,518	(424,827)	-56.47%
UNEMPLOYMENT COMPENSATION	313,641	300,000	450,000	150,000	50.00%
GROUP INSURANCE - CITY, School & Retired Teachers	11,590,458	11,982,350	12,355,286	372,936	3.11%
MEDICARE	1,004,455	950,000	987,000	37,000	3.89%
P&C INSURANCE - CITY ONLY (SCHOOL IN EDU. BDGT.)	218,433	284,018	298,001	13,983	4.92%
Budget Transfers Out:					
Retirement Anticipation Fund 8311 (City and School)	850,000	600,000	400,000	(200,000)	-33.33%
CIP to fund 2000	340,000	303,000	0	(303,000)	-100.00%
New Liberty Charter School	1,011,111	990,257	890,257	(100,000)	-10.10%
Bentley Elementary School*			2,612,500		
Health Reimbursement Fund	100,000	0	0	0	
Salem 2026 Fund		10,000	10,000	0	0.00%
City Subtotal	69,981,337	71,727,364	76,444,004	2,104,140	2.93%
EDUCATION - PUBLIC SCHOOLS	51,883,707	54,461,543	53,145,269	(1,316,274)	-2.42%
Education Subtotal	51,883,707	54,461,543	53,145,269	(1,316,274)	-2.42%
GENERAL FUND SUBTOTAL	121,865,044	126,188,907	129,589,273	787,866	0.62%
SEWER ENTERPRISE FUND BUDGET (NET- INDIRECT COSTS)	6,905,059	7,171,355	6,561,402	(609,953)	-8.51%
WATER ENTERPRISE FUND BUDGET (NET-INDIRECT COSTS)	4,836,225	4,929,788	5,123,455	193,667	3.93%
TRASH - ENTERPRISE FUND BUDGET	2,361,548	2,461,917	2,895,784	433,867	17.62%
ENTERPRISE SUBTOTAL	14,102,832	14,563,060	14,580,641	17,581	0.12%
SUBTOTAL - GENERAL FUND + ENTERPRISE FUND	135,967,876	140,751,967	144,169,914	805,447	0.57%
<u>ADD - OTHER EXPENDITURES:</u>					
OTHER - Cherry Sheet Offset (pg. 2 llb5 of recap)	76,024	75,681	60,028	(15,653)	-20.68%
Overlay Deficit (pg. 2 llb4 of recap)	0	0	0	0	
Snow and Ice Deficit (pg. 2 llb9 of recap)	575,207	732,824	2,990,983	2,258,159	308.14%
Less S&I Amortization			(1,804,858)		
Less S&I Stabilization			(1,000,000)		
Less S&I School Portion			(186,125)		
OVERLAY (Allowance for Abatements)	817,809	688,559	600,000	(88,559)	-12.86%
OFFSET RECEIPTS - Electric Dept (A-1)	40,000	40,000	40,000	0	0.00%
SUBTOTAL - OTHER EXPENDITURES	1,509,040	1,537,064	700,028	2,153,947	140.13%
TOTAL EXPENDITURES	137,476,916	142,289,031	144,869,942	2,959,394	2.08%
Revenue vs Expenditures (Negative represents revenue deficit)	2,182,112	-1,028,927	0		0.00%

TAX RATE RECAPITULATION (RECAP) SUMMARY BY FISCAL YEAR

	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Total Estimated Receipts and other revenue from RECAP	51,809,151	56,356,589	58,037,735	54,079,177	55,634,447
Tax Levy	61,785,514	64,399,664	67,095,914	70,082,325	72,532,237
Total Amt Raised on RECAP	113,594,665	120,756,253	125,133,649	124,161,502	128,166,684
Prior FY Levy Limit	59,342,731	61,792,926	64,441,432	67,385,423	70,134,978
Amended Growth					
2.5% allowable Increase	1,483,568	1,544,823	1,611,036	1,684,636	1,753,374
New Growth	966,627	1,103,683	1,332,955	1,064,919	1,104,777
FY Levy Limit	61,792,926	64,441,432	67,385,423	70,134,978	72,993,129
RE & PP Total Value	4,978,320,083	4,805,481,341	4,511,212,336	4,294,563,427	4,115,970,775
Levy Ceiling (2.5% Total Value)	124,458,002	120,137,034	112,780,308	107,364,086	102,899,269
Equalized Value (EQV) as of 1/1	4,923,330,400	4,923,330,400	5,168,060,200	5,168,060,200	4,568,374,700

	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016 Est.
Total Estimated Receipts and other revenue from RECAP	61,675,449	61,913,528	66,267,289	63,823,509	62,700,210
Tax Levy	71,788,367	74,879,216	76,981,209	79,058,306	82,168,284
Total Amt Raised	133,463,816	136,792,744	143,248,498	142,881,816	144,868,494
Prior FY Levy Limit	72,993,129	75,492,989	77,955,293	80,587,734	83,270,411
Amended Growth					
2.5% allowable Increase	1,824,828	1,887,325	1,948,882	2,014,693	2,081,760
New Growth	675,031	574,980	683,558	667,984	600,000
FY Levy Limit	75,492,989	77,955,293	80,587,734	83,270,411	85,952,171
RE & PP Total Value	3,973,785,748	3,927,232,741	3,962,936,296	4,208,675,856	4,300,000,000
Levy Ceiling	99,344,644	98,180,819	99,073,407	105,216,896	107,500,000
Equalized Value (EQV) as of 1/1	4,568,374,700	4,256,808,900	4,256,808,900	4,232,985,800	4,232,985,800

TAX RATE RECAPITULATION (RECAP) SUMMARY BY FISCAL YEAR



Revenue Overview

General Fund Budget Summary

A key component of the budget development process is the identification of revenue assumptions and projections to determine the range of choices that the Mayor can make in allocating resources. The City's revenue plans attempt to balance the desire to reduce the impact of government cost on the taxpayer, to provide for a relatively stable and diversified revenue portfolio that is not highly subject to economic fluctuations, and to equate the cost of services to the revenues received. Because of the critical nature of this information the revenue analysis and the revenue projections are monitored, updated and presented to the Mayor on a monthly basis. If significant changes in revenue streams were to present the potential for shortfalls, this process would allow for the action(s) to be made in time to maintain fiscal stability.

The City does not have the statutory ability to change rates and formulas for many of its revenue sources. The rates and/or formulas for property tax and certain fines, for example, are set by the State. The City may set user fees, permits and licenses. In 1980, the voters approved a statewide property tax initiative, Proposition 2 1/2. Prop. 2 1/2 established, among several restrictions, a "2 ½ percent cap" on property taxes increases in all local taxing districts in the State.

City revenues are divided into six basic categories recommended by the National Committee on Governmental Accounting. The categories are taxes, charges for services, licenses and permits, fines and forfeits, intergovernmental revenue, and miscellaneous revenue. The following pages discuss in detail the City's projections for those categories in the upcoming fiscal years.

Some of the taxation terminology used throughout the revenue section can be confusing to the average taxpayer. Below are descriptions of a few of those terms. More information can be found in the glossary section in the back of this book.

Levy - The amount of taxes, special assessments, or service charges imposed by a governmental unit.

Levy Ceiling - The limit imposed by Proposition 2 ½ that equals 2 ½ % of the total full and fair cash value of all taxable property.

Levy Limit - The amount that a municipality may raise in taxes each year which is based on the prior year's limit plus 2 ½% increases on that amount plus the amount certified by the State that results from "new growth".

New Growth – The additional tax revenue generated by new construction, renovations, and other increases in the property tax base during a calendar year.

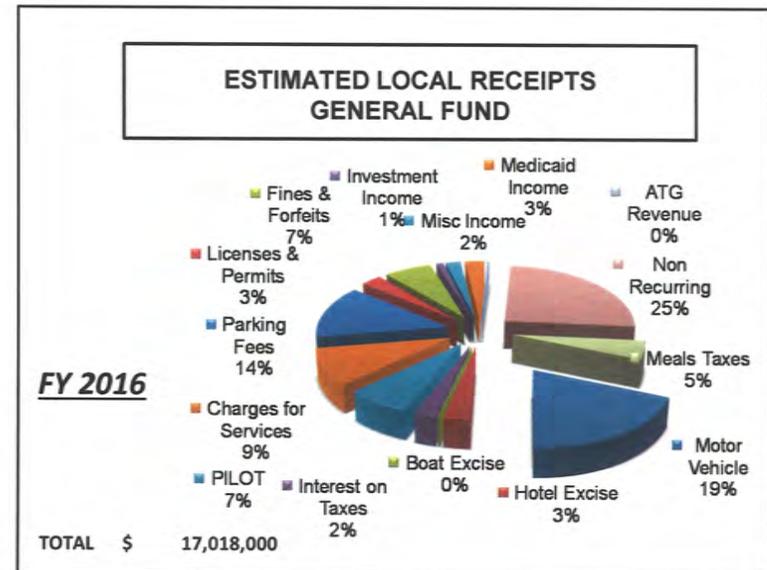
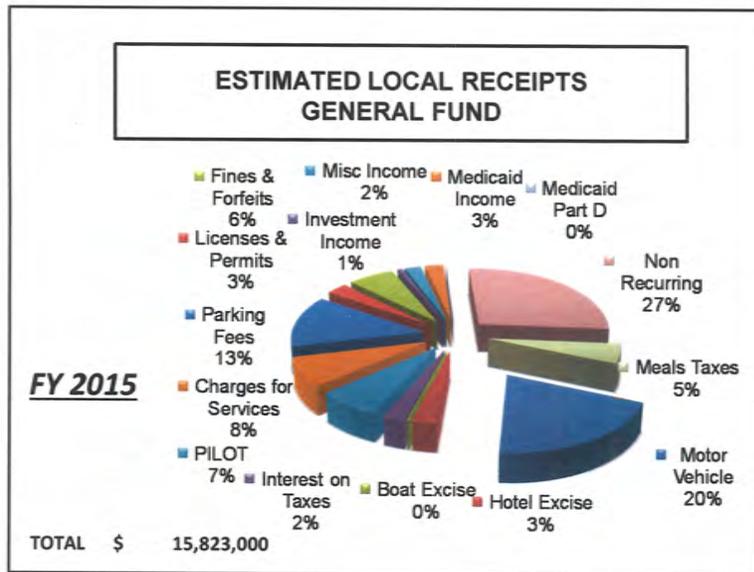
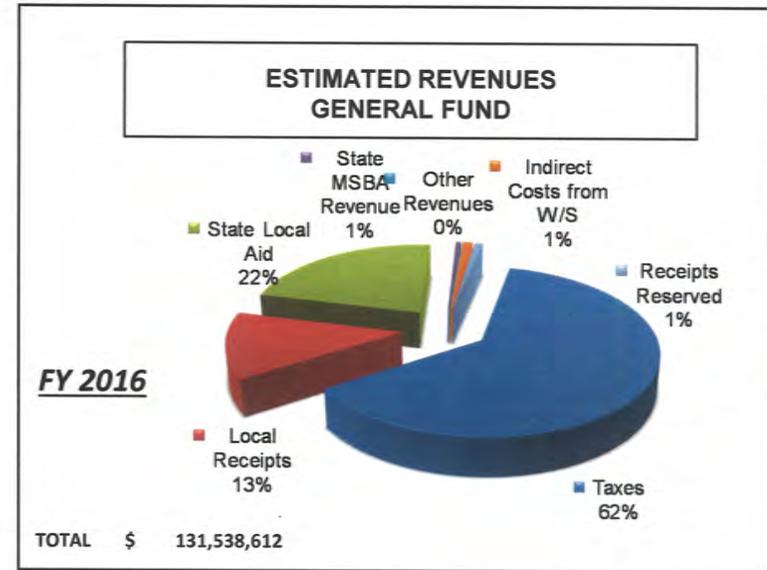
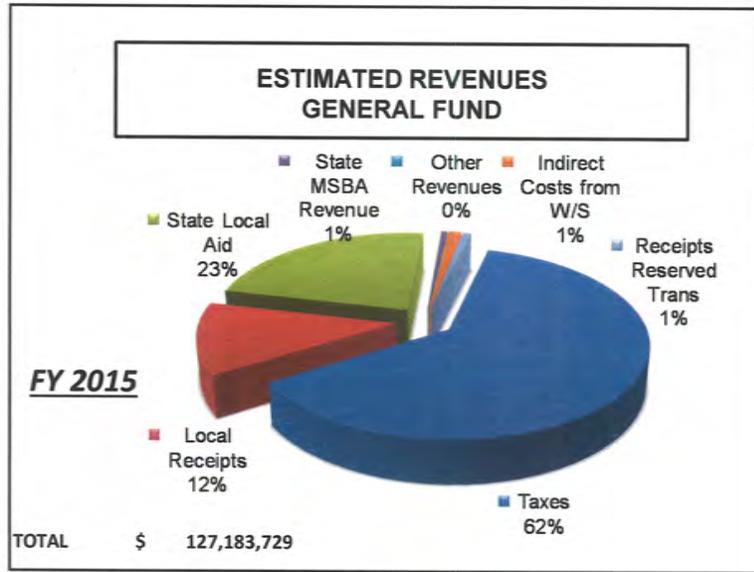
Proposition 2 ½ - Is the law which became effective on December 4, 1980. The two main components of the tax law relating to property taxes are: 1) the tax levy cannot exceed 2 ½ % of the full and fair cash value, and 2) for cities and towns at or below the above limit, the tax levy cannot exceed the maximum tax levy allowed for the prior by more than 2 ½ % (except in cases of property added to the tax rolls and for valuation increases of at least 50% other than as part of a general revaluation).

Equalized Valuations (EQV) – The commissioner of Revenue, in accordance with MGL CH. 58 Section 10C, is charged with the responsibility of biannually determining an equalized valuation for each city and town in the Commonwealth. EQVs present an estimate of fair cash value of all taxable property in each city and town as of January 1 of each year (MGL CH. 58, Sections 9 & 10C). The EQV is a measure of the relative property wealth in each municipality. Its purpose is to allow for comparisons of municipal property values at one point in time, adjusting for differences in local assessing practices and revaluation schedules. EQVs have historically been used as a variable in the allocation of certain state aid distributions, the calculation of various state and county assessments to municipalities, and the determination of municipal debt limits. EQVs are used in some distribution formulas so that communities with lower property values receive proportionately more aid than those with higher property values. In some assessment formulas they are used so that those with lower property values assume proportionately less of the cost than communities with higher property values. The local aid receipt programs using EQV are: Public Libraries, Chapter 70, and School Construction Aid. The assessments using EQV are: Boston's Metropolitan Transit Districts, the Count Tax, Mosquito Control Projects and Air Pollution Control Districts. A municipality's annual EQV is the sum of estimated fair market value for each property class plus an estimate of new growth, resulting in values indicative of January 1.

The following chart is a summary of the EQV, Tax Levy, Levy Ceiling, Levy Limit, 2 ½% increase, and New Growth by fiscal year.

**CITY OF SALEM
REVENUE SUMMARY - GENERAL & ENTERPRISE FUNDS**

	Actual FY 2011	Actual FY 2012	Actual FY 2013	Actual FY 2014	RECAP FY 2015	Proposed FY 2016	Increase % FY15 vs. FY15	Increase \$ FY15 vs. FY16
GENERAL FUND								
REAL AND PERSONAL Tax Levy	72,532,237	71,788,367	74,879,216	77,227,105	79,058,306	80,895,921	2.32%	1,837,615
MOTOR VEHICLE	3,147,826	3,179,764	3,080,014	3,767,518	3,200,000	3,300,000	3.13%	100,000
HOTEL EXCISE	392,295	392,295	429,544	497,784	425,000	500,000	17.65%	75,000
VESSEL EXCISE	32,726	23,358	33,044	31,661	28,000	28,000	0.00%	0
MEALS TAXES	562,797	768,032	795,305	821,634	790,000	810,000	2.53%	20,000
ATG (Marijuana Dispensary)						50,000		50,000
INTEREST ON TAXES	437,282	487,843	396,661	453,971	380,000	400,000	5.26%	20,000
IN LIEU OF TAXES	1,319,079	1,440,185	1,462,691	1,321,060	1,100,000	1,200,000	9.09%	100,000
CHARGES FOR SERVICES	1,274,446	1,464,056	2,073,901	1,535,118	1,200,000	1,600,000	33.33%	400,000
PARKING FEES	2,334,422	2,274,469	2,580,261	2,510,838	2,100,000	2,300,000	9.52%	200,000
LICENSES AND PERMITS	510,375	499,048	484,183	505,128	450,000	480,000	6.67%	30,000
FINES AND FORFEITS	1,208,272	1,255,894	1,230,761	1,208,544	1,000,000	1,100,000	10.00%	100,000
INVESTMENT INCOME	53,792	74,956	110,033	150,400	100,000	150,000	50.00%	50,000
MISCELLANEOUS INCOME	283,177	437,188	515,489	349,085	300,000	350,000	16.67%	50,000
MEDICAID INCOME	613,373	483,907	461,366	640,291	450,000	450,000	0.00%	0
MEDICAID PART D REIMBURSEMENT	258,783	277,629	221,879	113,055	0	0		0
NON RECURRING (Hold Harmless Money)	2,927,676	3,681,252	3,377,535	3,606,906	4,300,000	4,300,000	0.00%	0
TOTAL LOCAL RECEIPTS	15,356,321	16,739,877	17,252,667	17,512,993	15,823,000	17,018,000	7.55%	1,195,000
NET MA CHERRY SHEET ASST.	23,966,837	25,017,427	27,701,712	28,497,293	29,017,492	29,108,405	0.31%	90,913
MSBA REIMBURSEMENTS	4,310,837	3,521,535	2,534,339	732,824	732,824	732,824	0.00%	0
R/RES REDUCE TAX RATE	934,070	997,042	1,008,106	1,014,995	1,050,452	1,116,347	6.27%	65,895
OFS/TRANSFERS IN	-	1,000,000	-	661,685	-	-		0
INDIRECT COSTS from W&S (OFS)	1,452,222	1,477,074	1,493,881	1,601,654	1,501,654	1,401,654	-6.66%	(100,000)
TOTAL OTHER RECEIPTS	30,663,966	32,013,078	32,738,038	32,508,451	32,302,422	32,359,230	0.18%	56,808
GENERAL FUND TOTAL	118,552,524	120,541,322	124,869,921	127,248,549	127,183,728	130,273,151	2.43%	3,089,423
ENTERPRISE FUND								
SEWER RATES	7,587,055	7,941,520	9,140,124	8,843,453	8,897,066	8,966,261	0.78%	69,195
SEWER TRANS/OFS/Water Subsidy	-	-	-	(810,375)	(283,171)	(870,874)		(60,499)
TOTAL SEWER	7,587,055	7,941,520	9,140,124	8,033,078	8,613,895	8,095,387	-6.02%	(518,508)
WATER RATES	4,728,851	4,574,150	5,522,061	5,175,132	4,988,902	4,991,124	0.04%	2,222
WATER TRANS/OFS	-	360,000	218,738	-	-	-		0
TOTAL WATER	4,728,851	4,934,150	5,740,799	5,175,132	4,988,902	4,991,124	0.04%	2,222
TRASH FEES	700,000	686,834	689,358	689,358	712,702	846,302	18.75%	133,600
TRASH General Fund Subsidy/OFS	1,920,249	2,047,493	2,160,684	1,734,930	1,749,215	2,049,482	17.17%	300,267
TOTAL TRASH	2,620,249	2,734,327	2,850,042	2,424,288	2,461,917	2,895,784	17.62%	433,867
ENTERPRISE FUND TOTAL	14,936,155	15,609,997	17,730,965	15,632,498	16,064,714	15,982,295	-0.51%	(82,419)
GRAND TOTAL	133,488,679	136,151,319	142,600,886	142,881,047	143,248,442	146,255,446	2.10%	3,007,004



GENERAL FUND REVENUE DETAIL

I. TAXES

Real and Personal Property Tax

The primary source of revenue for most municipalities in the Commonwealth is real and personal property taxes; however, the property tax as a percentage of all revenues can greatly differ from community to community. For purposes of taxation, real property includes land, buildings and improvements erected or affixed to land and personal property consists of stock, inventory, furniture, fixtures and machinery. The City's Board of Assessors determines the value of all taxable land, which is revalued at fair market value every three years and updated every year. The City of Salem revalued all real property in FY10 adjusting property values to within 90%-100% of market value. The City's Board of Assessors is also responsible for determining the value of personal property through an annual review process.

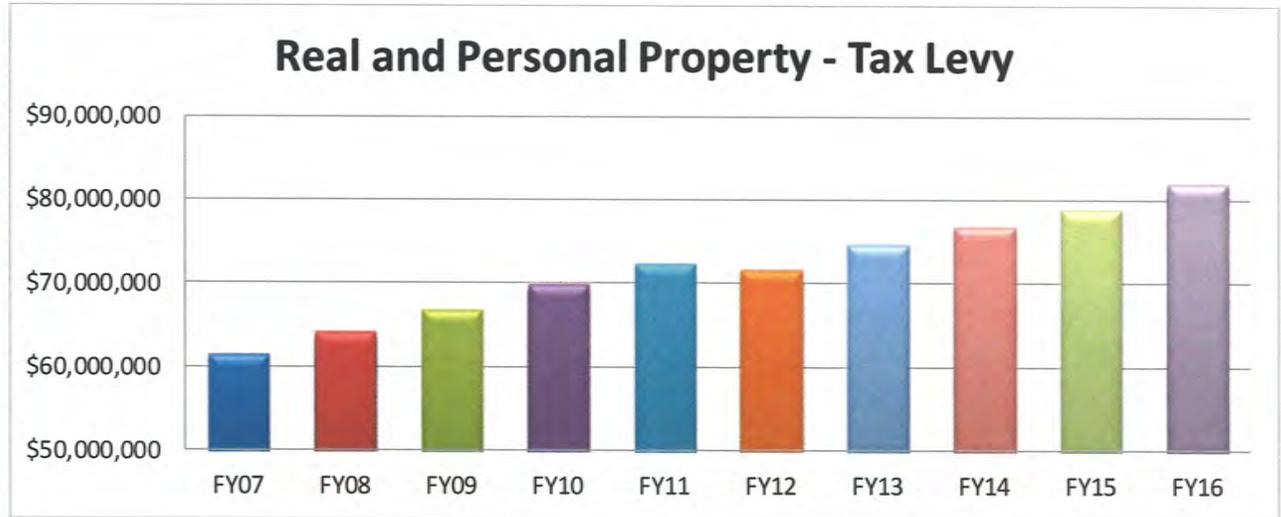
Factors influencing property taxes:

There are three major factors that influence the amount of revenue generated by real and personal property taxes:

- 1. Automatic 2.5% Increase (Prop 2 ½)** – The levy limit is the maximum amount that can be collected through real and personal property taxes by the municipality. Each year, a community's levy limit automatically increases by 2.5% over the previous year's levy limit. This increase, which does not require any action on the part of local officials, is estimated to be \$2,081,760 for FY 16.
- 2. New Growth** – A community is able to increase its tax levy limit each year to reflect new growth in the tax base. Assessors are required to submit information on growth in the tax base for approval by the Massachusetts Department of Revenue as part of the tax rate setting process. In FY 16 new growth is estimated to be \$600,000.
- 3. Overrides/Exclusions** – A community can permanently increase its levy limit by successfully voting an override. Debt and Capital exclusions, on the other hand, are temporary increases in a community's levy limit for the life of the project or debt service. Only a Debt or Capital exclusion can cause the tax levy to exceed the levy limit. The levy limit for Salem for FY 15 was \$83,270,411; however, the City only raised \$79,058,306 in property taxes, which was approximately \$4 million under the levy limit. The levy ceiling is 2.5% of the valuation of the community (EQV-Equalized Value). The ceiling for Salem in FY 15 is \$105,216,896. The levy limit for FY 16 is estimated to be \$85,952,171. The total amount of revenue raised through the tax levy will be determined upon the Department of Revenue setting the tax rate in the fall.

Real & Personal Property – Tax levy – The amount of taxes, special assessments, or service charges imposed by a governmental unit.

Real and Personal Property – Tax Levy		
Fiscal Year	Revenue	
2007	61,785,514	
2008	64,399,664	
2009	67,095,914	
2010	70,082,325	
2011	72,532,237	
2012	71,788,366	
2013	74,879,216	
2014	76,981,209	
2015	79,058,306	Per Recap
2016	82,161,382	Estimated
% Change FY15 vs. FY16		3.9%



Real & Personal Property – Levy Limit – The amount that a municipality may raise in taxes each year which is based on the prior year’s limit plus 2 ½ % increase on that amount plus the amount certified by the State that results from “new growth”.

Real and Personal Property – Levy Limit		
Fiscal Year	Revenue	
2007	61,792,926	
2008	64,441,432	
2009	67,385,423	
2010	70,134,978	
2011	72,993,129	
2012	75,492,988	
2013	77,880,313	
2014	80,587,733	
2015	83,270,307	Per Recap
2016	85,952,171	Estimated
% Change FY15 vs. FY16		3.2%

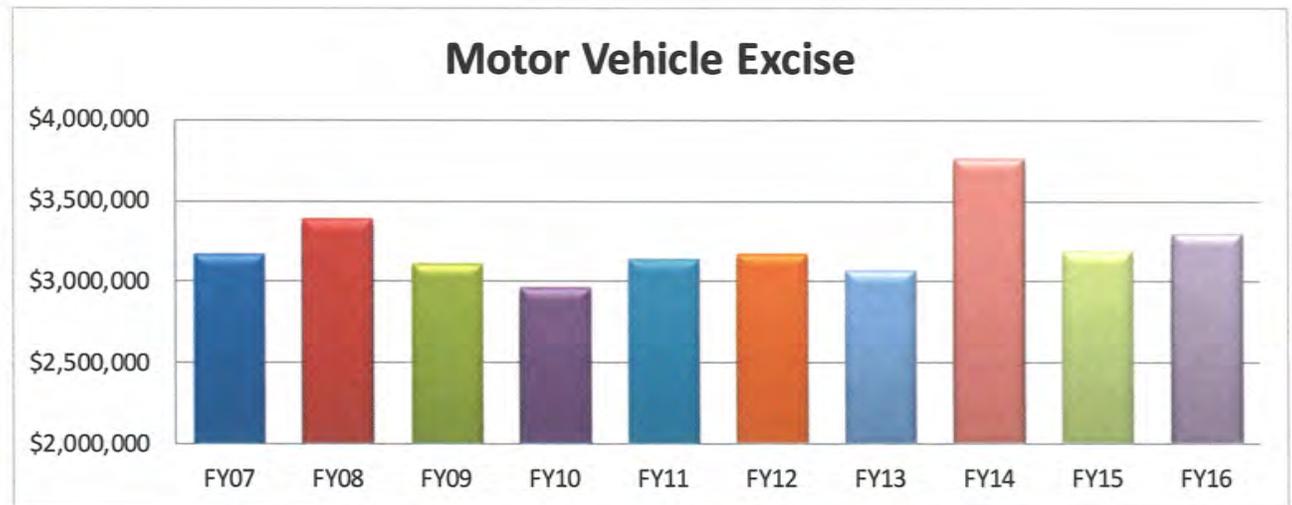


II. LOCAL RECEIPTS

Motor Vehicle Excise Tax Receipts – Massachusetts General Law (MGL) Chapter 60A, Section 1 sets the motor vehicle excise rate at \$25 per \$1000 valuation. The City collects this revenue based on data provided by the Massachusetts Registry of Motor Vehicles (RMV). The Registry, using a statutory formula based on a manufacturer’s list price and year of manufacture, determines valuations. The City or Town in which a vehicle is principally garaged at the time of registration collects the motor vehicle excise tax.

Those residents who do not pay their excise taxes in a timely manner are not allowed to renew registrations and licenses through a ‘marking’ process at the RMV. The City of Salem notifies the Registry of delinquent taxpayers, through its deputy collector, who prepares excise delinquent files for the Registry of Motor Vehicles. We are anticipating a slight increase of 3.1% for FY 2016 based on prior fiscal year trends.

Motor Vehicle Excise		
Fiscal Year	Revenue	
2007	3,179,235	
2008	3,390,013	
2009	3,120,411	
2010	2,973,309	
2011	3,147,826	
2012	3,179,764	
2013	3,080,014	
2014	3,767,518	
2015	3,200,000	Per Recap
2016	3,300,000	Estimated
% Change FY15 vs. FY16		3.1%



Hotel Excise – (Room Occupancy Excise - MGL Chapter 64G) This category includes taxes received through the state that are collected from all hotels, motels, and other lodging houses within the City at a rate up to, but not exceeding, 6% of the total amount of rent for each such occupancy. We anticipate no increase in FY 2014. On April 22, 2010 the City Council approved by a 6-5 vote to pass the local options tax increases of .75% on meals and 1% on Hotel/Motels. In FY 2016 we are asking for an increase of .25% which we anticipate will result in a 17.6% increase in FY 2016 revenue.

Hotel Excise		
Fiscal Year	Revenue	
2007	282,324	
2008	373,655	
2009	324,622	
2010	294,214	
2011	392,295	
2012	392,974	
2013	429,544	
2014	497,784	
2015	425,000	Per Recap
2016	500,000	Estimated
% Change FY15 vs. FY16		17.6%



Meals Tax – (MGL CH27 §60 and 156 of the Acts of 2009). This revenue was established in FY 2011 as allowed by the Commonwealth of Massachusetts in FY 2010. We are anticipating a slight increase of 1.3% in FY 2016 based on recent trends.

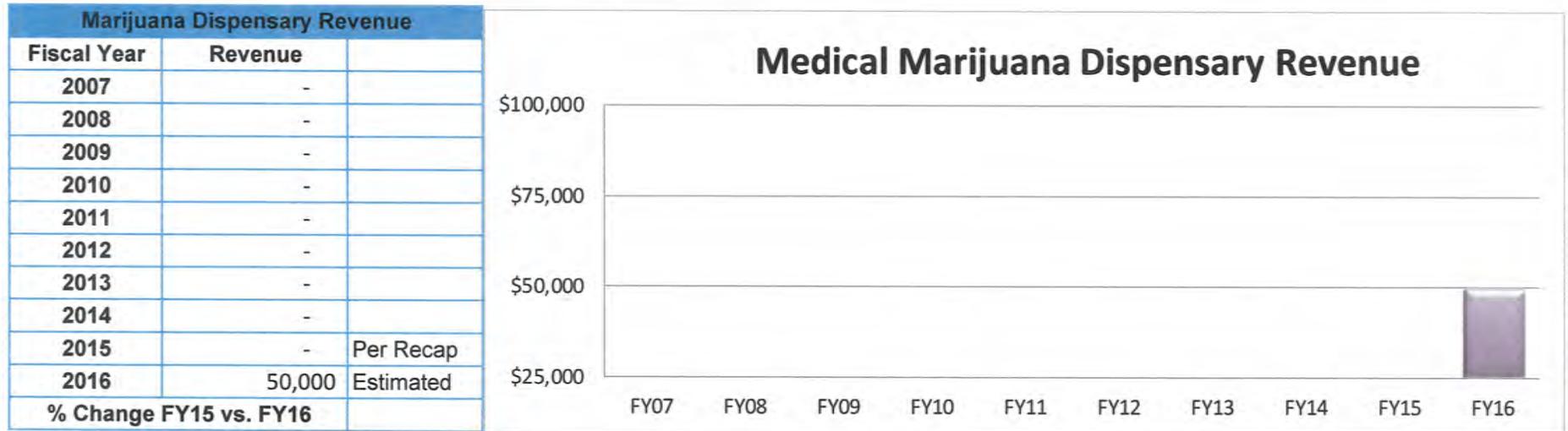
Meals Tax		
Fiscal Year	Revenue	
2007	-	
2008	-	
2009	-	
2010	-	
2011	562,797	
2012	768,032	
2013	795,305	
2014	821,634	
2015	800,000	Per Recap
2016	810,000	Estimated
% Change FY15 vs. FY16		1.3%



ATG - Medical Marijuana Dispensary Revenue – The City of Salem has entered into a Community Benefits Agreement with Alternative Therapies Group (ATG) of Massachusetts which is a Registered Marijuana Dispensary (RMD) to receive revenue from sale of medicinal marijuana. Funds received by communities per agreements with medical marijuana dispensaries belong to the community’s General Fund under G.L.c.44, §53. These funds cannot be separately appropriated as available funds.

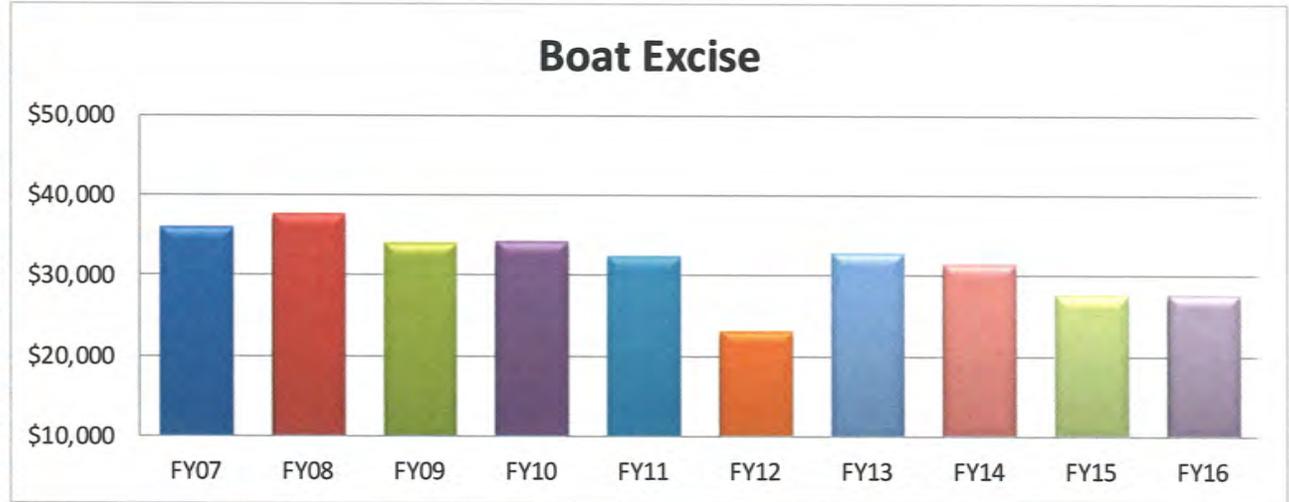
The city will receive an annual payment equal to 1.25% of the total gross annual sales of the RMD for the first two years after it opens. On year three and after, the city will receive 2% of all gross annual sales. The city anticipates approximately \$50,000.00 in year one of the agreement. We anticipate the opening of the RMD to be in June or July of 2015. Below is a chart of anticipated revenue for the next three years.

	FY16	FY17	FY18
Projected gross revenue	\$3,613,365	\$8,304,838	\$11,507,013
Host fee rate	1.25%	1.25%	2.0%
Host fee payment	\$45,167	\$103,810	\$230,140



Boat Excise – As per MGL Chapter 60B Section 2, boat excise tax is levied by each city and town in each fiscal year on every vessel, and its equipment, for the privilege of using the waterways of the Commonwealth. We anticipate no increase in FY 2016.

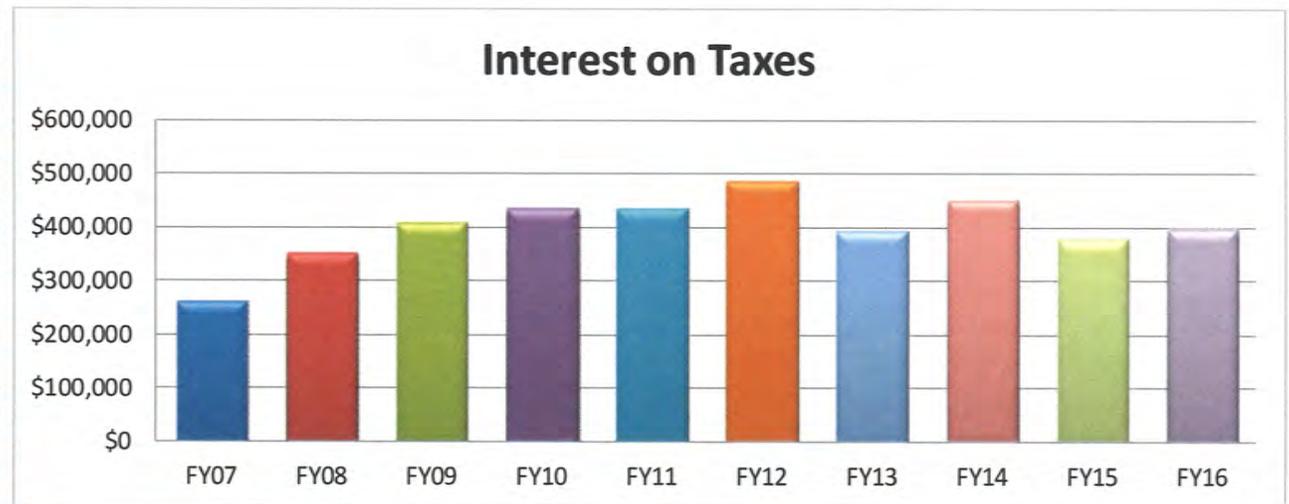
Boat Excise		
Fiscal Year	Revenue	
2007	36,203	
2008	37,876	
2009	34,231	
2010	34,450	
2011	32,726	
2012	23,358	
2013	33,044	
2014	31,661	
2015	28,000	Per Recap
2016	28,000	Estimated
% Change FY15 vs. FY16		0.0%



Interest on Taxes - This category includes delinquent interest and penalties on all taxes and tax title accounts. It also contains demand fees on real and personal property taxes as well as demands and warrants on late motor vehicle excise taxes and boat excise taxes.

We anticipate an increase in penalties and interest in FY 2016 of 5.3% based on current revenue trends in this category.

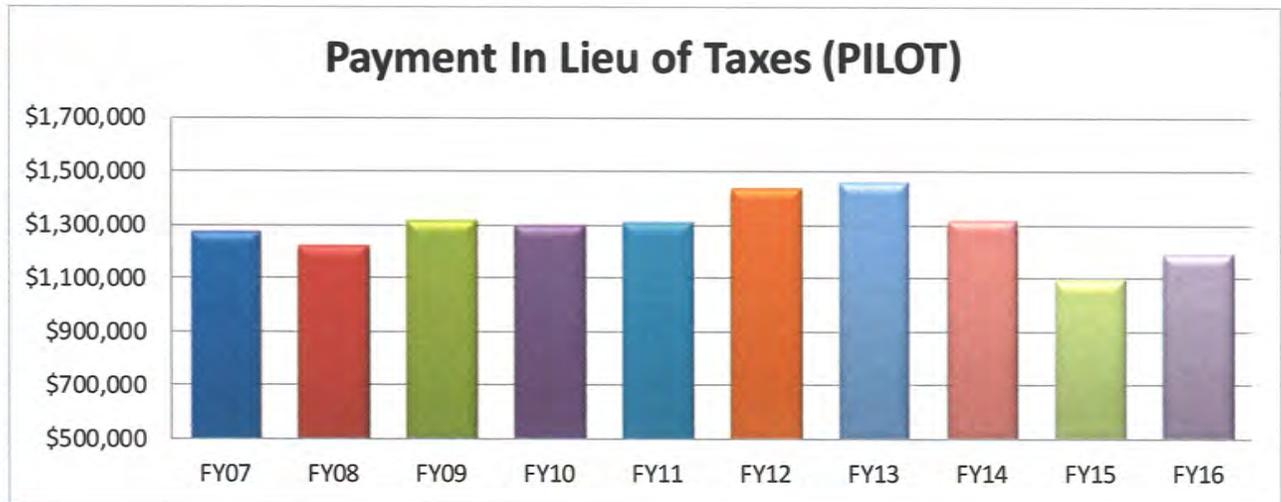
Interest on Taxes		
Fiscal Year	Revenue	
2007	266,246	
2008	353,952	
2009	412,572	
2010	437,361	
2011	437,282	
2012	487,843	
2013	396,661	
2014	453,971	
2015	380,000	Per Recap
2016	400,000	Estimated
% Change FY15 vs. FY16		5.3%



Payment In Lieu Of Taxes (PILOT) - Many communities, Salem included, are not able to put all the property within its borders to productive, tax generating uses. Federal, state and municipal facilities, hospitals, churches and colleges are examples of uses that are typically exempt from local property tax payments. The City currently has PILOT agreement with several entities, including the South Essex Sewerage District, North Shore Medical Center, and the Salem Housing Authority, Northeast Animal Shelter, as well as some Urban Redevelopment Corporations (MGL Chapter 121A).

In FY 2014 the Piquot Highlands property will be came off of the 121A status and will return to ad valorem taxation. Therefore the PILOT revenue decreased in FY 2014 by \$189,000.00. We anticipate a 9.1% increase in FY 2016 based on current year revenue.

Payment in Lieu of Taxes (PILOT)		
Fiscal Year	Revenue	
2007	1,282,516	
2008	1,229,435	
2009	1,320,945	
2010	1,307,078	
2011	1,319,079	
2012	1,440,185	
2013	1,462,691	
2014	1,321,060	
2015	1,100,000	Per Recap
2016	1,200,000	Estimated
% Change FY15 vs. FY16		9.1%

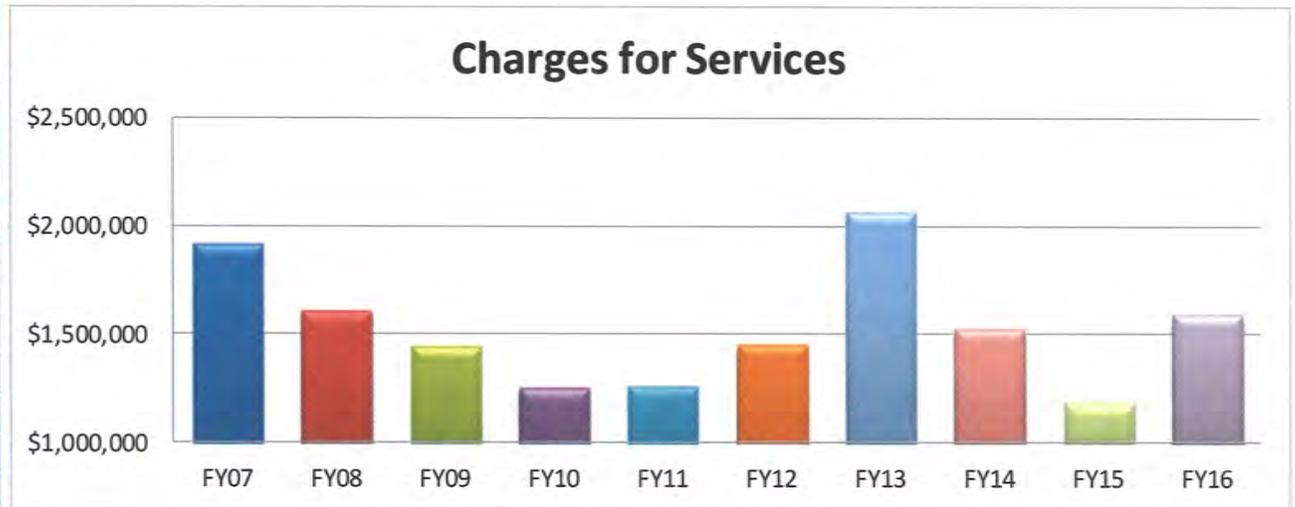


CHARGES FOR SERVICES

Services / Charges / User Fees – Charges for services are a revenue source to assist municipalities to offset the cost of certain services provided to the community. Some of the fees within this category are board of health fees, building and plumbing permits, electrical fees, engineering inspections as well as park and recreational fees. In FY 2007 the trash fee was also added to this category as well as passport and ferry fees. In FY08 the trash fee was moved to an enterprise fund, however police and fire administrative fees for detail work were added as a new revenue source.

In FY 2015 we anticipated a 4.1% reduction in user fees and services due to the completion of many projects. In the spring of FY 2015 we did receive \$250,000 in building permit fees for Footprint Power Plant. In FY 2016 we anticipate a 33.3% increase due to new building projects including the Gateway Center, Blubber Hollow Project, Flyntan, Cinema World, Universal Steele development and District Court.

Charges for Services		
Fiscal Year	Revenue	
2007	1,923,414	
2008	1,619,899	
2009	1,452,177	
2010	1,265,194	
2011	1,274,446	
2012	1,464,056	
2013	2,073,901	
2014	1,535,118	
2015	1,200,000	Per Recap
2016	1,600,000	Estimated
% Change FY15 vs. FY16		33.3%



PARKING FEES

Parking Fees – Parking revenues are from fees charged for parking at the Museum Place Mall Parking Garage, South Harbor Parking Garage, Church Street Lot, and all metered parking. Parking revenues are set by City Ordinance.

In FY12 the City of Salem adopted a parking study that modifies the fee structure of many key components to the parking department; including a decrease from \$1.50/hr. to \$.75/hr. in the Museum Place Garage and a decrease from \$1.50/hr. to \$.25/hr. in the South Harbor Garage. Also, the parking lot at Church Street has been reduced from \$1.50 per hour to \$1.00 per hour. Some of the other changes are tiered meter rates, which will charge as high as \$1.50 per hour in the most active areas of the City and as low as \$.25 per hour in the least active areas. These changes have caused a downward trend in revenue for FY 2015.

In FY 16 we are anticipating an increase of 9.5% based on the anticipated sale of 50 parking spaces to individuals at Museum Place and South Harbor garages at \$1,500 annually per space. We also intend to install a “Pay by Plate” display at Riley Plaza that will bring in additional revenue.

Parking Fees		
Fiscal Year	Revenue	
2007	1,713,649	
2008	1,651,032	
2009	1,694,707	
2010	2,039,379	
2011	2,334,422	
2012	2,274,469	
2013	2,580,261	
2014	2,510,838	
2015	2,100,000	Per Recap
2016	2,300,000	Estimated
% Change FY15 vs. FY16		9.5%



LICENSES AND PERMITS

Licenses & Permits - License and permit revenue arises from the City's regulation of certain activities (e.g., selling alcoholic beverages). A person or organization pays a license fee to engage in the activity for a specified period. The primary licensing agency in the City is the City Council. All fees are set by one of three methods: State law, City By-Law or Licensing Body.

Liquor Licenses - Under Chapter 138 of the General Laws of Massachusetts, the City is empowered to grant licenses regulating the sale of alcoholic beverages. License fees vary depending upon the type of establishment, closing hours, number of days open, and whether the license is for all alcohol or beer and wine. All licenses issued by the City Council, with the exception of short-term and seasonal liquor licenses, have a maximum fee set by State statute. In FY 2011 Liquor license fees for all restaurants impacted by the increase in meals tax were reduced by 25%.

Entertainment - Entertainment licenses are issued for live performances, movie theaters, automatic amusement machines, billiard tables, bowling alleys, and several other forms of entertainment.

City Clerk Licenses & Permits - The City Clerk issues licenses and permits primarily relating to marriages, births, deaths and dog registrations.

Other Departmental Permits - Other Departments issue various permits including smoke detector, LP gas, firearms, and constable fees.

We anticipate a 6.7% increase in license fees for FY 2016 based on recent revenue trends.

Licenses & Permits		
Fiscal Year	Revenue	
2007	517,697	
2008	510,120	
2009	567,166	
2010	567,732	
2011	510,375	
2012	499,048	
2013	484,183	
2014	505,128	
2015	450,000	Per Recap
2016	480,000	Estimated
% Change FY15 vs. FY16		6.7%



FINES AND FORFEITS

Court Fines – Non-parking offenses result in fines for moving violations. Responding to the community’s desires and public safety concerns, the police department has been focused on enforcing speed limits in local neighborhoods. Other moving violations that are included in this category are driving while intoxicated, passing in the wrong lane, and failing to stop at the traffic signal. These fines, collected by the District Court, are distributed to the City on a monthly basis.

Parking Fines - The collection of outstanding parking fines continues to be an important source of revenue to the City. The timely collection of fines has been aided by automation, and by State law that violators are prohibited from renewing their driver’s licenses and registrations until all outstanding tickets are paid in full. Like Motor Vehicle Excise, those individuals who do not pay their parking tickets in a timely manner are not allowed to renew registrations and licenses through a ‘marking’ process at the RMV. The City of Salem notifies the Registry of delinquent fine payers, through its deputy collector, who prepares parking ticket delinquent files for the Registry of Motor Vehicles.

As part of the 2011 parking study, the City has changed both the time limits and the overtime fine for parking meters. The limits will increase from two (2) hours to four (4) hours, which will certainly decrease the amounts of overtime violations written by the meter enforcement division. However, the increase of the overtime fine will offset some of the decrease in the volume of tickets written. Furthermore, the sharply reduced rates in the City’s parking garages will certainly decrease the volume of cars parking curbside (where the tickets are written) and increase the volume of cars parking in the garage, where there will be virtually no tickets written (except for handicap violations, which go into a separate account).

In FY 2016 we anticipate a 10% increase based on FY 2015 actual revenue trends through April 2015.

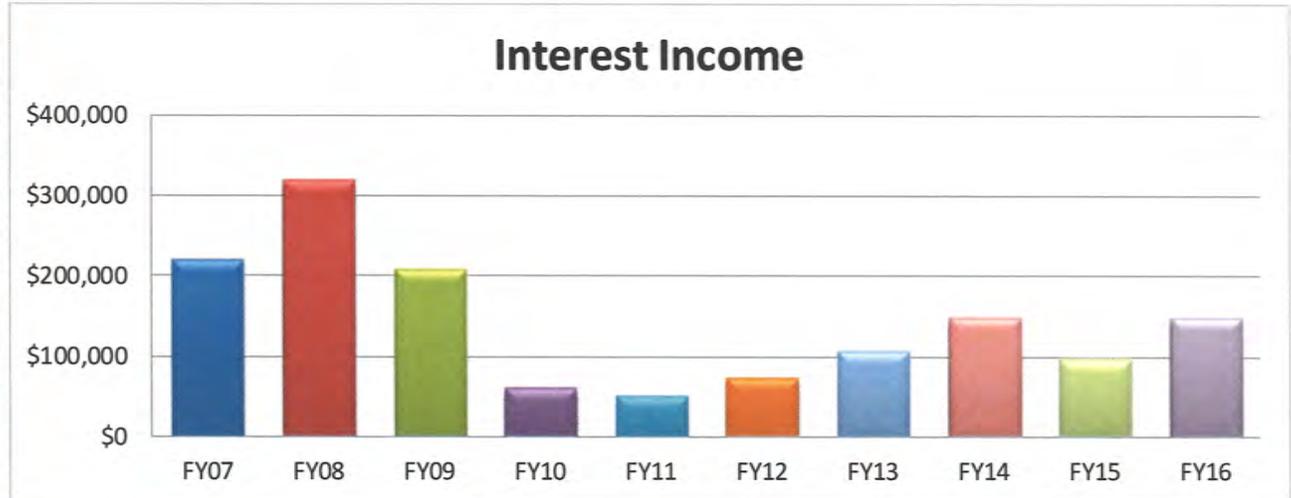
Fines & Forfeits		
Fiscal Year	Revenue	
2007	1,085,729	
2008	1,222,170	
2009	1,296,698	
2010	1,266,266	
2011	1,208,272	
2012	1,255,894	
2013	1,230,761	
2014	1,208,544	
2015	1,000,000	Per Recap
2016	1,100,000	Estimated
% Change FY15 vs. FY16		10.0%



Interest Income - Under Chapter 44 Section 55B of the Mass. General Laws, all monies held in the name of the City which are not required to be kept liquid for purposes of distribution shall be invested in such manner as to require the payment of interest on the money at the highest possible rate reasonably available. The investment decision must take into account safety, liquidity and yield.

The City Treasurer looks to maximize our earning potential by evaluating investing options. In FY 2016 we anticipate a 50% increase based on recent fiscal year trends.

Interest Income		
Fiscal Year	Revenue	
2007	221,474	
2008	321,741	
2009	211,490	
2010	62,904	
2011	53,792	
2012	74,956	
2013	110,033	
2014	150,400	
2015	100,000	Per Recap
2016	150,000	Estimated
% Change FY15 vs. FY16		50.0%

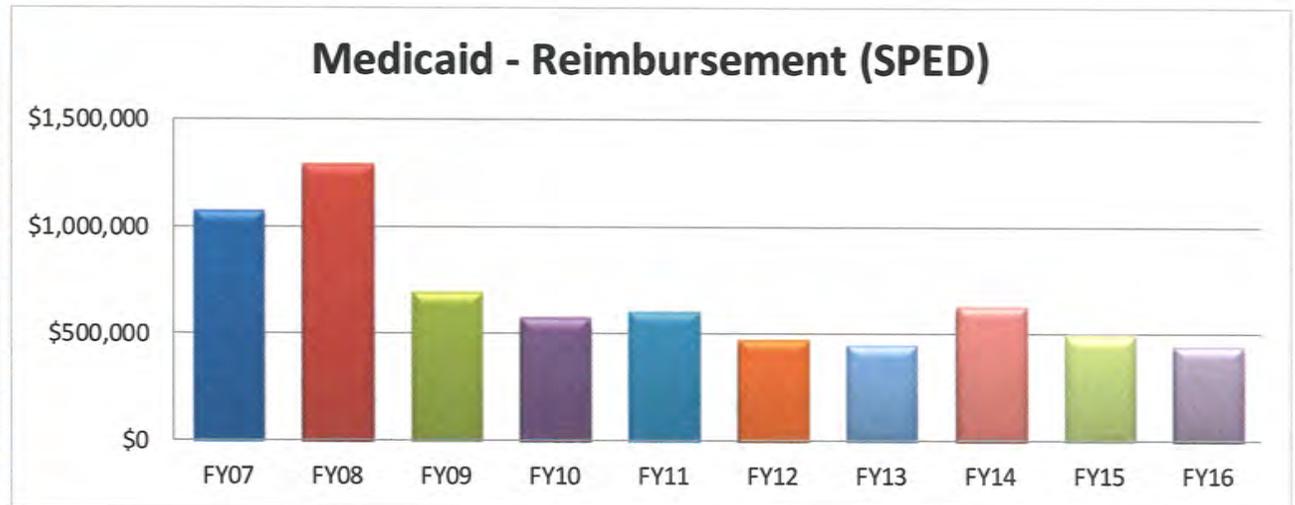


MISCELLANEOUS REVENUE - RECURRING

Medicaid Reimbursements (SPED) – In accordance with laws and regulations governing the Medicaid program, school systems are mandated by the Individuals with Disabilities Education Act (IDEA) to provide health related services to their special education student population. They are permitted to file claims for partial federal reimbursement for both their student health services and the administrative support expenditures incurred in providing those services. We receive both the Direct Student Expenditures reimbursement (school based health services provided directly to the student) and the Administrative expenditures reimbursement (to assist in the delivery of Special Education (SPED) services to students.)

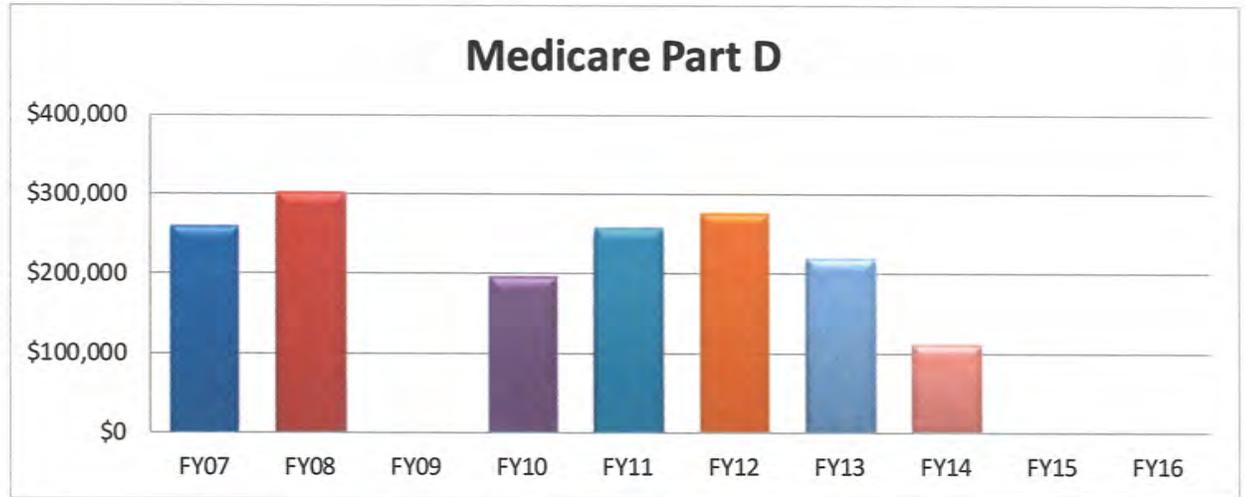
In FY 2016 we anticipate a 10% decrease in SPED Medicaid based on revenue trends and continuous changes to the formula for calculating reimbursements.

Medicaid - Reimbursement (SPED)		
Fiscal Year	Revenue	
2007	1,084,628	
2008	1,302,599	
2009	701,390	
2010	582,540	
2011	613,373	
2012	483,907	
2013	461,366	
2014	640,291	
2015	500,000	Per Recap
2016	450,000	Estimated
% Change FY15 vs. FY16		-10.0%



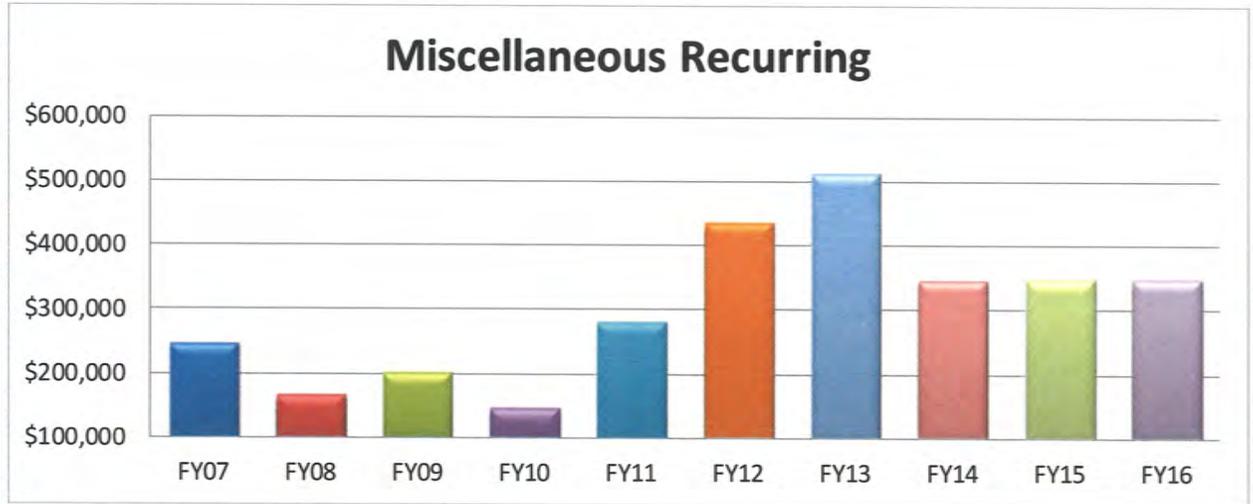
Medicare Part D – Medicare Part D is part of the Medicare Modernization Act (MMA) that was signed into law on 12/8/2003. One of the key provisions of MMA was the introduction of the Medicare Prescription Drug Benefit (Part D). This subsidizes part of the cost of drug costs for retirees. However, since the City of Salem offers its employees’ health insurance with prescription drug benefits that are superior to the Medicare part D benefits, we become eligible for a Medicare subsidy. This subsidy is 28% of Rx claims between \$250 and \$5,000. This subsidy is designed to encourage employers to continue offering health benefits with prescription drug coverage that is actuarially equivalent or better than what is offered under Medicare Part D. In FY 2007 the City started receiving Medicare Part D reimbursements as described above. Due to the uncertainty of these revenues now that we are with the GIC health insurance plan, we are not anticipating any Medicare Part D revenue from now on.

Medicare Part D		
Fiscal Year	Revenue	
2007	261,809	
2008	304,139	
2009	-	
2010	197,872	
2011	258,783	
2012	277,629	
2013	221,879	
2014	113,055	
2015	-	Per Recap
2016	-	Estimated
% Change FY15 vs. FY16		0.0%



Other Miscellaneous Recurring – This category is used for all ‘other’ non-categorized income such as revenue from sale of copies of reports generated by a department, sale of data from tax files, collector’s fees, refunds, bad checks, etc. We anticipate no changes for FY 2016 based on current revenue trends.

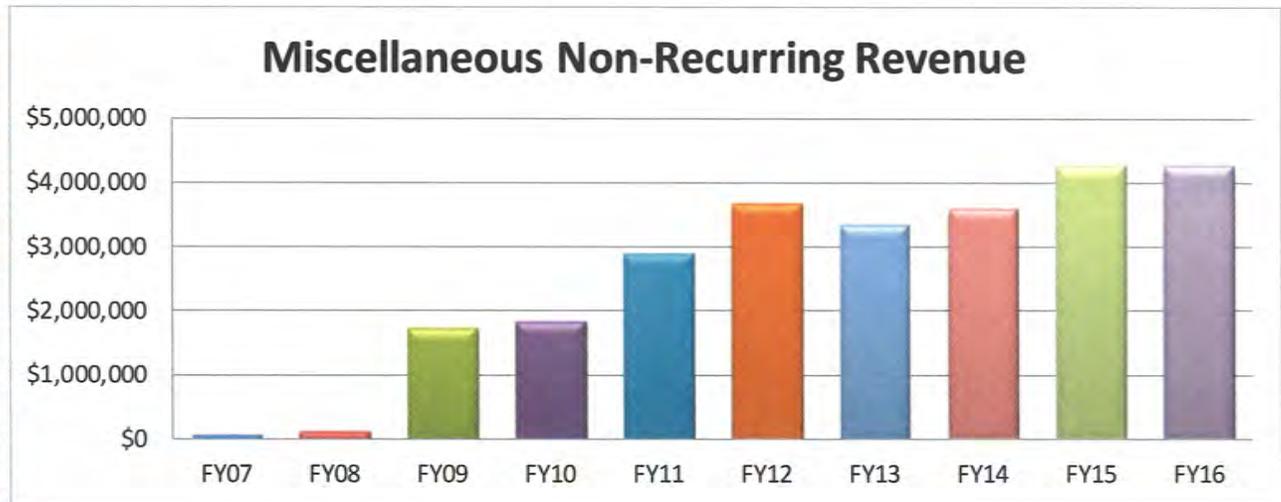
Miscellaneous Recurring		
Fiscal Year	Revenue	
2007	248,905	
2008	168,331	
2009	203,694	
2010	149,140	
2011	283,177	
2012	437,027	
2013	515,489	
2014	349,085	
2015	350,000	Per Recap
2016	350,000	Estimated
% Change FY15 vs. FY16		0.0%



Miscellaneous Non-Recurring – This category is used for all one time income sources and revenues not considered common in municipalities . In FY 2008 the City received \$1,250,000 host fee from the Power Plant for FY 2008, \$100,000 from police detail admin fees originally posted to agency fund, and \$80,916.78 from Bond and Bond Anticipation Note (BAN) premiums and Accrued Interest. In FY2011 we will receive a \$1,750,000 Host Fee once again from the Power Plant per a three year agreement reached between Dominion and the City of Salem. We also received \$1,160,896 in bond premiums when we refinance several of our long term bonds on 10/23/11. In FY 2015 much of the Host Fee money comes in as tax revenue and is part of the Tax Levy. Only 185K actually comes in as revenue outside of the tax levy.

Massachusetts General Law (MGL) Chapter 21A, Section 33 allows for a Reimbursement for Communities Affected by the Regional Greenhouse Gas Initiative (RGGI) also known as the ‘Hold Harmless Agreement’. This reimbursement for FY 2016 amounts to approximately 4.3 Million in hold harmless money and in a host fee which remains the same as in FY 2015 based on the tax agreement with Footprint.

Miscellaneous Non-Recurring Revenue		
Fiscal Year	Revenue	
2007	85,169	
2008	143,840	
2009	1,750,000	
2010	1,855,821	
2011	2,927,676	
2012	3,681,377	
2013	3,377,535	
2014	3,606,906	
2015	4,300,000	Per Recap
2016	4,300,000	Estimated
% Change FY15 vs. FY16		0.0%



III. INTERGOVERNMENTAL REVENUE – CHERRY SHEET

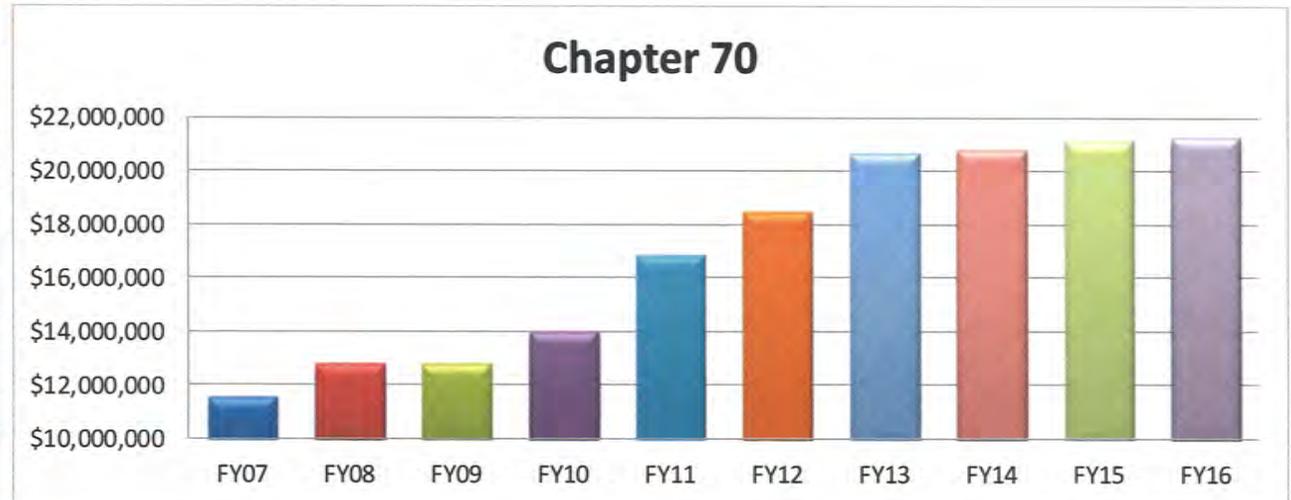
Cherry Sheet - Every year the Commonwealth sends out to each municipality a "Cherry Sheet", named for the pink-colored paper on which it was originally printed. The Cherry sheet comes in two parts, one listing the State assessments to municipalities for Massachusetts Bay Transportation Authority (MBTA), Charter Schools, RMV non-renewal fees, Retired Teachers Health Insurance, air pollution control districts, and the other State programs; the other section lists the financial aid the City will receive from the State for funding local programs. Each Cherry Sheet receipt is detailed below. State Cherry Sheet revenue funds are the primary intergovernmental revenue and in the case of many cities, is the single largest source of annual revenue. Cherry Sheet revenue consists of direct school aid, local aid, and specific reimbursements and distributions such as aid to public libraries, veteran's benefits, police career incentives, and a number of school related items. For a complete copy of the Cherry Sheet Manual or the actual Cherry Sheet Local Receipts and/or Assessments go to: <http://www.mass.gov/dor/docs/dls/cherry/cherrysheetmanual.pdf>

The following revenues are based on the FY 2014 House Ways and Means Local Aid Estimates that came out in April, 2013.

School Aid - Chapter 70 school aid is based on a complex formula that takes into account: (1) statewide average cost per pupil; (2) local district pupil counts, with weighing factors to reflect varying costs among programs such as special education or vocational education, and (3) municipal fiscal "ability to pay" for education, as measured by equalized valuation per capita as a percent of statewide averages.

In FY 2016 the State increased CH 70 revenue by .6%.

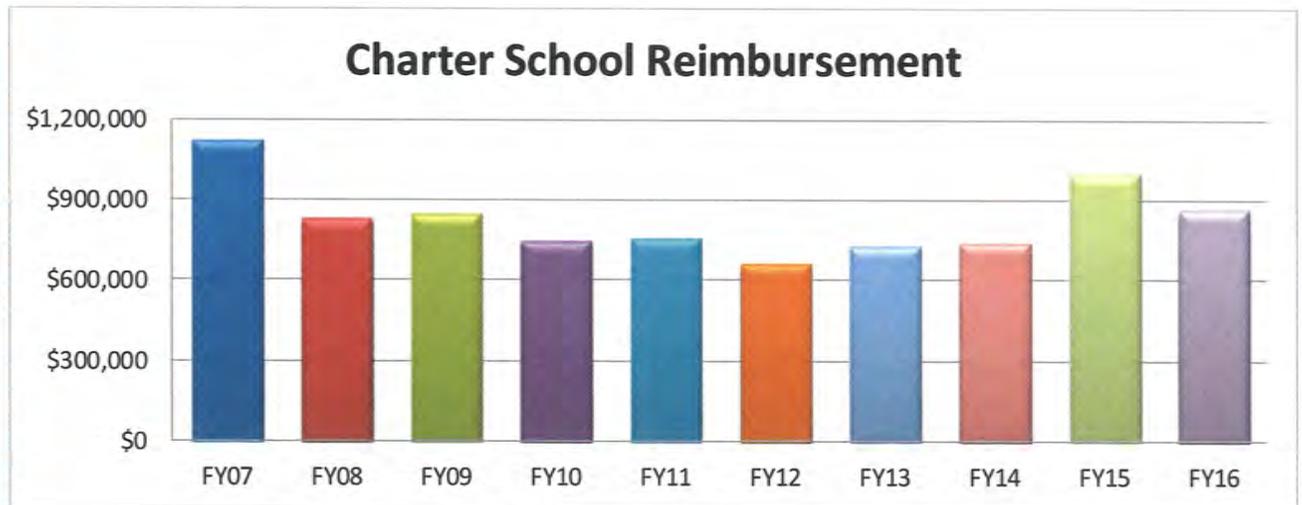
Chapter 70- School Aid		
Fiscal Year	Revenue	
2007	11,648,162	
2008	12,876,914	
2009	12,859,851	
2010	14,083,762	
2011	16,969,097	
2012	18,522,267	
2013	20,759,584	
2014	20,879,459	
2015	21,231,627	Per Recap
2016	21,348,402	Estimated
% Change FY15 vs. FY16		0.6%



Local Aid - The major non-school state aid items are Charter School Tuition Reimbursement and Unrestricted General Government Aid (UGGA). These funds are unrestricted and can therefore be used by the municipality for any municipal purpose.

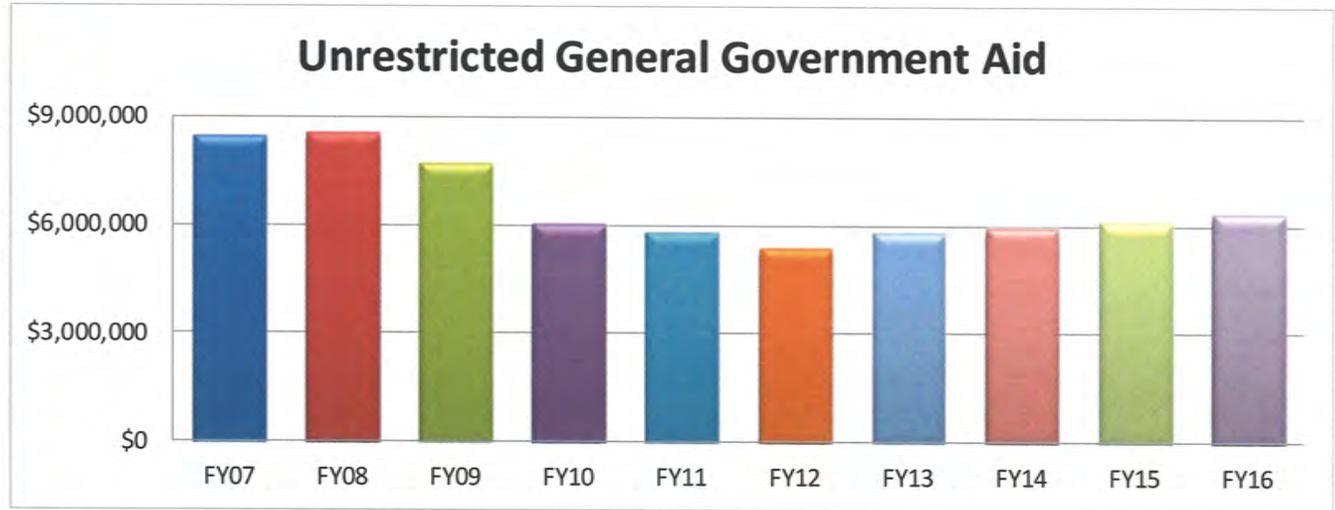
Charter Tuition Reimbursement - Under Chapter 71, Section 89, 2004 Chapter 46 of the Acts of 1997 provides for the reimbursement sending districts for the tuition they pay to Commonwealth charter schools. It is a reimbursement for those students that elect to attend a charter school. Sending districts are reimbursed a portion of the costs associated with pupils attending charger schools beginning with the second quarterly distribution. There are three levels to the reimbursement; 100% of the tuition increase in the first year, 60% of the tuition increase in the second year, and 40% of the tuition increase in the third year. In addition, the reimbursement covers 100% of the first-year cost of pupils at charter schools who attend private or independent schools in the previous year. The reimbursement also covers 100% of the cost of any sibling students whose tuition brings a district above it statutory assessment cap of 9% of net school spending. The reimbursement is subject to appropriation in the final budget for the Commonwealth. This is a preliminary number based on school enrollment figures available at this time.

Charter School Reimbursement		
Fiscal Year	Revenue	
2007	1,128,304	
2008	835,700	
2009	856,228	
2010	753,941	
2011	768,178	
2012	671,726	
2013	738,383	
2014	745,832	
2015	1,008,704	Per Recap
2016	872,043	Estimated
% Change FY15 vs. FY16		-13.5%



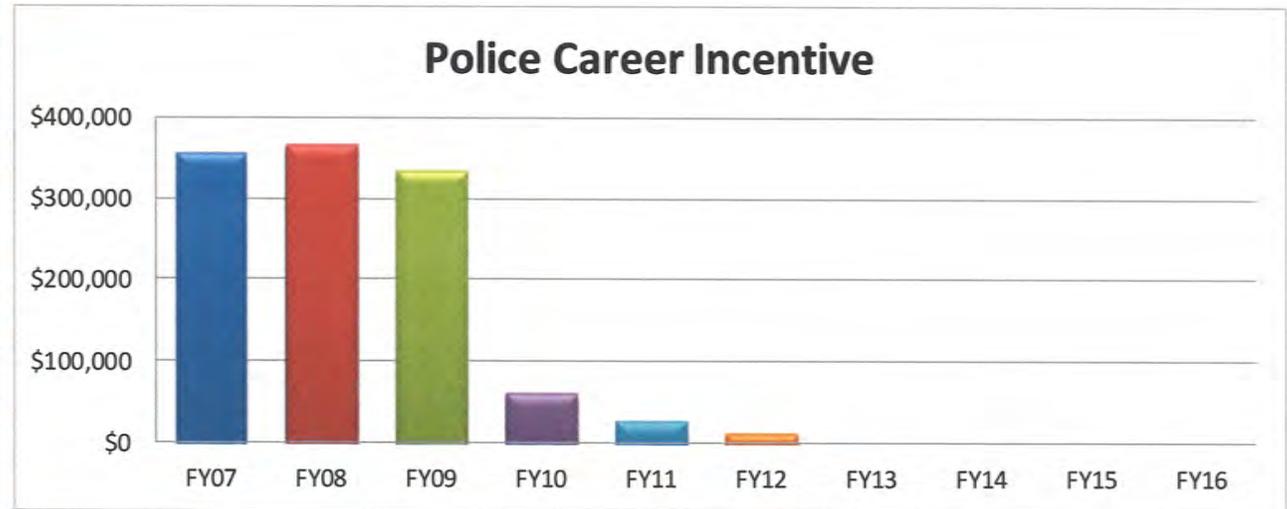
Unrestricted General Government Aid (UGGA). In FY 2010 the state eliminated the Lottery Aid, General Fund Subsidy to Lottery, and Additional Assistance revenue and replaced it with this revenue called ‘Unrestricted General Government Aid’. The FY 2006 to FY 2009 combines the three revenue sources no longer used (lottery, subsidy to lottery, & additional assistance). The FY 2016 amount is a 3.6% increase.

Unrestricted Gen. Govt. Aid		
Fiscal Year	Revenue	
2007	8,486,522	
2008	8,585,568	
2009	7,748,937	
2010	6,077,873	
2011	5,834,758	
2012	5,412,881	
2013	5,834,758	
2014	5,972,679	
2015	6,138,313	Per Recap
2016	6,359,292	Estimated
% Change FY15 vs. FY16		3.6%



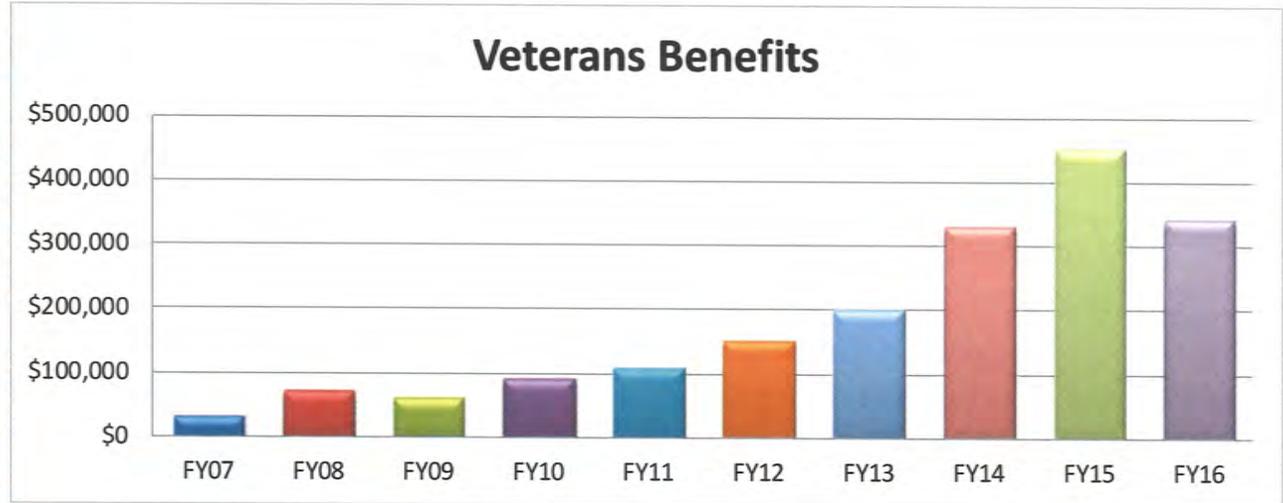
Police Career Incentive - Under Chapter 41 of the Mass General Laws, members of participating police departments receive a salary increase predicated on the amount of college credits earned toward a law enforcement degree. The Commonwealth reimburses municipalities for one-half of this salary increase. Under the revised law, officers are awarded a ten-percent increase in their base pay for an Associate's Degree, a twenty percent increase for a Bachelor's degree and a twenty-five percent increase for a Master's degree. In FY 2010 revenue was reduced by 82.7% and again reduced by 51.2% in FY 2011. FY 2012 decrease was 48.41%. In FY 2013 the state eliminated this funding so the City of Salem will pick up the additional costs associated with this stipend from taxes and local revenue.

Police Career Incentive		
Fiscal Year	Revenue	
2007	358,801	
2008	369,742	
2009	337,343	
2010	64,475	
2011	31,492	
2012	16,248	
2013	-	
2014	-	
2015	-	Per Recap
2016	-	Estimated
% Change FY15 vs. FY16		



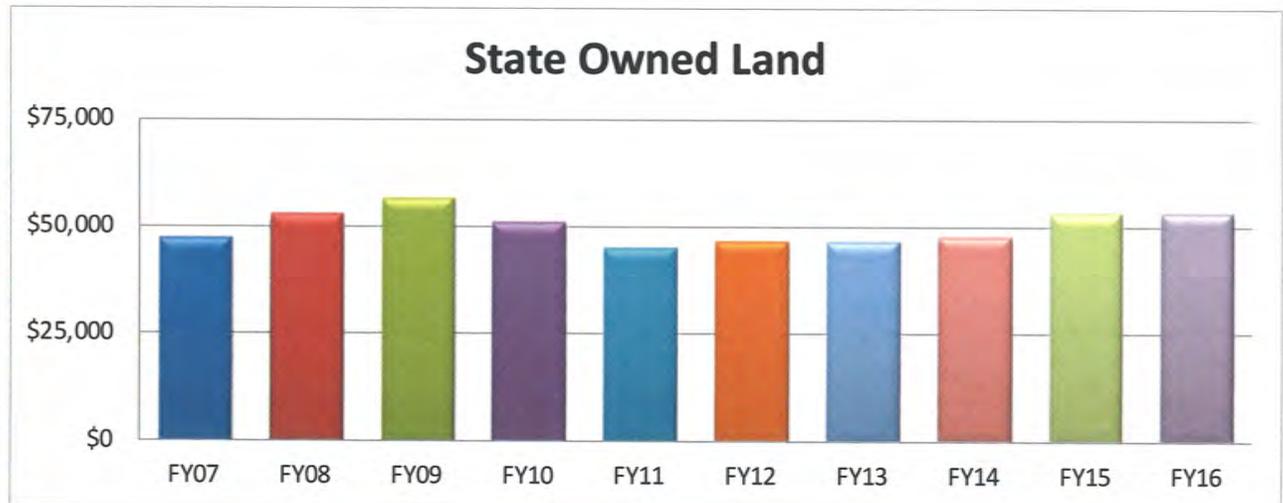
Veterans' Benefits - Under Chapter 115, Section 6 municipalities receive a seventy-five percent (75%) State reimbursement on the total expenditures made on veterans' financial, medical and burial benefits. Due to the increase in veterans filing for benefits, this revenue has increased significantly as has the veterans' benefits expense line. However the state anticipates a 24.2% decrease in reimbursement for FY 2016.

Veterans Benefits		
Fiscal Year	Revenue	
2007	33,124	
2008	74,249	
2009	62,123	
2010	93,176	
2011	109,431	
2012	153,533	
2013	202,949	
2014	332,364	
2015	451,957	Per Recap
2016	342,687	Estimated
% Change FY15 vs. FY16		-24.2%



State Owned Land – This revenue is to reimburse communities for forgone tax revenues due to certain types of tax-exempt state-owned land. Eligibility for reimbursement depends on land use and the state agency with jurisdiction over the property as specified in the legislation.

State Owned Land		
Fiscal Year	Revenue	
2007	47,443	
2008	53,007	
2009	56,834	
2010	51,200	
2011	45,145	
2012	46,760	
2013	46,774	
2014	47,700	
2015	53,305	Per Recap
2016	53,305	Estimated
% Change FY15 vs. FY16		0.0%



Exemptions: Vets, Blind, Surviving Spouses, and Elderly - The State Cherry Sheet reimburses the City for loss of taxes due to real estate abatements to veterans, surviving spouses and the legally blind. The abatement categories are authorized by the State. The City is not empowered to offer abatements in other categories. Under Chapter 59, Section 5, of the General Laws, municipalities are reimbursed for amounts abated in excess of \$175 of taxes of \$2,000.00 in valuation times the rate, whichever is greater.

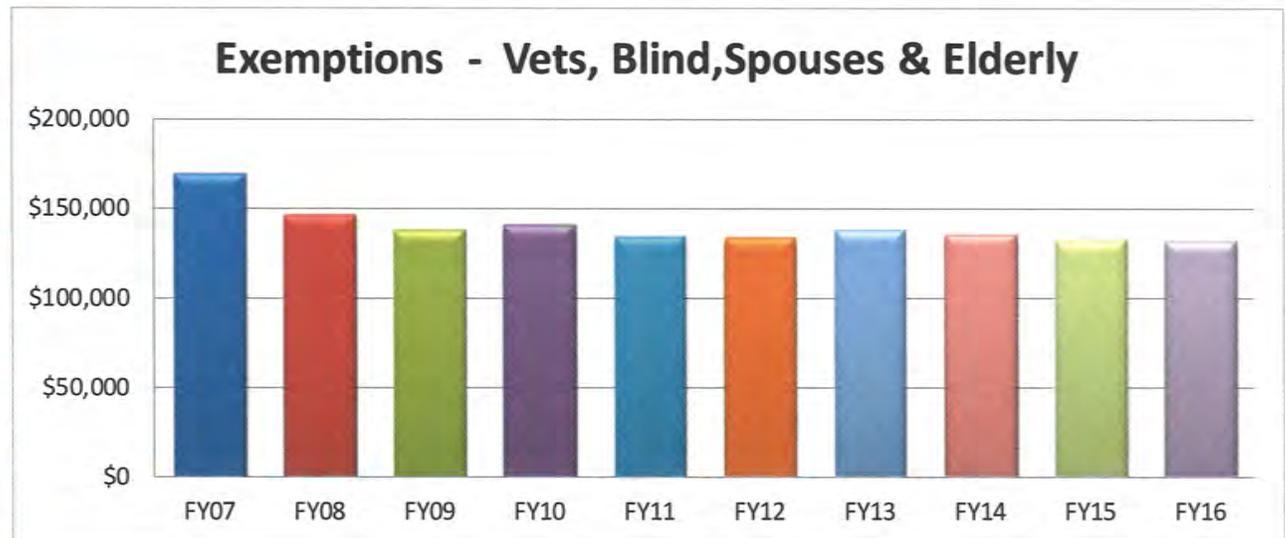
Qualifying veterans or their surviving spouses receive an abatement of \$175 or \$2,000 in valuation times the tax rate, whichever is the greater. Chapter 59, Section 5, Clause 17d, of the General Laws, as amended by Section 2, Chapter 653 of the Acts of 1982, provides a flat \$175 in tax relief to certain persons over seventy, minors, and widows/widowers.

Chapter 59, Section 5, Clause 37a, of the General Laws as amended by Section 258 of the Acts of 1982 provides an abatement of \$500 for the legally blind.

Chapter 59, Section 5, Clause 41c, of the General Laws as amended by Section 5, of Chapter 653 of the Acts of 1982, qualifying persons over seventy years of age are eligible to receive a flat tax exemption of \$500.

In FY 2010 the state combined the elderly exemption with the veterans, blind and surviving spouse’s exemptions. In previous years, the elderly exemption was budgeted separately. FY 2016 shows a decrease of .07%.

Exemptions- Vets, Blind, Spouse & Elderly		
Fiscal Year	Revenue	
2007	169,737	
2008	146,814	
2009	138,505	
2010	141,292	
2011	135,493	
2012	134,455	
2013	138,606	
2014	136,295	
2015	133,586	Per Recap
2016	132,676	Estimated
% Change FY15 vs. FY16		-0.7%



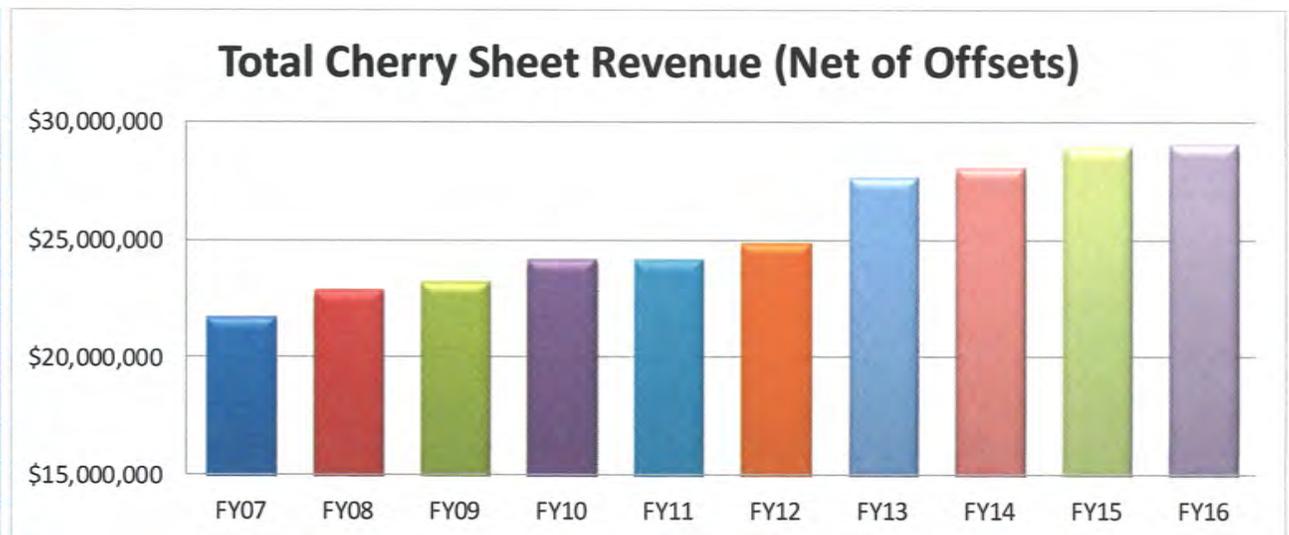
Cherry Sheet Offsets For Direct Expenditure – The state provides receipts that are paid directly to departments through state granting agencies, and are not part of the City’s General Fund Cherry Sheet Revenue. These revenues are for School Lunch and Public Library as shown in the charts below. For a description of Offset Receipts go to <http://www.mass.gov/dor/docs/dls/cherry/cherrysheetmanual.pdf>. In FY 2016 the school lunch offset was eliminated from the Cherry Sheet by DOR as it is an education offset that has no impact on the tax rate setting process. The Library Offset receipt was reduced by 5.4%.

School Lunch Offset Receipts for Direct Expenditure		
Fiscal Year	Revenue	
2007	25,785	
2008	28,460	
2009	28,460	
2010	25,228	
2011	23,310	
2012	28,080	
2013	27,762	
2014	27,578	
2015	27,439	Per Recap
2016	0	Estimated
% Change FY15 vs. FY16		-100.0%

Library Offset Receipts for Direct Expenditure		
Fiscal Year	Revenue	
2007	62,504	
2008	68,080	
2009	68,080	
2010	49,196	
2011	49,934	
2012	47,725	
2013	48,262	
2014	48,103	
2015	63,576	Per Recap
2016	60,171	Estimated
% Change FY15 vs. FY16		-5.4%

Total Estimated Cherry Sheet Revenue (Net of Offsets) – The total of all cherry sheet revenue is as follows:

Total Cherry Sheet Revenue (Net of Offsets)		
Fiscal Year	Revenue	
2007	21,845,093	
2008	22,941,994	
2009	23,312,138	
2010	24,290,523	
2011	24,225,556	
2012	24,941,622	
2013	27,701,712	
2014	28,104,329	
2015	29,017,492	Per Recap
2016	29,108,405	Estimated
% Change FY15 vs. FY16		0.3%



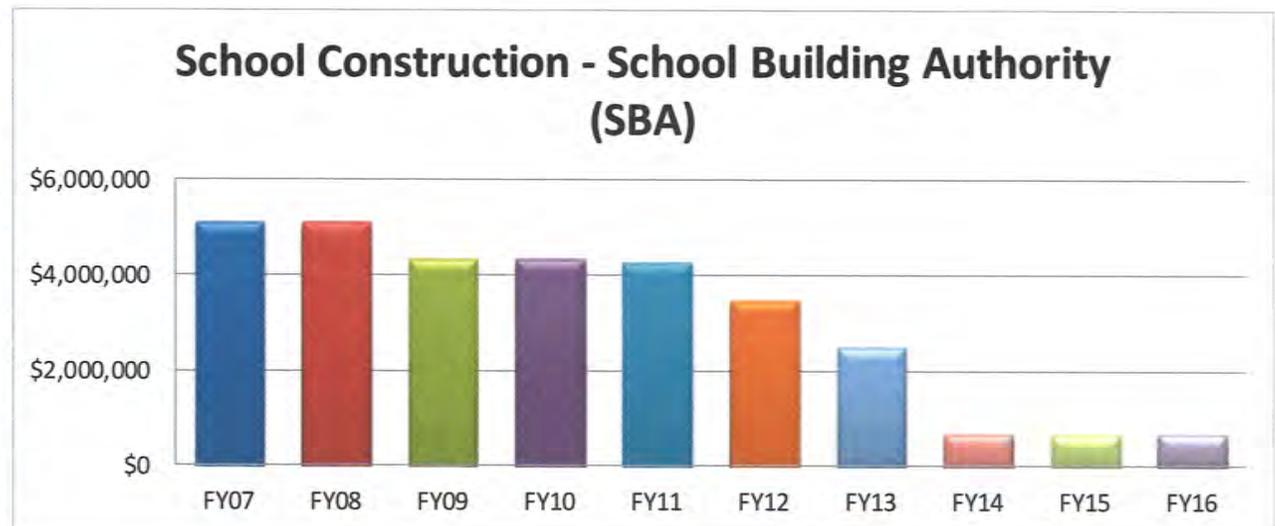
IV. SCHOOL BUILDING AUTHORITY (SBA) REIMBURSEMENTS

School Construction - The School Assistance Act, as amended, provides for the reimbursement of school construction projects that involve any of the following: The replacement of unsound or unsafe buildings; the prevention or elimination of overcrowding; prevention of the loss of accreditation; energy conservation projects, and the replacement of, or remedying of, obsolete buildings. The law also provides formulas (involving equalized valuation, school population, construction costs, and interest payments) for reimbursement of costs that include fees, site development, construction, and original equipping of the school.

In July of 2004, the governor signed Chapter 208 and Chapter 210, of the Acts of 2004 into law, which makes substantial changes to the School Building Assistance (SBA) program. This legislation transfers responsibility for the SBA program from the Department of Education to the Massachusetts School Building Authority (MSBA), under the Office of the State Treasurer. The authority is a new and independent governing body comprised of seven members. The legislation under Chapter 210 dedicates 1 percent of the sales tax receipts to help fund School Building projects. For more information go to www.mass.gov/msba

The City of Salem still receives some payments under the old SBA program and also receives monthly reimbursements for ALL eligible costs for the ongoing Collins and Saltonstall Schools under the new MSBA program. FY 2014 saw a significant reduction in SBA reimbursement of \$1.8M (71.1%) due to the payoff of the Bowditch, Saltonstall and part of Bates bonds. The only project the SBA is still reimbursing is the reduced amount on the Bates school. See SBA reimbursement chart later in this section.

School Construction School Building Authority (SBA)		
Fiscal Year	Revenue	
2007	5,140,317	
2008	5,140,317	
2009	4,369,366	
2010	4,369,366	
2011	4,310,837	
2012	3,521,535	
2013	2,534,339	
2014	732,824	
2015	732,824	Per Recap
2016	732,824	Estimated
% Change FY15 vs. FY16		0.0%

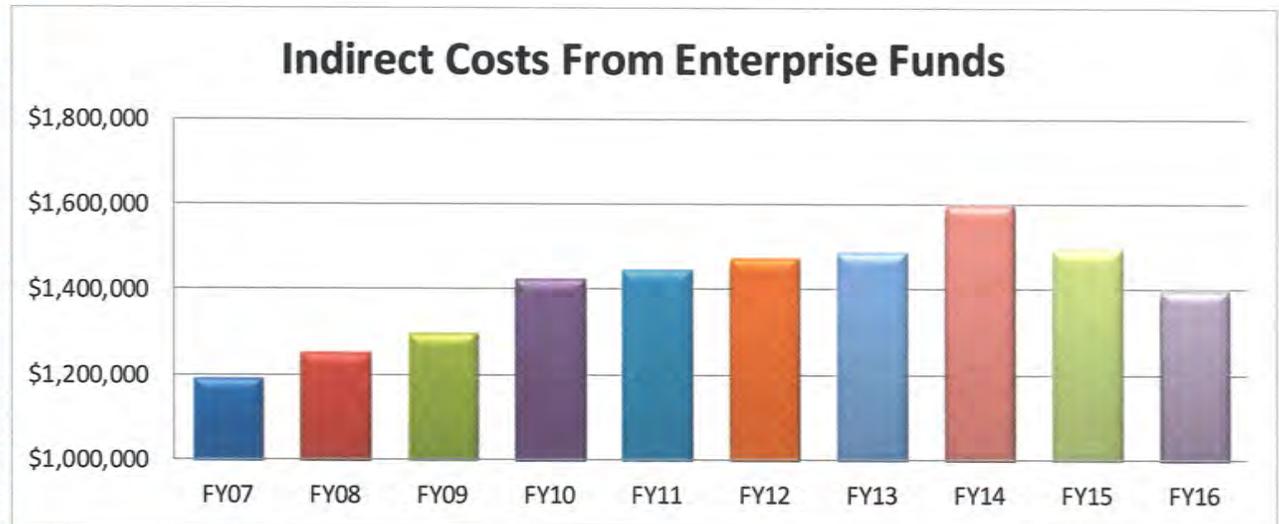


V. INTERGOVERNMENTAL & INTERFUND TRANSFERS

Enterprise Fund Transfer - The Water and Sewer Enterprise Funds, financed by water and sewer usage charges, provide reimbursements for direct and indirect costs associated with a variety of City services, provided by Finance, Treasury, Human Resources, and other City Departments. Additionally, enterprise funds provide reimbursements to the general fund for all employee benefits (including fringe benefits) of those employees who work for the water and sewer departments, as well as costs for the maintenance of the Water and Sewer accounting and billing system. Finally, a portion of the City's assessments for property/casualty insurance, unemployment and worker's compensation are also captured in the indirect costs of the enterprise funds of the water and sewer departments. The Trash Enterprise Fund is subsidized by the General Fund and therefore no indirect costs are reimbursed back to the General Fund from the Trash Enterprise Fund.

Starting in FY 2015 the City began to steadily reduce the amount of indirect costs transferred to the General Fund in response to the recommendation of the City's outside auditors to more accurately calculate indirect costs. Those calculations show a substantial reduction in what indirect costs should be. With the approval of the City Auditors, these indirect costs will decrease each fiscal year until we meet actual indirect costs calculations to allow the general fund to absorb those decreases in a reasonable timeframe.

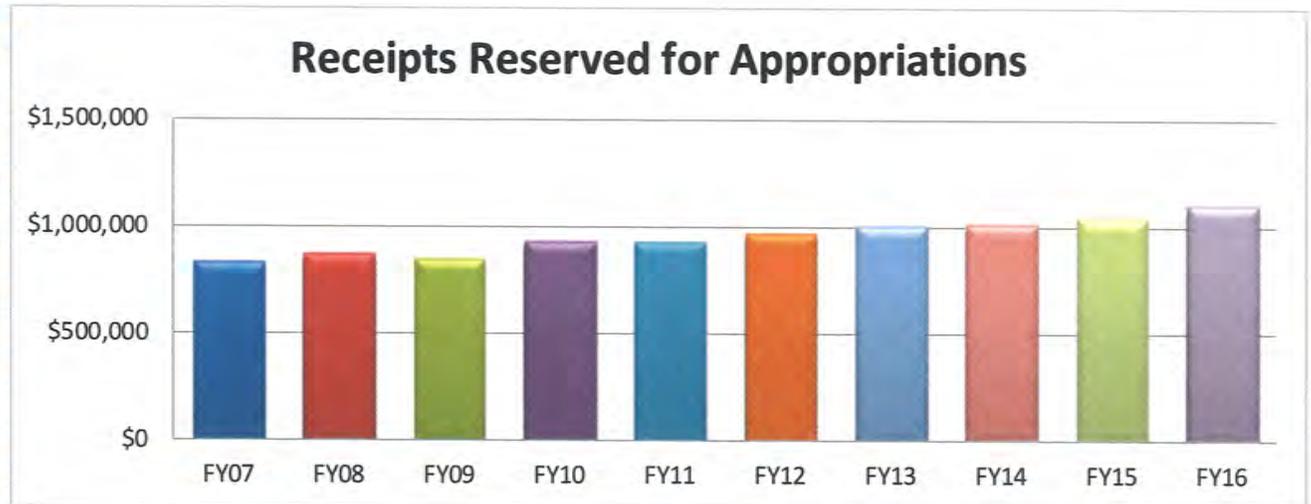
Inter-fund Operating Transfers In Indirect Costs from Enterprise Funds		
Fiscal Year	Revenue	
2007	1,195,330	
2008	1,258,161	
2009	1,301,747	
2010	1,430,065	
2011	1,452,222	
2012	1,477,074	
2013	1,493,881	
2014	1,601,654	
2015	1,501,654	Per Recap
2016	1,401,654	Estimated
% Change FY15 vs. FY16		-6.7%



OTHER FINANCIAL SOURCES

Receipts Reserved for Appropriation – The City of Salem has three Receipts’ Reserved for Appropriation Funds for Harbormaster, Golf Course, and Witch House. The revenue earned from these activities is credited to each of these special revenue funds. At the request of the Mayor, that money is appropriated by the City Council to the General Fund to cover both direct and indirect costs of each department in December for purposes of the certification of the City’s tax rate by the Massachusetts Department of Revenue, as well as periodically throughout the year at the request of the department head of the Golf Course, Witch House, or Harbormasters Office to cover unforeseen or extraordinary expenses. We anticipate an increase of 5.5% for FY 2016 based on revised indirect cost calculations and increases to budgets.

Receipts Reserved for Appropriations		
Fiscal Year	Revenue	
2007	836,552	
2008	874,577	
2009	855,267	
2010	933,922	
2011	934,070	
2012	977,042	
2013	1,008,106	
2014	1,014,995	
2015	1,050,452	Per Recap
2016	1,107,997	Estimated
% Change FY15 vs. FY16		5.5%



Other Receipts Reserved – Not Budgeted

The City has three other receipts reserved accounts – Sale of Lots, Sale of Vaults, and Salem Common. The first two can only be used for the care and maintenance of graves in the City’s cemetery, and the Salem Common money can only be used for care and maintenance of the Salem Common. This money is transferred to the General Fund by appropriation from the City Council as needed.

Other Sources of Revenue – The City of Salem has in the past used Free Cash, Stabilization, and overlay (abatement and exemption reserve) to balance the budget. In fiscal year 2016 we may use some stabilization money to offset the snow and ice deficit in other financing sources to balance the budget. FEMA reimbursements are still being evaluated for snow and ice deficit in FY 2015.

FY2016 Local Aid Estimates

Salem

	FY2015 Cherry Sheet Estimate	FY2016 Governor's Budget Proposal	FY2016 House Final Budget Proposal	FY2016 Senate Budget Proposal	FY2016 Conference Committee
Education:					
Chapter 70	21,231,627	21,325,047	21,348,402		
School Transportation	0	0	0		
Charter Tuition Reimbursement	1,008,704	981,202	872,043		
Smart Growth School Reimbursement	0	0	0		
Offset Receipts:					
School Choice Receiving Tuition	0	0	0		
Sub-total, All Education Items:	22,240,331	22,306,249	22,220,445		
General Government:					
Unrestricted Gen Gov't Aid	6,138,313	6,359,292	6,359,292		
Local Sh of Racing Taxes	0	0	0		
Regional Public Libraries	0	0	0		
Urban Revitalization	0	0	0		
Veterans Benefits	451,957	342,687	342,687		
State Owned Land	53,305	53,305	53,305		
Exemp: VBS and Elderly	133,586	132,676	132,676		
Offset Receipts:					
Public Libraries	63,576	60,028	60,171		
Sub-Total, All General Government	6,840,737	6,947,988	6,948,131		
Total Estimated Receipts	29,081,068	29,254,237	29,168,576		

Although the School Lunch program is funded in both the FY2015 final budget and the FY2016 Governor's and House Final budget proposals, we have removed the estimate from the cherry sheet as this program is an education offset that has no impact on the tax rate setting process.

FY12-FY16 Cherry Sheet Revenue Analysis

Program	ACTUAL 2012	ACTUAL 2013	RECAP 2014	RECAP 2015	HWM (latest version) 2016	2015 vs. 2016	% Var
CHAPTER 70	18,522,267	20,759,584	20,879,459	21,231,627	21,348,402	116,775.00	0.55%
CHARTER TUITION REIMBURSEMENTS	671,726	738,383	745,832	1,008,704	872,043	(136,661.00)	-13.55%
GENERAL MUNICIPAL AID	5,412,881	5,834,758	5,972,679	6,138,313	6,359,292	220,979.00	3.60%
VETERANS BENEFITS	153,533	183,607	322,364	451,957	342,687	(109,270.00)	-24.18%
EXEMPTION REIMBURSEMENT TOTAL	134,455	138,606	136,295	133,586	132,676	(910.00)	-0.68%
STATE OWNED LAND	46,760	46,774	47,700	53,305	53,305	0.00	0.00%
						0.00	
Total Receipts	24,941,622	27,701,712	28,104,329	29,017,492	29,108,405	90,913.00	0.31%
Offset Receipts							
SCHOOL LUNCH	28,080	27,762	27,578	27,439	0	(27,439.00)	-100.00%
PUBLIC LIBRARIES	47,725	48,262	48,103	63,576	60,171	(3,405.00)	-5.36%
Total Offset Receipts (Raised on Recap)	75,805	76,024	75,681	91,015	60,171	(30,844.00)	-33.89%
Total Estimated Receipts	25,017,427	27,777,736	28,180,010	29,108,507	29,168,576	60,069	0.21%

FY 2016 Cherry Sheet Revenue Increase over Prior FY	90,913
FY 2016 Cherry Sheet Assessments Increase over Prior FY	813,647
Net Increase/Decrease Revenue vs. Assessments	(722,734)

FY2016 Local Aid Assessments

Salem

	FY2015 Cherry Sheet Estimate	FY2016 Governor's Budget Proposal	FY2016 House Final Budget Proposal	FY2016 Senate Budget Proposal	FY2016 Conference Committee
County Assessments:					
County Tax	0	0	0		
Suffolk County Retirement	0	0	0		
Essex County Reg Comm Center	0	0	0		
Sub-Total, County Assessments:	0	0	0		
State Assessments and Charges:					
Retired Employees Health Insurance	0	0	0		
Retired Teachers Health Insurance	0	0	0		
Mosquito Control Projects	40,670	40,962	40,962		
Air Pollution Districts	11,154	11,405	11,405		
Metropolitan Area Planning Council	21,110	21,049	21,049		
Old Colony Planning Council	0	0	0		
RMV Non-Renewal Surcharge	170,100	170,100	170,100		
Sub-Total, State Assessments:	243,034	243,516	243,516		
Transportation Authorities:					
MBTA	898,463	911,057	911,057		
Boston Metro. Transit District	0	0	0		
Regional Transit	0	0	0		
Sub-Total, Transp Authorities:	898,463	911,057	911,057		
Annual Charges Against Receipts:					
Multi-Year Repayment Program	0	0			
Special Education	1,362	6,789	6,789		
STRAP Repayments	0	0	0		
Sub-Total, Annual Charges:	1,362	6,789	6,789		
Tuition Assessments:					
School Choice Sending Tuition	350,377	463,770	463,770		
Charter School Sending Tuition	4,872,672	5,652,306	5,554,423		
Sub-Total, Tuition Assessments:	5,223,049	6,116,076	6,018,193		
Total Estimated Charges:	6,365,908	7,277,438	7,179,555		

FY12-FY16 Cherry Sheet Assessment Analysis

Program	ACTUAL 2012	ACTUAL 2013	ACTUAL 2014	RECAP 2015	HWM (latest version) 2016	2015 vs. 2016	% Var
AIR POLLUTION DISTRICTS	10,633	10,940	11,114	11,154	11,405	251	2.25%
MOSQUITO CONTROL PROJECTS	38,760	40,706	40,540	40,670	40,962	292	0.72%
MBTA	830,777	873,554	883,027	898,463	911,057	12,594	1.40%
METROPOLITAN AREA PLANNING COUNCIL	12,585	13,023	13,349	21,110	21,049	(61)	-0.29%
RETIRED TEACHERS HEALTH INSURANCE	1,931,725	0	0	0	0	0	
RMV NON RENEWAL SURCHARGE	197,620	179,760	188,000	170,100	170,100	0	0.00%
ESSEX COUNTY TECH SENDING TUITION	368,156	261,976	200,850	0	0	0	
SCHOOL CHOICE SENDING TUITION	221,951	187,040	292,124	350,377	463,770	113,393	32.36%
CHARTER SCHOOL SENDING TUITION	3,140,491	3,946,008	4,025,744	4,872,672	5,554,423	681,751	13.99%
SPECIAL EDUCATION	20,329	37,466	4,205	1,362	6,789	5,427	398.46%
						0	
Total Assessments	6,773,027	5,550,473	5,658,953	6,365,908	7,179,555	813,647	12.78%

	ACTUAL EXPENDED FY 2014	ADOPTED BUDGET FY 2015	ADJUSTED BUDGET FY 2015	DEPT BUDGET FY 2016	MAYOR BUDGET FY 2016	CITY COUNCIL BUDGET FY 2016	FY15 Adj vs. FY16 Budget Inc/Decr Amount Percentage	
GENERAL FUND								
GENERAL GOVERNMENT	4,611,804	5,354,857	5,363,857	5,420,222	5,487,393	5,487,393	123,536	2.30%
PUBLIC SAFETY	18,953,624	19,170,700	19,200,700	19,592,458	19,491,454	19,491,454	290,754	1.51%
PUBLIC WORKS & FACILITIES	4,332,748	3,765,086	3,840,046	3,814,448	3,816,437	3,816,437	(23,609)	-0.61%
HUMAN SERVICES	1,323,045	1,277,825	1,281,325	1,374,705	1,329,231	1,329,231	47,906	3.74%
CULTURAL & RECREATIONAL	2,395,256	2,520,109	2,592,837	2,566,381	2,559,596	2,559,596	(33,241)	-1.28%
DEBT SERVICE	4,935,656	4,636,539	4,636,539	5,566,455	5,566,455	5,566,455	929,916	20.06%
ASSESSMENTS	7,677,237	8,743,181	8,742,700	9,838,811	9,740,928	9,740,928	998,228	11.42%
EMPLOYEE BENEFITS	23,300,297	23,772,182	24,019,666	25,573,843	24,241,752	24,241,752	222,086	0.92%
MUNICIPAL INSURANCE	218,433	284,018	284,018	298,001	298,001	298,001	13,983	4.92%
TRANSFERS OUT OF GENERAL FUND	2,023,257	1,600,257	1,600,257	4,780,257	3,912,757	3,912,757	2,312,500	144.51%
CITY TOTAL	69,771,358	71,124,754	71,561,945	78,825,581	76,444,004	76,444,004	4,882,059	6.82%
EDUCATION-PUBLIC SCHOOLS	51,883,708	54,461,543	54,461,543	53,145,269	53,145,269	53,145,269	(1,316,274)	-2.42%
EDUCATION TOTAL	51,883,708	54,461,543	54,461,543	53,145,269	53,145,269	53,145,269	(1,316,274)	-2.42%
GENERAL FUND TOTAL	121,655,065	125,586,297	126,023,488	131,970,850	129,589,273	129,589,273	3,565,785	2.83%
ENTERPRISE FUNDS								
SEWER	6,905,059	7,171,355	7,247,727	6,576,957	6,561,402	6,561,402	(686,325)	-9.47%
WATER	4,836,225	4,929,788	5,424,651	5,139,510	5,123,455	5,123,455	(301,196)	-5.55%
TRASH	2,361,548	2,461,917	2,496,917	2,622,019	2,895,784	2,895,784	398,867	15.97%
ENTERPRISE FUND TOTAL	14,102,832	14,563,060	15,169,295	14,338,486	14,580,641	14,580,641	(588,654)	-3.88%
GRAND TOTAL ALL FUNDS	135,757,897	140,149,357	141,192,783	146,309,336	144,169,914	144,169,914	2,977,131	2.11%

	ACTUAL EXPENDED FY 2014	ADOPTED BUDGET FY 2015	ADJUSTED BUDGET FY 2015	DEPT BUDGET FY 2016	MAYOR BUDGET FY 2016	CITY COUNCIL BUDGET FY 2016	FY15 Adj vs. FY16 Budget Inc/Decr Amount Percentage	
GENERAL GOVERNMENT:								
CITY COUNCIL								
Legislative	164,494	172,827	172,827	183,827	162,827	162,827	(10,000)	-5.79%
MAYOR								
Executive	427,752	521,119	521,119	544,899	517,548	517,548	(3,571)	-0.69%
FINANCE/AUDITING								
Accounting	278,970	324,814	324,814	342,985	336,012	336,012	11,198	3.45%
PURCHASING								
Purchasing	112,731	127,956	127,956	128,165	130,245	130,245	2,289	1.79%
Fixed Costs	56,168	57,396	57,396	54,872	54,872	54,872	(2,524)	-4.40%
ASSESSORS								
Board of Assessors	297,292	317,147	317,147	330,447	335,002	335,002	17,855	5.63%
TREASURER								
Treasury Services	318,376	329,508	329,508	331,860	335,080	335,080	5,572	1.69%
COLLECTOR								
Tax Collections	214,270	222,795	222,795	226,295	228,017	228,017	5,222	2.34%
SOLICITOR								
Legal Services/Licensing	293,423	308,758	308,758	327,631	330,458	330,458	21,700	7.03%
HUMAN RESOURCES								
Personnel	278,241	519,651	519,651	283,962	453,761	453,761	(65,890)	-12.68%
		-	-		-	-		
MIS								
Data Processing	161,962	232,850	232,850	293,967	300,767	300,767	67,917	29.17%
Fixed Costs	324,689	383,190	383,190	453,005	393,005	393,005	9,815	2.56%
CITY CLERK								
Record Maintenance	256,239	275,544	275,544	284,563	284,906	284,906	9,362	3.40%
ELECTION/REGISTRATION								
Voting	152,117	155,582	155,582	179,588	178,318	178,318	22,736	14.61%

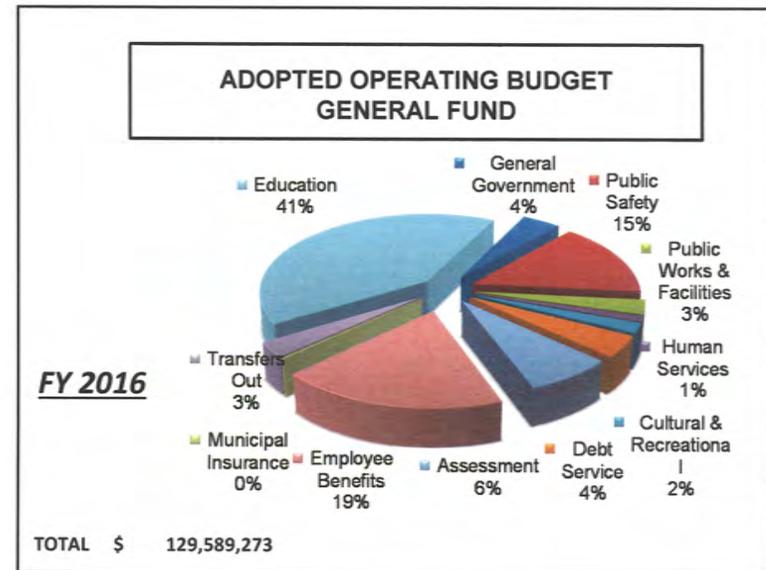
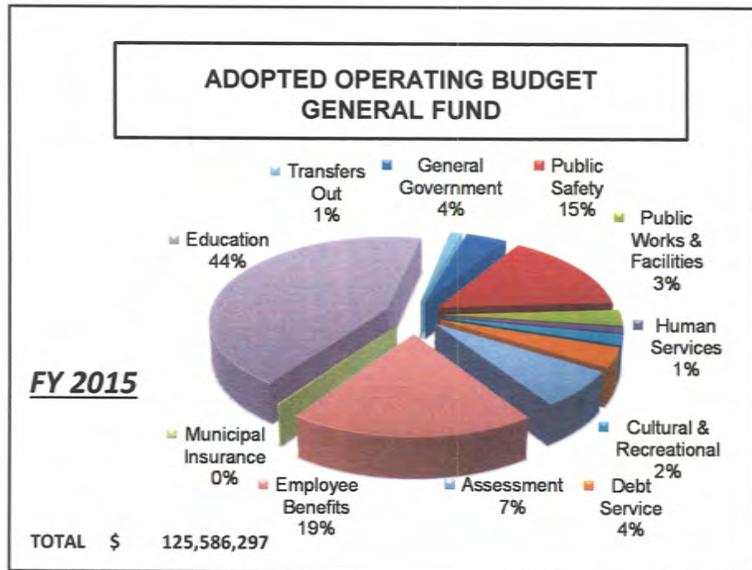
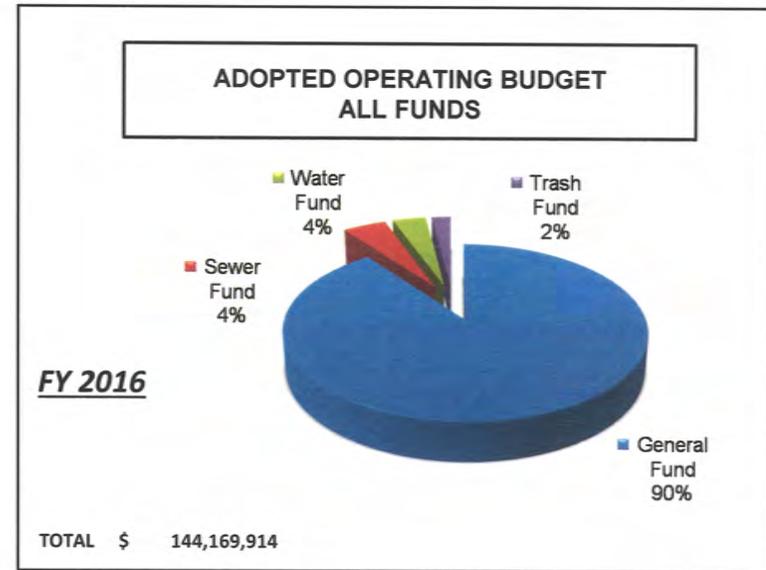
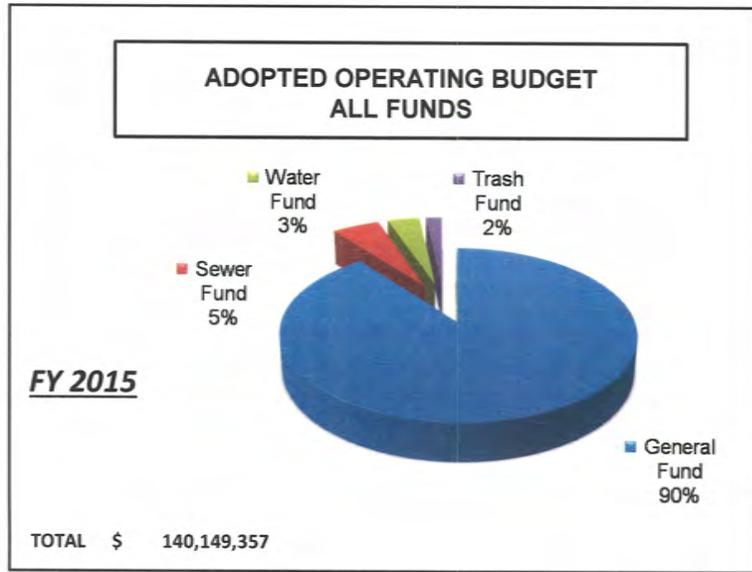
	ACTUAL EXPENDED FY 2014	ADOPTED BUDGET FY 2015	ADJUSTED BUDGET FY 2015	DEPT BUDGET FY 2016	MAYOR BUDGET FY 2016	CITY COUNCIL BUDGET FY 2016	FY15 Adj vs. FY16 Budget Inc/Decr Amount Percentage	
CONSERVATION								
Active/Passive Conservation	27,682	29,232	29,232	29,472	29,957	29,957	725	2.48%
PLANNING BOARD								
Subdivision, Planning & Zoning	24,121	28,414	28,414	33,602	32,267	32,267	3,853	13.56%
APPEALS, BOARD OF								
Zoning Appeals	357	550	550	550	400	400	(150)	-27.27%
PLANNING								
Planning & Community Development	308,970	421,168	430,168	446,797	447,216	447,216	17,048	3.96%
PUBLIC PROPERTY								
Public Prop-Fixed Costs	701,651	686,831	686,831	696,960	691,960	691,960	5,129	0.75%
MARKET AND TOURIST COMM.								
Tourist Promotion	212,298	239,525	239,525	246,775	244,775	244,775	5,250	2.19%
TOTAL GENERAL GOVERNMENT	4,611,804	5,354,857	5,363,857	5,420,222	5,487,393	5,487,393	123,536	2.30%
PUBLIC SAFETY:								
POLICE								
Citizen Protection	9,294,633	9,434,566	9,464,566	9,489,834	9,389,459	9,389,459	(75,107)	-0.79%
FIRE								
Fire Suppression	7,983,992	8,130,903	8,130,903	8,556,546	8,550,661	8,550,661	419,758	5.16%
PUBLIC PROPERTY/BLDG INSP								
Building/Plumbing/Gas Inspection	376,493	398,381	398,381	404,955	410,436	410,436	12,055	3.03%
ELECTRICAL								
Electrical Inspection & Maintenance	1,070,948	948,535	948,535	873,388	866,555	866,555	(81,980)	-8.64%
HARBORMASTER								
Harbormaster	227,558	258,315	258,315	267,735	274,343	274,343	16,028	6.20%
TOTAL PUBLIC SAFETY	18,953,624	19,170,700	19,200,700	19,592,458	19,491,454	19,491,454	290,754	1.51%

	ACTUAL EXPENDED FY 2014	ADOPTED BUDGET FY 2015	ADJUSTED BUDGET FY 2015	DEPT BUDGET FY 2016	MAYOR BUDGET FY 2016	CITY COUNCIL BUDGET FY 2016	FY15 Adj vs. FY16 Budget Inc/Decr Amount Percentage	
EDUCATION :								
City Public Schools	51,883,708	54,461,543	54,461,543	53,145,269	53,145,269	53,145,269	(1,316,274)	-2.42%
TOTAL EDUCATION	51,883,708	54,461,543	54,461,543	53,145,269	53,145,269	53,145,269	(1,316,274)	-2.42%
PUBLIC WORKS & FACILITIES:								
PUBLIC SERVICES								
Public Services-General/Park/Open Space/Cem	2,251,640	2,362,561	2,437,521	2,396,916	2,388,575	2,388,575	(48,946)	-2.01%
Snow and Ice	1,205,548	432,335	432,335	432,335	432,335	432,335	-	0.00%
ENGINEERING								
Engineering-General Admin	82,743	87,391	87,391	87,884	89,201	89,201	1,810	2.07%
PARKING DEPARTMENT								
General Operations	792,817	882,799	882,799	897,313	906,326	906,326	23,527	2.67%
TOTAL PUBLIC WORKS & FACILITIES	4,332,748	3,765,086	3,840,046	3,814,448	3,816,437	3,816,437	(23,609)	-0.61%
HUMAN SERVICES:								
HEALTH, BOARD OF								
Administration & Support	357,616	380,776	382,776	437,314	398,568	398,568	15,792	4.13%
COUNCIL ON AGING								
Administration & Support	312,721	357,019	357,019	360,002	364,191	364,191	7,172	2.01%
VETERANS AGENT								
Administration & Support	652,708	540,030	541,530	577,389	566,472	566,472	24,942	4.61%
TOTAL HUMAN SERVICES	1,323,045	1,277,825	1,281,325	1,374,705	1,329,231	1,329,231	47,906	3.74%
CULTURAL & RECREATIONAL								
LIBRARY								
Administration & Support	1,170,486	1,233,010	1,233,010	1,240,950	1,241,691	1,241,691	8,681	0.70%

	ACTUAL EXPENDED FY 2014	ADOPTED BUDGET FY 2015	ADJUSTED BUDGET FY 2015	DEPT BUDGET FY 2016	MAYOR BUDGET FY 2016	CITY COUNCIL BUDGET FY 2016	FY15 Adj vs. FY16 Budget Inc/Decr Amount Percentage	
RECREATION								
Administration & Support	455,328	507,883	514,083	514,616	494,311	494,311	(19,772)	-3.85%
Golf Course	461,740	407,976	474,504	434,805	444,583	444,583	(29,921)	-6.31%
Witch House	129,280	155,342	155,342	159,882	169,080	169,080	13,738	8.84%
Pioneer Village	0	18,900	18,900	18,900	18,900	18,900	-	
Winter Island	169,726	187,521	187,521	187,726	181,361	181,361	(6,160)	-3.28%
HISTORICAL COMMISSION								
Historic Preservation	8,696	9,477	9,477	9,502	9,670	9,670	193	2.04%
TOTAL CULTURAL & RECREATIONAL	2,395,256	2,520,109	2,592,837	2,566,381	2,559,596	2,559,596	(33,241)	-1.28%
DEBT SERVICE:								
Long Term Debt	4,381,251	4,247,491	4,247,491	4,957,699	4,957,699	4,957,699	710,208	16.72%
Short Term Debt	554,405	389,048	389,048	608,756	608,756	608,756	219,708	56.47%
TOTAL DEBT SERVICE	4,935,656	4,636,539	4,636,539	5,566,455	5,566,455	5,566,455	929,916	20.06%
ASSESSMENTS:								
Essex NS Agricultural & Vocational School	1,900,409	2,376,792	2,376,792	2,561,373	2,561,373	2,561,373	184,581	7.77%
State Assessments (Budgeted from RECAP)	5,776,828	6,366,389	6,365,908	7,277,438	7,179,555	7,179,555	813,647	12.78%
TOTAL ASSESSMENTS	7,677,237	8,743,181	8,742,700	9,838,811	9,740,928	9,740,928	998,228	11.42%
EMPLOYEE BENEFITS:								
Contributory Retirement	9,531,271	10,011,291	10,178,775	10,071,175	10,071,175	10,071,175	(107,600)	-1.06%
Non-contributory Pensions	63,354	76,196	76,196	50,773	50,773	50,773	(25,423)	-33.37%
Workmen's Compensation	797,118	452,345	452,345	842,500	327,518	327,518	(124,827)	-27.60%
Unemployment Compensation	313,641	300,000	380,000	450,000	450,000	450,000	70,000	18.42%
Group Insurance	11,590,458	11,982,350	11,982,350	13,172,395	12,355,286	12,355,286	372,936	3.11%
Medicare	1,004,455	950,000	950,000	987,000	987,000	987,000	37,000	3.89%
TOTAL EMPLOYEE BENEFITS	23,300,297	23,772,182	24,019,666	25,573,843	24,241,752	24,241,752	222,086	0.92%
MUNICIPAL INSURANCE :								
Municipal Insurance	218,433	284,018	284,018	298,001	298,001	298,001	13,983	4.92%
TOTAL Municipal Insurance	218,433	284,018	284,018	298,001	298,001	298,001	13,983	4.92%
BUDGET TRANSFERS OUT OF GF								
Retirement Stabilization & CIP Transfer	2,023,257	1,600,257	1,600,257	4,780,257	3,912,757	3,912,757	2,312,500	144.51%
TOTAL Budget Transfers Out of GF	2,023,257	1,600,257	1,600,257	4,780,257	3,912,757	3,912,757	2,312,500	
GENERAL FUND TOTAL	121,655,065	125,586,297	126,023,488	131,970,850	129,589,273	129,589,273	3,565,785	2.83%

	ACTUAL EXPENDED FY 2014	ADOPTED BUDGET FY 2015	ADJUSTED BUDGET FY 2015	DEPT BUDGET FY 2016	MAYOR BUDGET FY 2016	CITY COUNCIL BUDGET FY 2016	FY15 Adj vs. FY16 Budget Inc/Decr Amount Percentage	
ENTERPRISE FUNDS								
SEWER :								
Sewer - Public Services	490,694	494,688	563,744	592,248	579,161	579,161	15,417	2.73%
Sewer - Engineering	333,697	393,500	393,500	388,584	386,116	386,116	(7,384)	-1.88%
Long Term Debt	248,850	529,563	529,563	688,063	688,063	688,063	158,500	
Short Term Debt	0	5,000	12,317	13,000	13,000	13,000	683	
SESD Assessment	5,831,817	5,743,604	5,743,604	4,890,062	4,890,062	4,890,062	(853,542)	-14.86%
Sewer - Insurance Deduction	0	5,000	5,000	5,000	5,000	5,000	-	0.00%
TOTAL SEWER	6,905,059	7,171,355	7,247,727	6,576,957	6,561,402	6,561,402	-686,325	-9.47%
WATER :								
Water-Public Services	530,217	533,463	583,463	631,023	617,936	617,936	34,473	5.91%
Water-Engineering	497,999	573,500	996,876	644,684	641,716	641,716	(355,160)	-35.63%
Long Term Debt	1,306,852	1,285,040	1,285,040	1,291,065	1,291,065	1,291,065	6,025	0.47%
Short Term Debt	17,626	8,000	29,486	33,000	33,000	33,000	3,514	11.92%
SBWS Assessment	2,482,531	2,527,285	2,527,285	2,537,238	2,537,238	2,537,238	9,953	0.39%
Water - Insurance Deduction	1,000	2,500	2,500	2,500	2,500	2,500	-	
TOTAL WATER	4,836,225	4,929,788	5,424,651	5,139,510	5,123,455	5,123,455	(301,196)	-5.55%
TRASH :								
Trash - Engineering	2,361,548	2,461,917	2,496,917	2,622,019	2,895,784	2,895,784	398,867	15.97%
TOTAL TRASH	2,361,548	2,461,917	2,496,917	2,622,019	2,895,784	2,895,784	398,867	15.97%
ENTERPRISE FUND TOTAL	14,102,832	14,563,060	15,169,295	14,338,486	14,580,641	14,580,641	(588,654)	-3.88%
GRAND TOTAL ALL FUNDS	135,757,897	140,149,357	141,192,783	146,309,336	144,169,914	144,169,914	2,977,131	2.11%

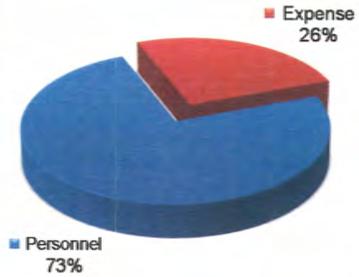
		ACTUAL EXPENDED FY 2014	ADOPTED BUDGET FY 2015	ADJUSTED BUDGET FY 2015	DEPT BUDGET FY 2016	MAYOR BUDGET FY 2016	CITY COUNCIL BUDGET FY 2016	FY15 Adj vs. FY16 Budget Inc/Decr Amount Percentage	
PERSONNEL & NON-PERSONNEL SUMMARIES									
City	Personnel	47,857,280	49,548,834	49,706,418	51,943,951	50,736,980	50,736,980	1,030,562	2.07%
	Non-Personnel	21,914,077	21,575,920	21,855,527	26,881,630	25,707,024	25,707,024	3,851,497	17.62%
	Total City	69,771,358	71,124,754	71,561,945	78,825,581	76,444,004	76,444,004	4,882,059	6.82%
Schools	Personnel	42,987,226	43,834,642	43,696,873	44,041,846	44,041,846	44,041,846	344,973	0.79%
	Non-Personnel	8,896,482	10,626,901	10,764,670	9,103,423	9,103,423	9,103,423	(1,661,247)	-15.43%
	Total School	51,883,708	54,461,543	54,461,543	53,145,269	53,145,269	53,145,269	(1,316,274)	-2.42%
TOTAL General Fund		121,655,065	125,586,297	126,023,488	131,970,850	129,589,273	129,589,273	3,565,785	2.83%
Sewer	Personnel	453,391	446,688	446,688	485,929	488,874	488,874	42,186	9.44%
	Non-Personnel	6,451,668	6,724,667	6,801,039	6,091,028	6,072,528	6,072,528	(728,511)	-10.71%
		6,905,059	7,171,355	7,247,727	6,576,957	6,561,402	6,561,402	-686,325	-9.47%
Water	Personnel	471,838	463,128	503,128	502,369	505,314	505,314	2,186	0.43%
	Non-Personnel	4,364,387	4,466,660	4,921,523	4,637,141	4,618,141	4,618,141	(303,382)	-6.16%
		4,836,225	4,929,788	5,424,651	5,139,510	5,123,455	5,123,455	-301,196	-5.55%
Trash	Personnel	65,158	71,472	71,472	72,002	73,174	73,174	1,702	2.38%
	Non-Personnel	2,296,390	2,390,445	2,425,445	2,550,017	2,822,610	2,822,610	397,165	16.37%
		2,361,548	2,461,917	2,496,917	2,622,019	2,895,784	2,895,784	398,867	15.97%
TOTAL Enterprise Fund		14,102,832	14,563,060	15,169,295	14,338,486	14,580,641	14,580,641	-588,654	-3.88%
GRAND TOTAL All Funds		135,757,897	140,149,357	141,192,783	146,309,336	144,169,914	144,169,914	2,977,131	2.11%



**ADOPTED OPERATING BUDGET
GENERAL FUND**

FY 2015

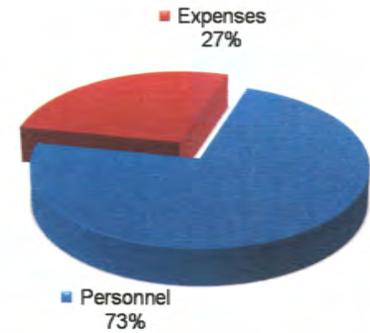
<u>City</u>	
Personnel	49,548,834
Expenses	21,575,920
TOTAL	71,124,754
<u>School</u>	
Personnel	43,834,642
Expenses	10,626,901
TOTAL	54,461,543
<u>City & School</u>	
Personnel	93,383,476
Expenses	32,202,821
TOTAL	125,586,297



**ADOPTED OPERATING BUDGET
GENERAL FUND**

FY 2016

<u>City</u>	
Personnel	50,736,980
Expenses	25,707,024
TOTAL	76,444,004
<u>School</u>	
Personnel	44,041,846
Expenses	9,103,423
TOTAL	53,145,269
<u>City & School</u>	
Personnel	94,778,826
Expenses	34,810,447
TOTAL	129,589,273



Massachusetts School Building Authority (MSBA)

City of Salem REIMBURSEMENTS BY FISCAL YEAR

MSBA ID	School Name	Pay Qtr	2012	2013	2014	2015	2016	2017	2018	2019	2020
C20003730	BATES ELEMENTARY	Q1	850,966	850,966	732,824	732,824	732,824	732,824	732,824	732,824	732,824
C20033838	CARLTON	Q3	578,710	578,710							
C20033839	FEDERAL STREET ELEM. (Bowditch)	Q3	1,104,663	1,104,663							
Total			2,534,339	2,534,339	732,824						

Other Budgeted Items Voted By Council

Retirement Stabilization Trust Fund – Included in General Fund Budget

In FY 2016 \$400,000.00 is budgeted in the general fund to be transferred to the Retirement Stabilization Trust Fund. This trust fund was established in FY 2009 in accordance with Massachusetts General Law – Chapter 46 sections 14 and 50 and Chapter 140 sections 19 and 137 of the Acts of 2003. The purpose of this trust fund is to fund retiring employees’ accrued sick and vacation buybacks as established by City Policy and contractual agreements. In FY 2016 we reduced the appropriation due to budget constraints. The school department is funding 40% of their anticipated retirements in their budget. We anticipating not backfilling other city departments as retirements occur in order to fund retirements.

New Liberty Charter School (NLCS) – City Portion – Included in General Fund Budget

In FY 2016 \$890,257 is budgeted in the general fund to be transferred to the New Liberty Charter School (NLCS) Special Revenue Fund. The NLCS has had substantial unspent balances in the prior fiscal year’s budgets that can cover some expenses for FY 2016 as noted in the transfer detail report. The purpose of this fund is outlined in the Superintendent’s Budget Narrative in Section 4 – 1.

Bentley Charter School — Included in General Fund Budget

In FY 2016 the Bentley School will become a Horace Mann Charter School. The money originally budgeted in the School Department Budget will now be budgeted here to be transferred out to a Special Revenue Fund. The school is being run by the Blueprint School Network and they will be given a per pupil dollar amount totaling 2,612,500.

Salem 2026 – 400 Anniversary Fund– Included in General Fund Budget

In FY 2014 the Mayor established a new special revenue fund to help fund the City’s 400th anniversary celebration. The Mayor anticipates putting \$10,000.00 per year to help pay for events in 2026.

Revolving Funds – Separate Vote - Not in Budget

The Revolving Funds are submitted to the City Council as a separate order as a supplemental part of the FY 2016 budget process. Revolving funds are voted pursuant to the provisions of Massachusetts General Law Chapter 44, Section 53E ½. Expenditures from these funds shall not exceed the amount of the funds received in the respective funds or the budget amount voted by council. A complete explanation of revolving funds can be found at <http://www.mass.gov/legis/laws/mgl/44-53e.5.htm>. A complete listing of all revolving accounts voted by council can be found in the following pages.

REVOLVING FUNDS

A departmental revolving fund is a place to set aside revenue received, through fees and charges, for providing a specific service or program. The revenue pool is, in turn, a source of funds available to use by a department without further appropriation to support the particular service or program.

Most frequently, cities and towns create general departmental revolving funds under M.G.L. Ch. 44 Sec. 53E½ (see below). The fund is created with an initial city council or town meeting authorization that identifies which department's receipts are to be credited to the revolving fund and specifies the program or purposes for which money may be spent. It designates the department, board or official with authority to expend the funds and places a limit on the total amount of the annual expenditure. To continue the revolving fund in subsequent years, annual approval of a similar article is necessary. Managers are also required, each year, to report on the fund and program activities.

MGL - Section 53 E ½

Notwithstanding the provisions of section fifty-three, a city or town may annually authorize the use of one or more revolving funds by one or more municipal agency, board, department or office which shall be accounted for separately from all other monies in such city or town and to which shall be credited only the departmental receipts received in connection with the programs supported by such revolving fund. Expenditures may be made from such revolving fund without further appropriation, subject to the provisions of this section; provided, however, that expenditures shall not be made or liabilities incurred from any such revolving fund in excess of the balance of the fund nor in excess of the total authorized expenditures from such fund, nor shall any expenditures be made unless approved in accordance with sections forty-one, forty-two, fifty-two and fifty-six of chapter forty-one.

Interest earned on any revolving fund balance shall be treated as general fund revenue of the city or town. No revolving fund may be established pursuant to this section for receipts of a municipal water or sewer department or of a municipal hospital. No such revolving fund may be established if the aggregate limit of all revolving funds authorized under this section exceeds ten percent of the amount raised by taxation by the city or town in the most recent fiscal year for which a tax rate has been certified under section twenty-three of chapter fifty-nine. No revolving fund expenditures shall be made for the purpose of paying any wages or salaries for full time employees unless such revolving fund is also charged for the costs of fringe benefits associated with the wages or salaries so paid; provided, however, that such prohibition shall not apply to wages or salaries paid to full or part-time employees who are employed as drivers providing transportation for public school students; provided further, that only that portion of a revolving fund which is attributable to transportation fees may be used to pay such wages or salaries and provided, further, that any such wages or salaries so paid shall be reported in the budget submitted for the next fiscal year.

A revolving fund established under the provisions of this section shall be by vote of the annual town meeting in a town, upon recommendation of the board of selectmen, and by vote of the city council in a city, upon recommendation of the mayor or city manager, in Plan E cities, and in any other city or town by vote of the legislative body upon the recommendation of the chief administrative or executive officer. Such authorization shall be made annually prior to each respective fiscal year; provided, however, that each authorization for a revolving fund shall specify: (1) the programs and purposes for which the revolving fund may be expended; (2) the departmental receipts which shall be credited to the revolving fund; (3) the board, department or officer authorized to expend from such fund; (4) a limit on the total amount which may be expended from such fund in the ensuing fiscal year; and, provided, further, that no board, department or officer shall be authorized to expend in any one fiscal year from all revolving funds under its direct control more than one percent of the amount raised by taxation by the city or town in the most recent fiscal year for which a tax rate has been certified under section twenty-three of chapter fifty-nine. Notwithstanding the provisions of this section, whenever, during the course of any fiscal year, any new revenue source becomes available for the establishment of a revolving fund under this section, such a fund may be established in accordance with this section upon certification by the city auditor, town accountant, or other officer having similar duties, that the revenue source was not used in computing the most recent tax levy.

In any fiscal year the limit on the amount that may be spent from a revolving fund may be increased with the approval of the city council and mayor in a city, or with the approval of the selectmen and finance committee, if any, in a town; provided, however, that the one percent limit established by clause (4) of the third paragraph is not exceeded.

The board, department or officer having charge of such revolving fund shall report to the annual town meeting or to the city council and the board of selectmen, the mayor of a city or city manager in a Plan E city or in any other city or town to the legislative body and the chief administrative or executive officer, the total amount of receipts and expenditures for each revolving fund under its control for the prior fiscal year and for the current fiscal year through December thirty-first, or such later date as the town meeting or city council may, by vote determine, and the amount of any increases in spending authority granted during the prior and current fiscal years, together with such other information as the town meeting or city council may by vote require.

At the close of a fiscal year in which a revolving fund is not reauthorized for the following year, or in which a city or town changes the purposes for which money in a revolving fund may be spent in the following year, the balance in the fund at the end of the fiscal year shall revert to surplus revenue unless the annual town meeting or the city council and mayor or city manager in a Plan E city and in any other city or town the legislative body vote to transfer such balance to another revolving fund established under this section.

The director of accounts may issue guidelines further regulating revolving funds established under this section.

**FY 2016
Revolving Funds**

Department	Fund Name	Fund #	Programs & Purposes	Type of Receipts Credited	Authorization for Spending	FY 2016 Budget Request Maximum Annual Expenditures
COA	COA Programs	2374	To defray program costs including instructors, presenters, entertainment, decorations, food, etc.	Revenues and fees charged for programs	COA Director and Mayor	\$ 25,000.00
Fire	R/A Local Emergency Planning Comm	2433	Training and special equipment needed to respond to hazardous materials incidents per CH 21E	Fees charged to persons spilling or releasing hazardous materials	Fire Chief and Mayor	\$ 10,000.00
Fire	R/A Confined Space Drills	2449	Confined space training for Firefighters.	Fee charged to Dominion Power Plant to cover OT costs for Firefighter Confined Space Drill training.	Fire Chief and Mayor	\$ 48,000.00
Harbormaster	Boat/Float Storage	2368	To fund Capital items for Harbormaster and to fund maintenance costs of equipment.	Fees charged for boat and float storage at Winter Island and Kernwood Marina	Harbormaster and Mayor	\$ 35,000.00
Health	Health Clinics	2364	To support vaccination program and other health promotion activities of the Health Department	Reimbursements from vaccination programs	Health Agent and Mayor	\$ 20,000.00
Mayor	Special Events	2361	To cover expenses for July 4th and Haunted Happenings events.	Funding from RFP's for services, vendors and miscellaneous sponsorships.	Mayor	\$ 125,000.00
Recreation	Winter Island	2362	To increase and replenish store inventory as needed and to enhance and maintain WI store.	Revenue from sale of inventory at the Winter Island Store	Recreation Director and Mayor	\$ 30,000.00
Recreation	Dog Park	2435	Renovations and Maintenance of Dog Park at Leslie's Retreat Park.	Fee charged for pass to use dog park (pooch pass). Twenty-Five dollars annually for pass.	Recreation Director and Mayor	\$ 10,000.00
Recreation	Park & Rec Public Access	2452	To be used for the operation and maintenance of Winter Island and McCabe Marina	Parking and launch fees charged at McCabe Marina & Winter Island	Recreation Director and Mayor	\$ 40,000.00
Recreation	Salem Willows Meters	2459	Renovations and Maintenance of Willows Park.	Money generated from Willows Meters	Recreation Director and Mayor	\$ 25,000.00
Recreation	Witch House	2499	To support Salem Award committee and the Salem Witch Trial Memorial	Twenty-Five cent surcharge to tickets beginning in May 2009	Recreation Director and Mayor	\$ 5,000.00
Planning & Community Development	Salem Ferry Operational	2453	Fund operational costs of the Salem Ferry and Blaney Street Dock	Fees received during the off season for use/rent of ferry	Director of Planning and Mayor	\$ 500,000.00
Planning & Community Development	Old Town Hall	2373	Maintenance costs of old town hall	Rental revenue of old town hall	Director of Planning and Mayor	\$ 35,000.00
Insp Services	Abandoned Prop Maint	2371	To maintain abandoned and foreclosed residential and commercial properties	Registration fees (\$300.00) for vacant and/or foreclosed residential properties	Public Service Director and Mayor	\$ 5,000.00

**FY 2016
Revolving Funds**

Department	Fund Name	Fund #	Programs & Purposes	Type of Receipts Credited	Authorization for Spending	FY 2016 Budget Request Maximum Annual Expenditures
Engineering	Environmental Fund	2438	Provide for City purchase of environmental items such as recycling bins, recycling toters, rain barrels, composeters, water conservation devises, erylcing calendar and educational material.	Fees charged for recycling bins, recycling toters, rain barrels, composters, water conservation devices.	City Engineer and Mayor	\$ 30,000.00
Engineering	Traffic Island	2439	Projects related to City beautification events including Traffic Island, Beautification, and special events such as Treemendous	Primarily from: Traffic Island Sponsorships, Special Events Revenues, Event and Beautification effort sponsors	City Engineer and Mayor	\$ 25,000.00
Engineering	Sticker Program (Previously in DPW)	2455	To pay for costs of disposal of hazardous items picked up as part of sticker program, and for abandoned pieces picked up by this department.	\$20.00 fee charged for each sticker bought when scheduling a curbside pick up for item disposal.	City Engineer and Mayor	\$ 25,000.00
School	Building Rental	2601	Building Rental	Payments for rental of building by outside groups	School Committee and Mayor	\$ 200,000.00
School	Early Childhood	2608	Pre-School Tuition	Tuition payments for students attending the pre-school program at the Early Childhood Center	School Committee and Mayor	\$ 100,000.00
School	School Busing	2614	School Bus pass	Purchases of school bus passes	School Committee and Mayor	\$ 100,000.00
School	Night School	2620	Night School Tuition	Tuition payments for students attending the night school program	School Committee and Mayor	\$ 50,000.00
School	Special Ed Tuition	2627	Special Ed Tuition	Tuition payments for students from other districts attending Special Ed programs in Salem	School Committee and Mayor	\$ 200,000.00
School	SHS Automotive	2645	To pay for parts and materials for automotive repairs to vehicles brought in to the HS Automotive Vocational School by citizens	Fees charged for parts and materials for automotive repairs to vehicles brought in by citizens	School Committee and Mayor	\$ 50,000.00

Total All Revolving Funds \$ 1,693,000.00

Revolving funds are special revenue funds established by the Commonwealth of Massachusetts under Massachusetts General Law (MGL) chapter 44, Section 53E 1/2. The expenditures in the revolving funds must be voted annually in accordance to the MGL. Further information on Revolving Funds can be found at <http://www.mass.gov/legis/laws/mgl/44-53e.5.htm>.

The above revolving fund Council Order was submitted to City Council on May 14, 2015 and Approved by council on May 14, 2015.