



# City of Salem FY2025 Budget in Brief

July 1, 2024 – June 30, 2025  
[www.salemma.gov/fy25](http://www.salemma.gov/fy25)





# A City that Works for All

The City of Salem's FY2025 budget lays out an optimistic and forward-looking vision that extends from the City's existing fiscal strength and its commitment to core public services. It is based on the City government's mission statement, **"to provide open, honest, and pro-active services effectively and efficiently, focusing on the needs of today, with a vision for the future."**

The FY2025 budget is centered around **livability, improving services, and transparency**. Focusing on affordability, sustainability and resilience, and equity will help ensure a more livable and vibrant community for all. Municipal services, policies, and projects must be forward-looking, open to innovation and new approaches, and delivered efficiently and effectively. And City actions should be open, honest, evidence-based, and inclusive.



The FY2025 budget builds on the City's strong existing foundation and will help continue to make Salem a City that works for all.

# The Budget in Brief...Briefly

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

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

This Brief is intended to provide a key overview of the FY2025 budget. You can find the full FY2025 budget online at [salemma.gov/fy25](http://salemma.gov/fy25) and send any questions to [mayor@salem.com](mailto:mayor@salem.com).

## Budget Snapshot

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





# FY2025 Key Priorities - 1



## Affordable

- Make Salem a more livable community for people of all means.
- We do this by (1) advancing policies and initiatives to address housing affordability and attainability, (2) strengthening the City's internal efforts on neighborhood stability, safety, and social services, and (3) maintaining and building on sound fiscal practices to deliver City services and projects as efficiently as possible.



## Resilient

- Continue commitments to prepare for the climate crisis and lessen our contribution to it.
- We do this by (1) advancing the offshore wind port, (2) investing in projects and programs that meet the goals of the Resilient Together plan, and (3) continuing and expanding efforts to reduce passenger vehicle trips and make alternative methods of transportation safer, ordinances and projects to reduce building emissions, and programs to increase renewable power supply.

# FY2025 Key Priorities - 2



## Equitable

- Build on Salem's efforts to create a more welcoming and inclusive city for all.
- We do this by (1) supporting the Director of Diversity, Equity, and Inclusion in training City staff, (2) interrogating City policies and programs to ensure they are equitable, and (3) structuring services to serve and support historically under-served populations through engagement and language access.



## Forward Looking

- Instill a long-term and forward-looking vision in the City's plans and actions.
- We do this by (1) remaining focused on capital projects and investments that meet our existing plans and our Salem 400+ goals, (2) aligning department investments with the City and School's strategic plans, and (3) engaging in innovative approaches to service delivery and outreach.

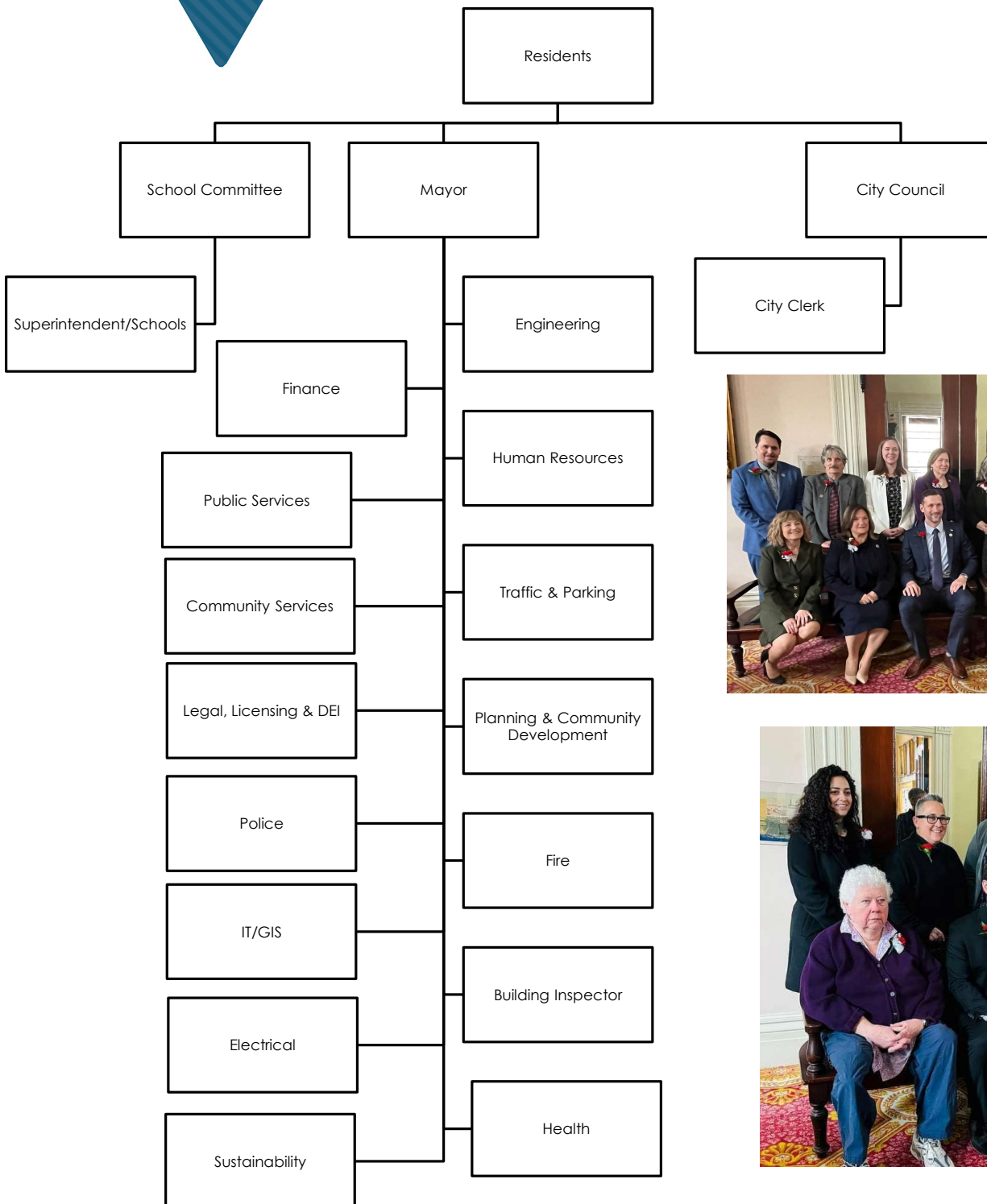


# About Salem



- **Population:** 44,722
- **Total employment:** 29,757
- **People who live elsewhere and commute into Salem for work:** approx. 17,000
- **Median household income:** \$79,196
- **Persons in poverty:** 13.9%
- **Median home value:** \$644,680
- **Median condo value:** \$492,579
- **Median rent:** \$2,791
- **Housing units:** 20,349
- **Bachelor's degree or higher:** 48.2%
- **Students in Salem Public Schools:** 3,887
- **Salem High School graduation rate:** 88.1%
- **Economically disadvantaged students:** 64%
- **Non-White students:** 62%
- **Non-White City population:** 23%
- **Speak a language other than English at home:** 21.6%
- **Under 18 years of age:** 15.6%
- **Over 65 years of age:** 16.4%
- **Square miles:** 8.0
- **Road miles:** 115.3
- **Public parks and open spaces:** 43

# Structure of Salem's City Government





# Forming the Budget

## Budget Timeline

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

## Sections of the Budget

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



## Budget Snapshot

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



# What's the Budget based on?

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

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



## Some Existing Plans that Shape the FY2025 Budget

- Imagine Salem
- Open Space & Recreation Plan Update
- Race Equity Task Force Plan
- Salem for All Ages Action Plan
- Resilient Together Climate Action Plan
- Pavement Management Plan
- Salem Public Schools Strategic Plan
- Historic Preservation Plan
- Emergency Management Plan
- Housing Roadmap
- Bicycling Master Plan
- Public Art Master Plan
- School Facilities Master Plan
- Energy Services Audit
- Hazard Mitigation Plan

# Revenues for Salem's Budget - 1

## ○ Property Taxes

- The amount raised by property taxes cannot increase over the previous year's amount by more than 2.5% plus the amount of new growth.
- To do so requires a "Proposition 2-1/2 override" vote by the community, which Salem has never needed.
- If the amount that is raised in property taxes is less than the amount that can be raised, the community has "excess levy capacity," which is seen as a measure of fiscal health. Salem's excess levy capacity in FY2025 will be \$7.8 million, which is considered strong.
- The more new growth a community has, the less it must rely on taxes from existing taxpayers.



## ○ Local Receipts

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

## ○ Enterprise Funds Revenues

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

## ○ State Aid

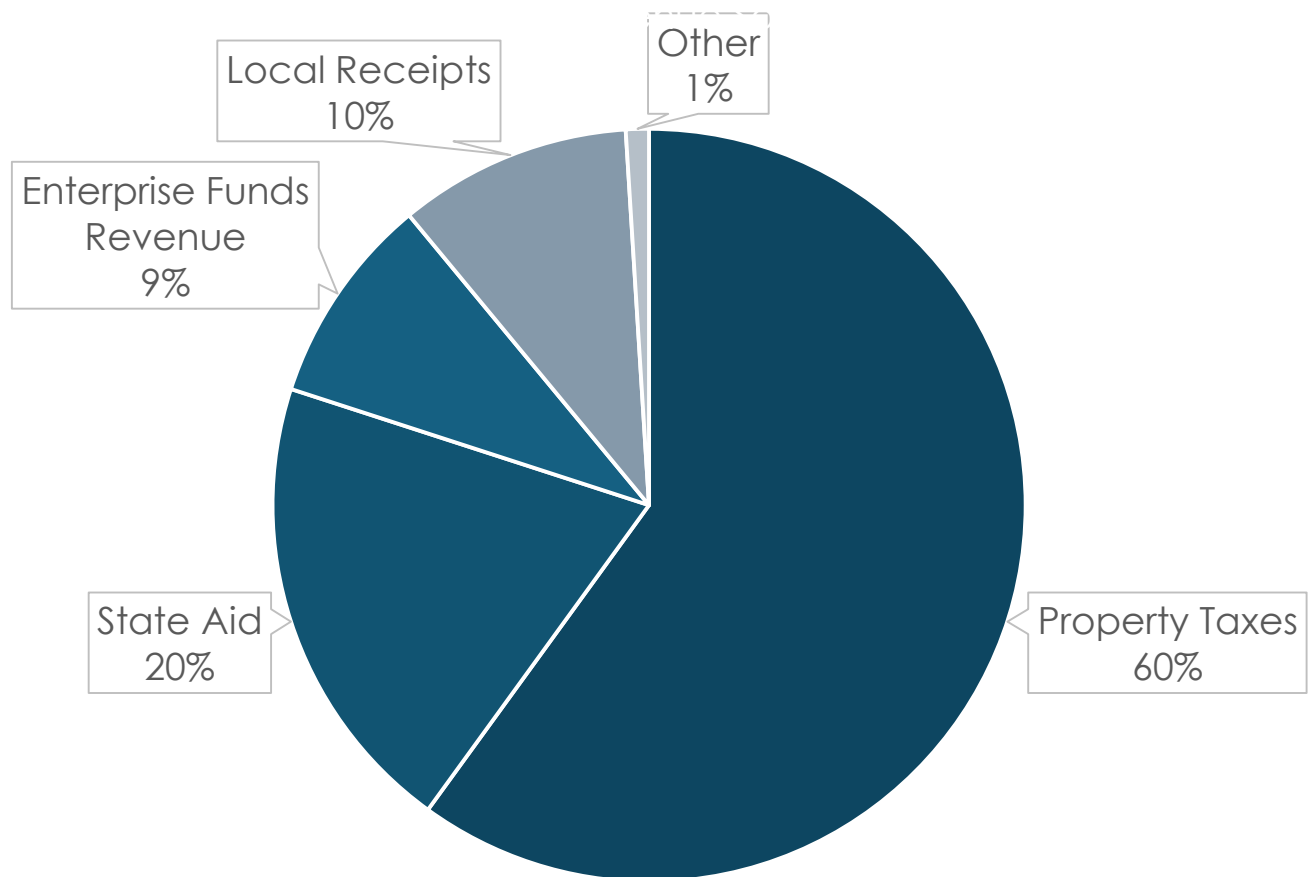
The largest category of state aid is for schools, however there are other smaller categories of state funding that the City receives, as well.

## ○ Other

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



# Revenues for Salem's Budget - 2



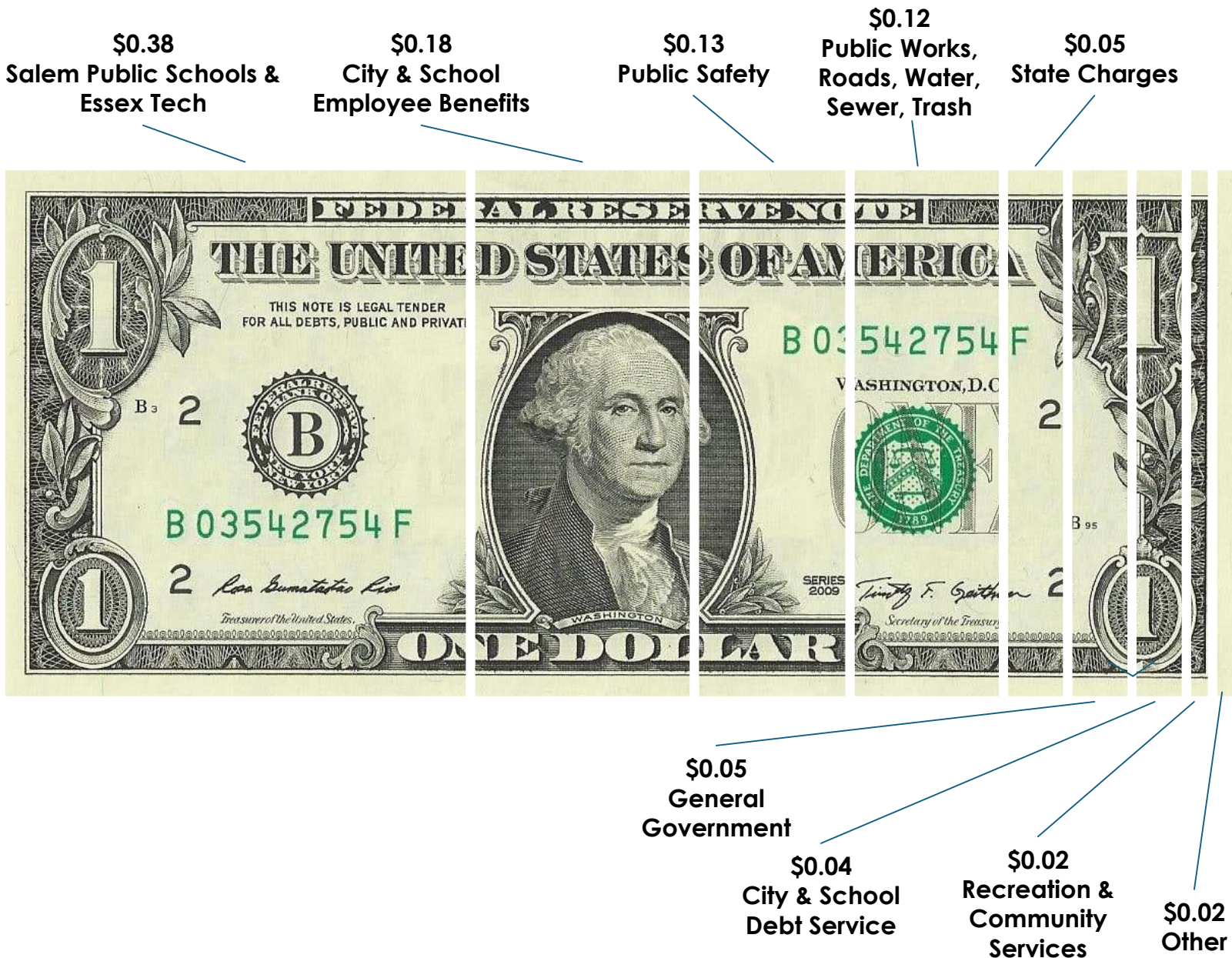
## Budget Snapshot

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



# Where your tax dollars go

The FY2025 budget totals \$204,106,637, a 4.1% increase over last year's. The City budget is increasing 4.1%, the Schools budget is increasing 4.8%, and the Enterprise Funds budget is increasing 1.9%.





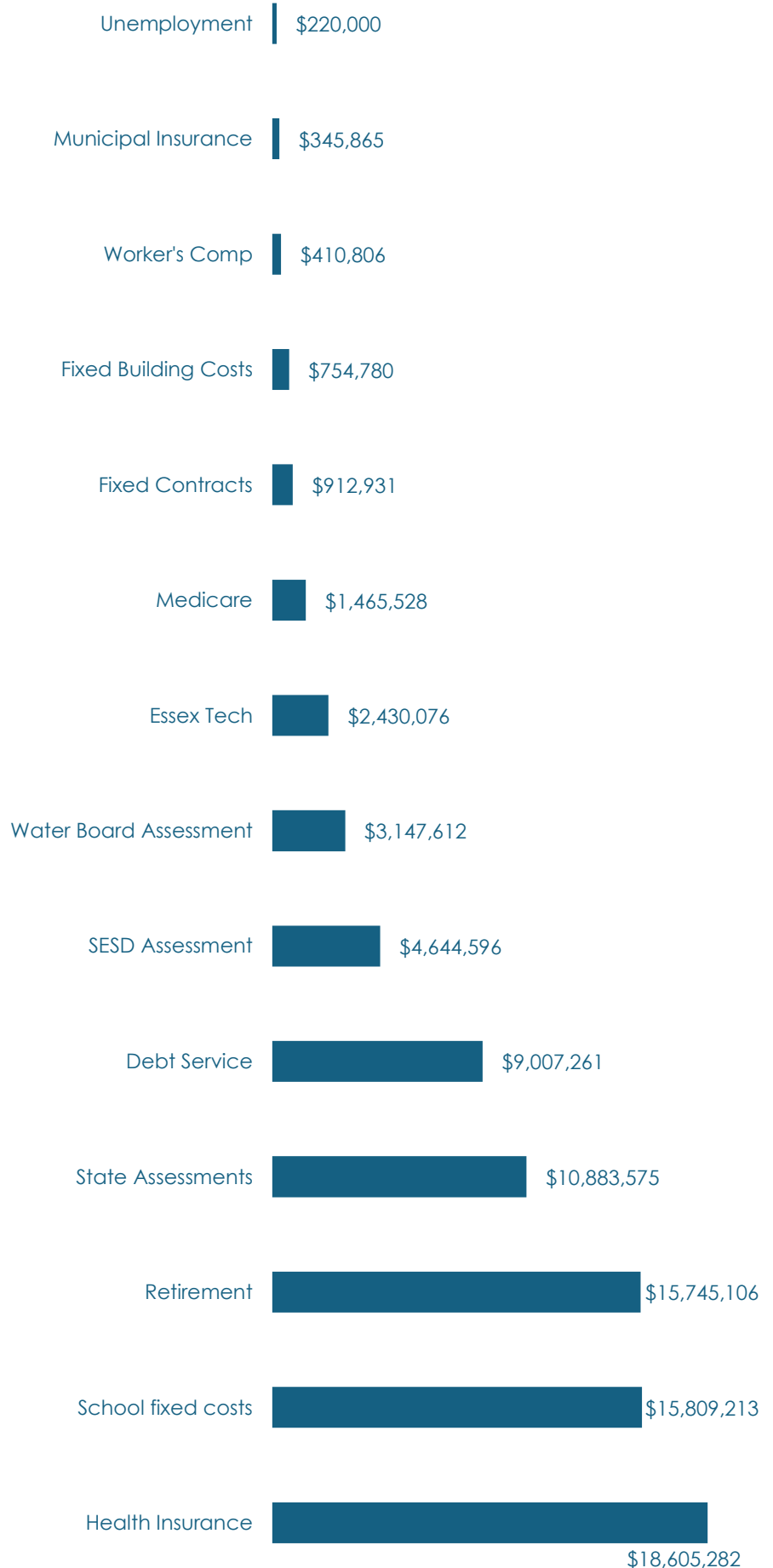
## FY25 Fixed Costs

# Fixed Costs in Salem's Budget

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

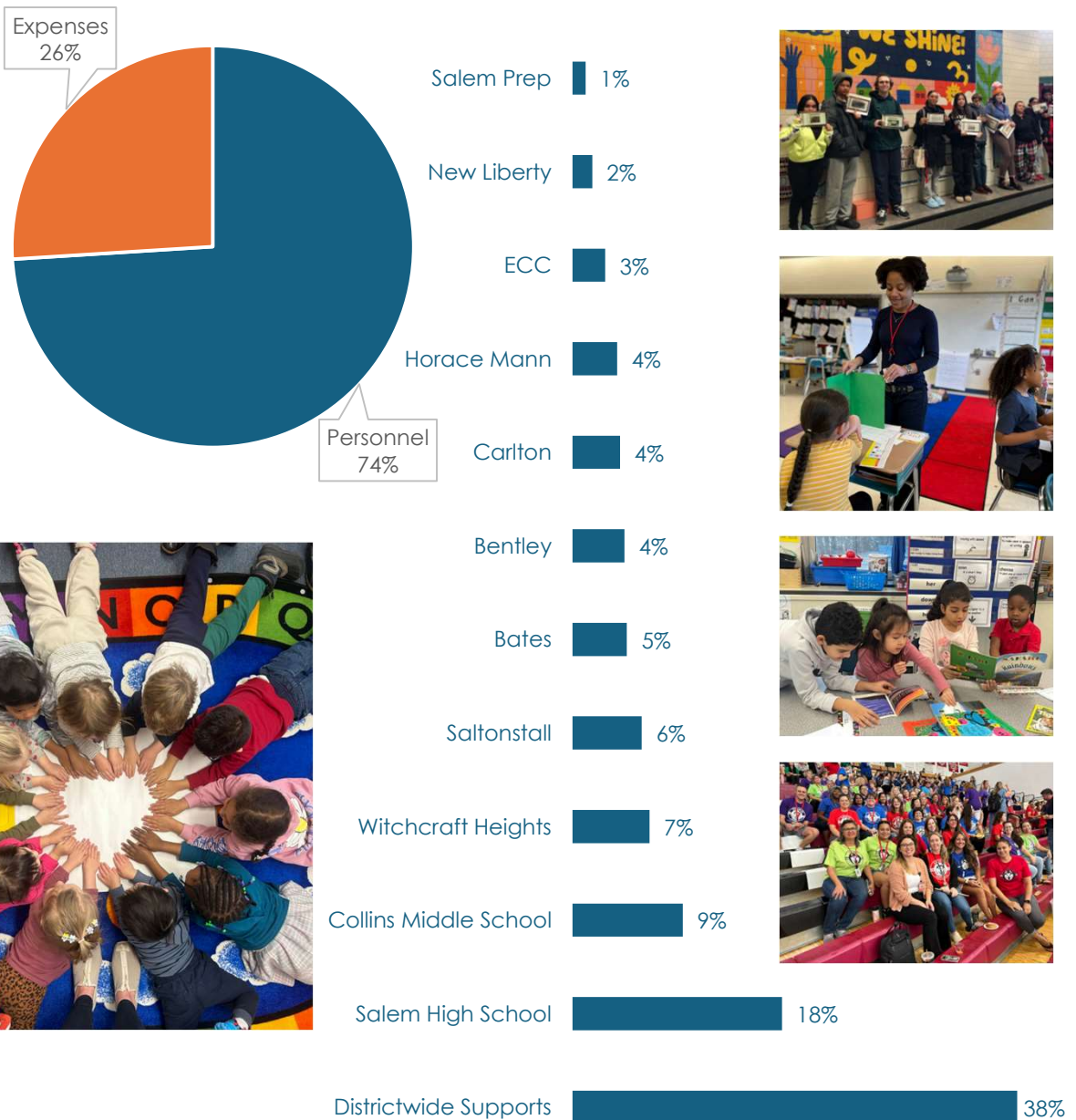
Fixed costs comprise roughly \$84 million, which is 41% of the City's total budget – in other words, about \$0.41 of every \$1 spent in the budget is on a fixed cost.

In FY2025, changes in fixed costs account for about 81% of the budget's overall increase over the previous fiscal year, the largest amount in over a decade.



# FY2025 Salem Schools Budget

For FY2025, Salem's school budget is \$80,158,896. This does not include school-related costs that are carried on the "City side" of the budget, like school building project debt, health insurance for teachers and other school employees, and so forth.



## Budget Snapshot

Around 64 cents of every \$1 Salem spends on schools comes from taxes. The next largest source of **school funding** is state aid, which comprises about 27 cents of every \$1. Over the previous decade, the City's appropriation for Salem's schools increased an average of 3.1% per year, but in FY25 it will increase by 4.8%.



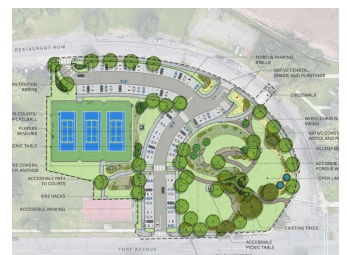


# FY2025 Capital Budget

The capital plan section of the budget, Section 7, outlines capital expenditures for FY2025, as well as those planned for future years, how they are being paid for (borrowing, receipts, grants, etc.), and what their long-term impact is projected to be on the regular budget.

## Capital Project Highlights

- Signature Park projects
- Boston Street design
- Police/Fire/DPW vehicles
- ADA upgrades
- Road paving and sidewalks
- EV charging stations
- Historic preservation work
- Willows Pier & Ferry Terminal
- Artists Row & Old Town Hall
- Playground upgrades
- Building energy efficiencies
- Stormwater system improvements
- Coastal resilience
- New City website
- Water system upgrades
- Trails and safe streets projects



## Budget Snapshot

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

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



# FY2025 Departmental Budgets



## Budget Snapshot

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