



CITY OF SALEM, MASSACHUSETTS

Kimberley Driscoll
Mayor

Office of the Mayor

June 11, 2020

Honorable Salem City Council
Salem City Hall
Salem, MA 01970

Ladies and Gentlemen of the Council:

Enclosed please find the proposed FY2021 operating and capital budgets for the City of Salem and the Salem Public Schools. As you can probably imagine, this is a very different budget and very different budget message than the ones that had been originally prepared for you for the coming fiscal year.

The COVID-19 pandemic has impacted our community, our Commonwealth, and our country to an unprecedented degree. The virus has taken lives, disrupted work and school, and forced all of us to adapt in order to ensure the health and safety of our community. Through it all, our dedicated City workforce has endeavored to continue providing the critical government services upon which our constituents rely every day.

The COVID-19 pandemic, however, has also triggered an unforeseeable financial crisis. With economy activity coming to a near complete standstill since March, and the prospect of a slow and difficult economic recovery ahead, our typical municipal revenue

streams have been significantly negatively impacted. Adding to this challenge is the truly unknown nature by which they will be impacted going forward. Income to the City from meal, room, and cannabis excises, parking fees, even permits and licenses, diminished immediately and it will be difficult to accurately forecast how and when they will fully recover. Similarly, we know that there will be a substantial reduction in aid from the state; however, given the timing of the pandemic, we still do not yet know what that level of reduction will be.

The enclosed budget attempts to forecast, to the best of our ability, what FY2021 revenues may be, but it is very probable that the administration will need to return to the City Council during the fiscal year itself to revise appropriations based on how actual revenues trend.

In order to present a balanced budget to you, we are proposing a series of measures, reflected in the enclosed budget package. There are, in all departments, spending adjustments reducing many expenditures over FY2020 levels, as well as employee furloughs and wage freezes; these are encapsulated in the budget itself. We are in discussions with municipal employees and expect to institute unpaid furloughs for many staff in FY2021, which will be reflected through a closure of City offices at 3:30 p.m. on Thursdays in the month of August. In addition, close to 30 employees have volunteered to take longer furloughs of between one and four weeks to generate additional savings for the City; I hope you will join me in thanking those public servants for their willingness to take this step and help us with closing our budget gap.

The proposed budget calls for allocating \$2,075,000 from our stabilization fund and applies an additional \$600,00 from free cash. It would be unwise to raid the entirety of our stabilization fund to balance this budget. Such an action would jeopardize our bond rating, which would increase our borrowing costs and could actually cost taxpayers more money than would be saved through draining the stabilization fund. Furthermore, it would place the City in financial danger should other unexpected crises develop in the coming months and years. Lastly, it would mean relying on a one-time revenue source that would not be sustainable, at a time when we are anticipating that the financial difficulties will be persistent into future fiscal years. By all measures, taking more out of our stabilization fund – while a tempting short-term fix – would not be financially wise at this time.

We are also seeking to expand our parking enforcement to Sunday afternoons. Not only will this generate an estimated \$270,000 to \$330,000 in new revenues, it will, more importantly, help our downtown businesses by turning over parking spaces more frequently. In our current system, someone can park at a downtown meter in front of a restaurant or store at 2:00 p.m. on Saturday, pay for the maximum four-hour time, and then not move their car again until 8:00 a.m. on Monday. This effectively takes that space offline for customers of that small business for most of the weekend, when these spaces are most needed. As our small business community struggles to rebuild and reopen during this economic crisis, this is one action that we can take as a City to help them keep their

businesses accessible and open to customers. Moreover, as a tourist community, many visitors come to Salem on weekends and the parking fees collected will help us with paying for much needed city services.

All the above measures are necessary to balance the budget and avoid the projected \$8.4 million deficit we expect to otherwise face.

Throughout the budgeting process, my priority was ensuring that we do not diminish the level of service that Salem residents expect and deserve. In doing so, preserving the positions of those public servants who deliver those services was of foremost concern. Needing to make budget reductions, at a time when so many of our City employees have been working harder than ever, was a difficult move, but a necessary one, in order to meet a budgetary crisis that we did not expect but must work together to overcome. The unemployment rate in Salem sharply increased from 3.1% in March to 18.5% in April; early indicators are that the May rate may climb even higher. With over 4,000 of our friends and neighbors seeking unemployment assistance, we are doing all that we can to save jobs and retain employees at this time. In turn, City staff are working in partnership toward this same goal.

The proposed FY2021 Salem budget total, inclusive of enterprise funds, is \$172,626,459 – a change of 0.32% or \$551,066 over FY2020 and 2.5%, or \$4.3 million, less than the FY2021 department requests pre-COVID-19. Fixed costs, such as health insurance, pension and retirement costs, insurance, debt payments, and state assessments, increased by a little more than \$1.6 million for FY2021. To meet the increased in fix costs, coupled with the projected revenue shortfalls from an excepted cut in local aid from the state and declines in receipts and excises, we have made a total of approximately \$1.4 million in cuts from the FY2020 budget levels.

Our schools' budget is set to increase by \$339,000 or 0.54%. This does not include school-related costs that appear elsewhere in the budget, such as school employee health insurance increases, unemployment costs, debt for school building projects, and so forth.

The enterprise fund budgets (water, sewer, and trash), will increase by 3.1%, or \$569,596 over the FY2020 enterprise funds budget, due to increases in assessments for these services and the need for infrastructure maintenance and upgrades. Ordinances have been submitted to you establishing the water, sewer, and trash rates necessary to fund these budgets.

The FY2021 Capital Improvement Plan (CIP) is also included as part of this budget, as are the associated bond orders to fund these capital investments. I am proud that we instituted a practice of including a forward-looking capital plan in our budget each year as a responsible and transparent way of planning for future obligations while meeting present-day needs to best serve Salem residents. As we have discussed, FY2021 capital investments are limited to essential or time-sensitive projects, as well as projects for which grant or non-City funds are available to us.

From having nothing in our rainy-day stabilization fund when I took office in 2006, we today have over \$8 million in that fund thanks to permanent, prudent finance policies that we have worked collectively with the Council to put in place. This year, especially, we can be grateful for the diligence of the past, as we will need to apply some of those emergency funds to our current budget crisis.

Despite the financial difficulties we face, our City remains dedicated to policies that foster positive economic growth, stable financial management practices, and sustainable and transparent budgeting. Since 2006 we have implemented professional financial management standards and the share of our budget that is our debt payment has been reduced by a third. We have been able to accomplish this by leveraging hundreds of millions in grants, as well as PILOT, SILOT, and other tax agreements, and by being responsible, thoughtful, and prudent with tax dollars.

In our budgeting practices, the taxpayers of Salem have always been foremost in mind, and FY2021 is no different. This budget recognizes and respects the impact of property taxes on our residents, especially as many are suffering from the financial hardship afflicting many Americans today. Salem's average tax bill change over the last decade has been well below the average for our region and coupled with the adoption of as many exemptions and abatements as practical, particularly focused on our neediest taxpayers, including lower income residents, seniors, veterans, and those living with disabilities. Salem has never sought a Proposition 2-1/2 override and we continue to tax below our allowable levy limit. For FY2021, we will maintain \$2 million in excess levy capacity.

Despite the overwhelming impact of the pandemic on our budgetary decisions, it does not diminish the other external influences with which we still must also contend. Whether it is housing needs, fears about growth, the opioids epidemic, changing demographics, or a changing climate, our community is facing many challenges that require strategic and sensible leadership. Indeed, in some respects the pandemic and ensuing economic downturn have only exacerbated some of these challenges, such as the need for affordable and available housing.

On the financial side, we continue to see challenges with the state fully funding their obligations for charter school reimbursements, even as we know other components of our state aid will also be cut this year, and the existing PILOT with the South Essex Sewerage District does not adequately compensate our city for hosting this regional facility. Rising health care costs are impacting both the public and private sector and we continue to face the challenge of OPEB and pension liabilities, not to mention costly sick-leave buybacks, agreed to decades ago, but impacting our retirement stabilization fund now.

We have worked hard to tackle these challenges by allocating funds to reserve and stabilization accounts to plan for the future and by taking actions like entering into the Group Insurance Commission, and annually reassessing the cost-effectiveness of that choice. However, the financial challenges presented by these fixed cost centers are still very real and have a real effect on our budget. Despite those previously existing pressures and despite this new economic crisis, the FY2021 budget still maintains our dedication to fiscal

responsibility while strengthening our community. I am proud of our collective efforts to limit impacts on Salem taxpayers while also providing much needed services to constituents. This is possible due to our joint attentiveness to City finances, as well as our ongoing efforts at identifying efficiencies in the delivery of services. Our fiscal practices have resulted in not only affirmation of our historic high AA bond rating, which we received just this week for the seventh year in a row, but also our regular receipt of recognitions and awards from the Government Finance Officers' Association, a national agency that provides professional guidelines for government budgets and fiscal practices.

Lastly, another key factor in enhancing our local economy and contributing to new revenues to help meet the projected budget deficit are the public and private investments we continue to see in our community. These developments enhance our short- and long-term economic growth, create much needed housing, add to our tax base, and generate jobs. We are projecting the value increase of new growth for FY2021 at \$1.2 million; that is \$1.2 million less burden on our existing taxpayers. Without new growth we cannot provide the services and improvements that our constituents rightly demand and deserve. Given the reliable increase in fixed costs to the City and the financial crisis we face today, a reflexively anti-growth approach to local government is equivalent to endorsing substantial tax increases on Salem homeowners and the reduction of critical City services like public safety and public works. With new growth comes much needed housing, commercial enterprises with jobs and new revenues to support the needs of Salem taxpayers and local government.

In FY2021 we will continue to strive to exceed the service level expectations of our constituents, while simultaneously ensuring fiscal prudence in all expenditures. The mission of City government in Salem is to provide open, honest, and pro-active services effectively and efficiently, focusing on the needs of today, with a vision for the future. In order to accomplish this, the proposed budget aligns operations with short-term and long-term strategic goals and objectives, while maintaining necessary fiscal controls and a careful attention to our financial forecasts in our budgeting. This year especially that is a challenging balance to strike, but I believe the proposed budget accomplishes precisely this end.

Balancing the City's budget in a normal year itself is no easy task and I appreciate the hard work and cooperation our department heads have put into the preparation of this year's budget. I cannot say enough about the efforts made by our Finance Department, led by Finance Director Laurie Giardella. The department's work ensured that the budget was ready for submission and in compliance with the high standards we set for ourselves pursuant to GFOA Distinguished Budget guidelines. We are one of only a handful of Massachusetts communities who annually qualify for both a Certificate of Excellence for our Comprehensive Annual Financial Reporting and a Distinguished Budget Presentation Award from the GFOA.

This year in particular, I would like to acknowledge the professional and thoughtful efforts put in by our finance, legal, and HR staff and the staff from many other departments who contributed to the budget effort. Our budget-writing process typically takes around four months; our employees were asked to turn around the revised budget in just three weeks. They not only undertook this major revision to

our anticipated budget in an incredibly short period of time but did so while working with unclear revenue projections and amidst the pressures of a global pandemic. Every resident of Salem should be proud of the dedicated public employees who work on their behalf – I know I am.

The proposed FY2021 budget represents a strong commitment to the people we are fortunate enough to have been elected to serve. It continues our balanced and responsible approach to City finances. It invests in the critical services that make Salem a vibrant city, a welcoming city, a city with schools in which we can all take pride – in short, a forward-looking and livable city for all. I recommend adoption of the proposed FY2021 budget, CIP, and other associated budgetary measures and I look forward to working with you in the coming days to enact this proposed spending plan in order to continue strengthening and improving our great City.

Sincerely,

A handwritten signature in dark ink, reading "Kimberley Driscoll". The script is fluid and cursive, with the first name and last name clearly legible.

Kimberley Driscoll
Mayor
City of Salem

cc: All City of Salem Department Heads

City of Salem - Long and Short Term Strategic Plan Summary - Fiscal Year 2021

Division	Goal & Objective	Source	Priority*	Schedule**	Division or Department	Status
EDUCATION						
Education	To raise the level of success for all Salem Public School Students to among the top 10% of the Commonwealth's Gateway Cities.	Mayor	1	Short & Medium Term	Executive and School	Ongoing
Education	Successfully implement the school's new Strategic Plan adopted by the Salem School Committee.	Mayor & State	1	Short Term	Executive & School	Underway
Education	To strengthen school-community partnerships in building a culture of high expectations for student success.	Mayor	1	Short & Long Term	Executive & School	Ongoing
Education	To promote academic, social, emotional, and physical development of each student and to empower all students to chart a personalized path to success.	Resident Survey	1	Short & Long Term	Executive & School	Ongoing
GENERAL GOVERNMENT						
General Government	Improve communication and transparency with citizens, including social media and online tools, software, and more.	Mayor	1	Short & Long Term	Executive & CIO	Ongoing
General Government	To maintain a high level of accessibility to and responsiveness by City departments and employees.	Mayor	1	Short & Long Term	All	Ongoing
General Government	Look for ways to deliver City services more efficiently and effectively through the use of technology and performance management, including development of Salem 311.	Mayor	2	Short & Long Term	Executive & All Departments	Ongoing
General Government	Implement regionalized services where applicable in order to better utilize tax dollars.	Resident Survey & Mayor	2	Medium & Long Term	Executive	Ongoing
General Government	Expand implementation of performance improvement programs.	Mayor & Finance	2	Short & Medium Term	Executive	Ongoing
General Government	Continue efforts to address climate change and plan to mitigate carbon footprint through the Green Communities program, energy efficiency goals, the climate change action plan, and more.	Mayor	2	Medium & Long Term	Executive	Underway
General Government	Improve citizen access to services and information.	Mayor	3	Short & Medium Term	Executive	Ongoing

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Division	Goal & Objective	Source	Priority*	Schedule**	Division or Department	Status
General Government	Strengthening City's reputation as a welcoming, accessible, and inclusive community for all.	Mayor	1	Short & Long Term	Executive	Ongoing
General Government	Continue implementation of Salem for All Ages	Mayor	2	Short & Medium Term	Executive, COA, Traffic and Park, Health, Planning	Ongoing
General Government	Prepare for Salem 400 in 2026.	Mayor	2	Short & Medium Term	Executive	Ongoing
FINANCE - HUMAN RESOURCES						
Finance	Continue to attain GFOA designation by maintaining the highest level of budgetary practices and finance policies.	Mayor	1	Short & Long Term	Executive & Finance	Ongoing
Finance	Continue five year forecasting of capital improvement projects and needs.	Mayor	1	Short & Long Term	Executive & Finance	Ongoing
Finance	Continue conservative budgeting policies to limit the impact on property tax levels.	Mayor	1	Short, Medium & Long term	Executive & Finance	Ongoing
Finance	Re-evaluate existing PILOT/SILOT and other agreements as they expire.	Mayor	2	Short & Long Term	Executive & Legislative	Ongoing
Finance	Limit long-term liability through the City's continued commitment to build reserves in Stabilization and OPEB Trust Funds.	Mayor	1	Short, Medium & Long term	Executive & Finance	Ongoing
PUBLIC SAFETY						
Public Safety	Maintain high level of all public safety services: police and fire.	Resident Survey	1	Short & Long Term	Executive, Police & Fire	Ongoing
Public Safety	Improve traffic and parking enforcement.	Resident Survey	2	Short & Long Term	Police & Parking	Ongoing
Public Safety	Enhance use of technology in public safety.	Mayor	2	Short & Long Term	Police & IT	Ongoing
ECONOMIC DEVELOPMENT						
Economic Development	Pursue policies and opportunities to add housing to meet demand, stabilize rents and prices, grow the tax base, and address housing insecurity issues.	Mayor	1	Short & Long Term	Executive, Planning & CD	Ongoing
Economic Development	Work with Footprint to ensure the successful redevelopment of the Salem Harbor Station Power Plant site.	Mayor	1	Short & Long Term	Executive	Underway

City of Salem - Long and Short Term Strategic Plan Summary - Fiscal Year 2021

Division	Goal & Objective	Source	Priority*	Schedule**	Division or Department	Status
Economic Development	Continue revitalization of Salem Harbor and the waterfront.	Mayor	1	Planning - Short term, Implementation - medium to long term	Planning & CD	Underway
Economic Development	Encourage responsible private development and new growth opportunities.	Mayor	1	Short & Long Term	Planning & CD	Ongoing
Economic Development	Continue implementation of the Point Vision and Action Plan.	Mayor	2	Short & Medium Term	Planning & CD	Ongoing
Economic Development	Oversee the preservation and redevelopment of the Superior Court buildings.	Mayor	1	Short & Medium Term	Planning and SRA	Underway
Economic Development	Support the growth of new and existing private businesses, including enhanced recruitment efforts.	Resident Survey	2	Short & Long Term	Mayor and Planning	Ongoing
PARKS AND RECREATION						
Recreation	Launch and carry out Signature Parks program for Willows, Winter Island, Pioneer Village/Camp Naumkeag, Forest River Park, and Salem Common	Mayor	1	Planning - Short & medium term, Implementation - medium to long term	Planning & Parks, Finance, Capital	Underway
Recreation	Finalize and implement plans for improvements at Palmer Cove, Bertram Field, and Gallows Hill Park	Mayor	2	Short & Medium Term	Parks	Underway
Recreation	Increase participation in recreation and COA programs.	Mayor	2	Short Term	Mayor & Recreation	Underway
Recreation	Carry out CPA projects, historic preservation efforts as outlined in the historic preservation plan, and other community improvement projects.	Mayor	2	Short Term	Mayor, Planning & Recreation	Underway
TRAVEL AND TOURISM						
Cultural	Continue to improve upon management of Haunted Happenings & other community events.	Mayor	1	Planning - Short & Long term, Implementation - medium to long term	Executive & Tourism	Ongoing
Cultural	Continue development and implementation of cruise port activities and marketing.	Mayor	2	Short & Medium Term	Executive & Tourism	Ongoing

City of Salem - Long and Short Term Strategic Plan Summary - Fiscal Year 2021

Division	Goal & Objective	Source	Priority*	Schedule**	Division or Department	Status
PUBLIC SERVICE- ENGINEERING - TRAFFIC AND PARKING						
Public Services	Reorganize staff to more efficiently and effectively deliver services and respond to requests.	Mayor	1	Short & Medium Term	Executive	Ongoing
Public Services	Improve implementation of SeeClickFix service request and work order system, and integrate it with Salem 311.	Mayor	1	Short Term	Mayor, DPW, Health, Electrical	Ongoing
Infrastructure & Facilities	Maintain and upgrade City water and sewer systems.	Mayor	1	Short & Long Term	Planning & Engineering	Ongoing
Infrastructure & Facilities	Maintain and upgrade City roads, sidewalks, open spaces as reflected by the City's complete streets policy, open space plan, and road and sidewalk master plan.	Mayor/Resident Survey	1	Short and Long Term	Engineering	Ongoing
Infrastructure & Facilities	Continue to advance Essex Street, Derby Street, Highland Avenue and Boston Street improvement projects and the Boston/Bridge intersection project.	Mayor	1	Short & Long Term	Planning & Engineering	Underway
Infrastructure & Facilities	Improve overall cleanliness of streets, parks and other public areas.	Resident Survey & Mayor	1	Short & Medium Term	Public Works	Ongoing
Infrastructure & Facilities	Continue residential traffic calming program.	Mayor	1	Short & Long Term	DPW, Traffic, PD, Engineering	Ongoing
Infrastructure & Facilities	Study potential reuse opportunities at the transfer station site.	Mayor	1	Medium & Long Term	Mayor, Legal, Engineering	Underway
Infrastructure & Facilities	Continue advocating for South Salem MBTA commuter rail stop.	Mayor	1	Medium & Long Term	Mayor, SSU, NSMC	Underway
Infrastructure & Facilities	Continue implementation of complete streets policy and encouragement of alternatives to car use, including micro mobility, on-demand shuttle service, and community car share pilot.	Mayor	2	Short & Medium Term	Planning, DPW, Engineering, Traffic	Underway

Notes: *Priority - 1 - High, 2 = Medium, 3 = Low . This rating is determined by the Mayor's office

**Short Term = 1-12 months, Medium Term = 12 months to 24 months, Long Term = 24 months or more.