

October 2024

Understanding Your Taxes

Yi-An Huang, City Manager • Owen O'Riordan, Deputy City Manager • Claire Spinner, Assistant City Manager for Fiscal Affairs



Dear Cambridge Residents and Taxpayers: This newsletter explains the City's Operating and Capital Budgets, property classifications, property valuation, and available exemptions and abatements, all of which are major factors in determining property tax bills.

The Budget process for Fiscal Year 2025 (July 1, 2024, through June 30, 2025) began in fall 2023.

The FY25 budget process included close collaboration with the City Council, and public hearings throughout the year related to the operating budget, capital budget, police budget, and updates on federal ARPA (American Rescue Plan Act) funding. The proposed FY25 Budget was submitted to City council on April 29, 2024. Public hearings took place in May 2024 before the Budget was formally adopted by the City Council on June 3, 2024.

At the time of adoption, the projected property tax levy needed to support the FY25 budget was \$628.8 million, which is an increase of \$53.4 million, or 9.28%, from the FY24 property tax levy. The actual property tax levy is set as part of the property tax and classification process in October.

The FY25 Operating (\$955.6M) and Capital (\$74.9M) Budgets include significant investments in many programs and initiatives that reflect City Council priorities including:

- **Affordable housing and supporting our unhoused community** – Affordable housing continues to be a top priority for the City. Over \$46 million will be allocated for this purpose in FY25, including over \$41 million into the Affordable Housing Trust. Significant funds are also allocated to maintain shelter capacity, a warming center, homeless outreach, social services, and high intensity case management through the City Manager's Housing Liaison Office. In addition, in recognition of the significant investments and growth in work regarding affordable housing, the Budget supports a new Housing Department, which is elevated from a division within the Community Development Department (CDD).
- **Education and Early Childhood** – The FY25 Budget includes over \$268 million for the School Department, (an increase of over \$23 million from FY24). Funding supports a new 3-year teacher contract and an extended school day, and out of school time for student support and educator collaboration. The FY25 Budget includes support for the first year of the new Cambridge Preschool Program (CPP), which will offer all four-year-olds and prioritized three-year-olds access to free,

high-quality programming across Cambridge Public Schools (CPS), Department of Human Services Program (DHSP) preschools, and community programs. Total FY25 funding for the program is \$34 million making this significant investment one of the largest across the City's FY25 Budget.

- **Climate Resilience** – Aggressive goals supported by significant funding reinforces the City's position as a leader in addressing the climate crisis. Over \$73 million is allocated to areas of climate resilience, Net Zero goals, open space, zero waste goals, and urban forestry. The Budget also includes a new Office of Sustainability led by the new Chief Climate Officer.
- **Safer Streets and Infrastructure** – We continue to invest in our urban infrastructure to repair damaged roads, improve accessibility, address dangerous intersections, and expand protected bike lanes. The Budget includes over \$33 million in funding for traffic safety programs and infrastructure projects in FY25.

Our strong financial position, fiscal policies, and management practices are reflected in these, and many other programs, initiatives, and investments supported through the FY25 Budget. We also remain keenly aware of budget growth, our debt burden, property tax levy capacity, outside macroeconomic factors and the potential impacts on residents and taxpayers in the City.

I'm looking forward to continuing to work closely with City leadership, staff, and the City Council in striving for a Cambridge that works for all and acts as a leader in effective and innovative city management while maintaining our fiscal strength and flexibility which allows us to chart an ambitious path to the future.

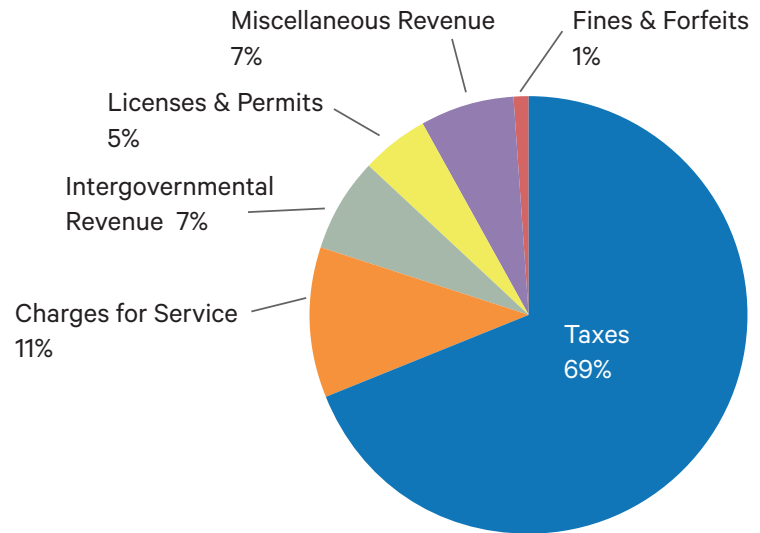
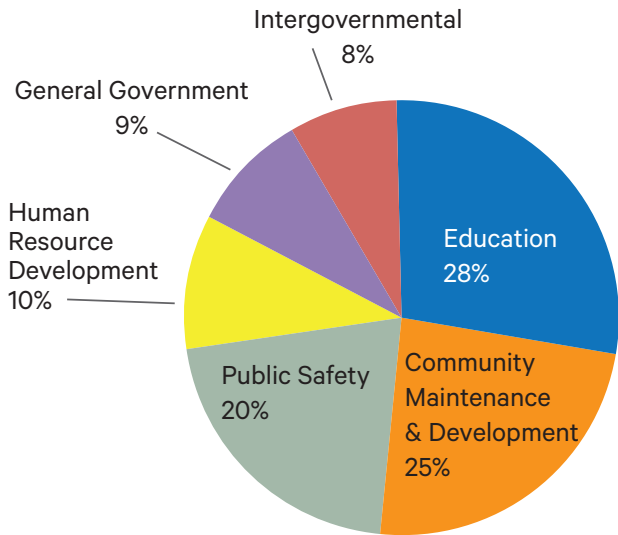
Sincerely,

Yi-An Huang, City Manager

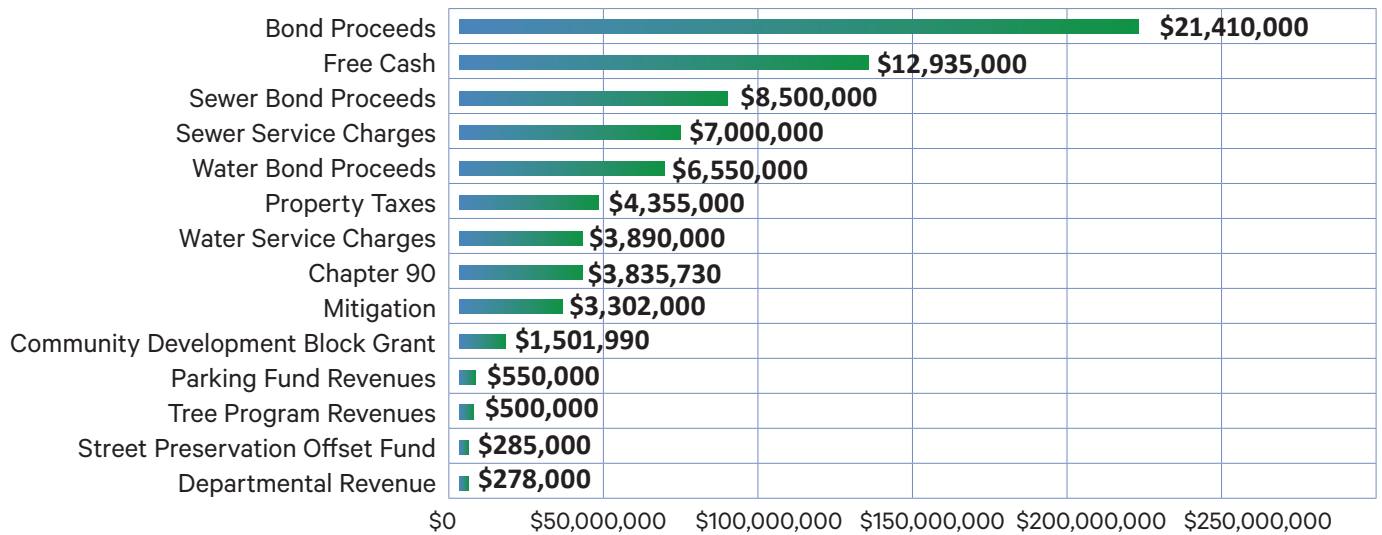
FY25 City Operating Budget: \$955,584,350

FY25 Expenditures by Function: \$955,584,350

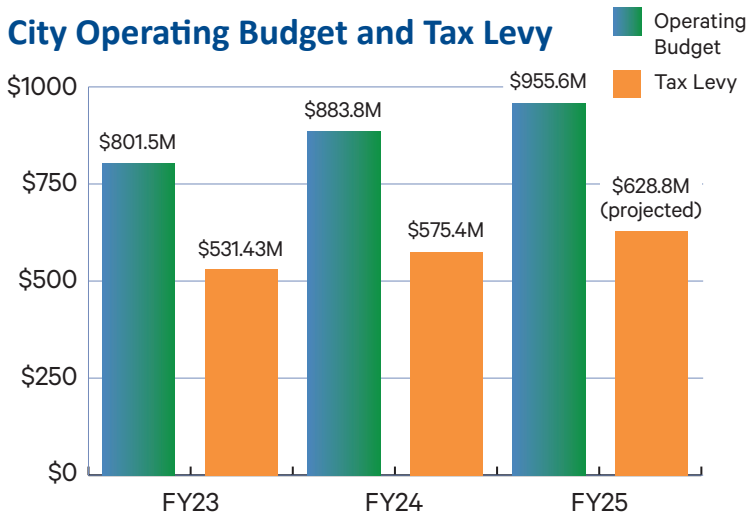
FY25 Revenues by Statutory Category: \$955,584,350



FY25 Capital Budget Financing Plan by Source: \$74,892,720



City Operating Budget and Tax Levy



Approximately 66% of the Operating Budget is supported by property taxes. At the time the FY25 Budget was adopted, the City anticipated that it would need to collect \$628.8 million in property taxes.

FY25 Financial Highlights

- The Operating Budget increased by 8.1% over the FY24 Adopted Budget.
- The average increase in the City Budget over the last 10 years has been 6.2%.
- Projected tax levy to support the City budget is \$628.8 million, which is a 9.28% increase from the previous year.
- Average property tax levy increase over the last ten years is 7.5%.
- There has been a 6.8% increase in the water rate and a 4.8% increase in the sewer rate, resulting in a 5.23% increase in the combined rate.
- The Capital (Public Investment) Budget is \$74,892,720.
- The Capital Budget includes property tax support of \$4,355,000.

FY25 Budget Highlights

Affordable Housing

The FY25 Budget includes significant funding for the development and preservation of affordable housing in Cambridge. The FY25 Budget includes over \$24.6 million from several revenue sources, including: Property Taxes (\$1,550,000); Free Cash (\$12,500,000); Building Permit revenue (\$10,245,000); and Short-term Rental impact Fees (\$350,000). These funds will supplement anticipated FY25 Community Preservation Act (CPA) funds.

Affordable Housing Trust Funding	
Funding Source	Amount
Direct City support	\$24,645,750
CPA allocation*	\$17,040,000
Total	\$41,685,750

*assumes 80% CPA allocation for affordable housing

Education and Early Childhood

The FY25 Budget includes over \$268 million for the School Department, an increase of over \$23 million from FY24. Funding supports a new 3-year teacher contract and an extended school day, and out of school time for student support and educator collaboration. The FY25 Budget includes support for the first year of the new Cambridge Preschool Program (CPP), which will offer all four-year-olds and prioritized three-year-olds access to free, high-quality programming across Cambridge Public Schools (CPS), Department of Human Services Program (DHSP) preschools, and community programs. Total FY25 funding for the program is \$34 million making this significant investment one of the largest across the City's FY25 Budget.



The Cambridge Preschool Program launched its first year of programming in fall 2024.



The City continues to invest and work on sewer and stormwater infrastructure and maintenance.

Sustainability

Over \$73 million is allocated to areas of climate resilience, Net Zero goals, open space, zero waste goals, and urban forestry. This includes over \$21 million for Climate Resilience which represents funding for major capital repairs, sewer and stormwater, and investments in roofs and drainage to ensure the city will be prepared for greater extreme weather events. FY25 expenditures also include almost \$20 million in funding for open space related projects; over \$16 million for towards Net Zero goals; over \$10 million towards the City's Zero Waste goals; and over \$5 million for the Urban Forestry program. In response to the growing importance and multifaceted nature of the City's climate initiatives, the City is also introducing a new Chief Climate Officer role in FY25 to head the newly formed Office of Sustainability.

Safer Street and infrastructure

The City continues to make regular investments in urban infrastructure to repair damaged roads, improve accessibility, and address dangerous intersections. Over \$33 million in funding is allocated for Vision Zero and traffic safety. This includes almost \$20 million for infrastructure, safety, and street improvement projects as well as over \$13 million for safety programs and planning across various City departments.



The City introduced e-bikes to the BlueBikes public bikeshare system in late 2024. The system will continue to be maintained and expanded to accommodate popular demand.

Cambridge Launches 11th PB Process!

The City of Cambridge has launched the 11th cycle of Participatory Budgeting (PB) and is seeking ideas from the community on how to spend \$1 million of the FY26 budget on projects to improve Cambridge! The Idea Collection phase will be open until October 1, 2024. The types of projects eligible for funding this fiscal year include capital and operating projects.

Volunteer!

Volunteer PB Delegates are essential to the PB process. Research submitted ideas and work alongside community members to develop the final proposals for the PB vote! Sign-up by October 1, 2024.

To learn more about the PB11 process:

Visit: pb.cambridgema.gov

Email: pb@cambridgema.gov

Call: 617-349-4270

City of Cambridge Budget Office
795 Massachusetts Ave. Cambridge, MA 02139



pb
Cambridge

How would you spend
\$1,000,000
to improve Cambridge?

Submit your ideas at:
pb.cambridgema.gov | pb@cambridgema.gov | 617-349-4270



The City continues to implement the Urban Forestry Master Plan (URMP), which guides the development of Cambridge's tree assets into the future.

Participatory Budgeting Cycle 10

In March of 2024, 10,522 Cambridge residents voted on how to spend \$2,065,000 in FY25 Capital Funds.

The Winning Projects Were:

Free Menstrual Care and Infant Hygiene Products	\$85,000
Additional Supplies for Unhoused Residents	\$50,000
Expanding Space for Street Trees	\$100,000
Improve Safety for Pedestrians	\$400,000
Smart Traps for Rat Reduction	\$360,000
Smart Recycling and Trash Compactors	\$120,000
Shaded Seats on Hot Streets	\$450,000
Public Toilet for Park Upgrade	\$500,000
Total	\$2,065,000

PB11 is Currently Underway!

More information on Participatory Budgeting and all past projects can be found at pb.cambridgema.gov.



PB10 Vote Results Party



The Pemberton Street Mural was a community art piece funded by the PB9 cycle. The mural was completed in Fall 2023. This winning project proposal will fund two other murals throughout the city.

City Public Investment Budget (\$74.9 million)

Funding for the FY25 Public Investment (Capital) Budget comes from a variety of sources: bond proceeds, property taxes, state and federal funds, service charges, and parking fund revenues.

Our commitment to investing in infrastructure remains strong. Recognizing the importance of maintaining robust sewer, stormwater, and roadway systems, we continue to allocate funds to these areas.

Water and Sewer service charges and balances support all related water and sewer capital projects.

FY25 Public Investment Major Projects

- Participatory Budgeting Cycle 10 Projects: \$2,065,000
- Municipal Facilities and Improvements: \$4,350,000
- Public Works: Sewer/Stormwater: \$15,500,000
- Water: Infrastructure Improvements: \$10,440,000
- Public Works: Complete Streets Reconstruction: \$16,972,730
- Information Technology Initiatives: \$2,000,000
- Parks and Open Space Projects: \$7,255,000

Why Do We Sell Bonds?

The city sells bonds to minimize the tax impact of major capital projects such as the Elementary School Reconstruction Program, major infrastructure projects, and municipal facilities improvements. The City continues to pursue and manage an aggressive capital plan.

Sound financial management has translated into AAA bond ratings from all three major credit rating agencies, allowing us to receive significantly lower interest rates, resulting in lower financing costs. The City's bond sale on March 6, 2024, resulted in a True Interest Cost of 2.6%.

What Do the Rating Agencies Say?

The three major credit rating agencies, Fitch, Moody's and Standard & Poor's reaffirmed Cambridge's AAA rating, the highest possible. Cambridge is one of approximately 24 cities in the United States with three AAA ratings.

(In determining the City's credit rating, the rating agencies consider criteria related to the City's management; the strength of the local economy; the city's financial condition and reserves, and our debt burden.)

"Cambridge's 'AAA' GO bond rating and IDR reflect Fitch's expectation for it to maintain a high level of financial flexibility through economic cycles, consistent with a history of strong operating performance and budget controls. Fitch expects the city to maintain a high level of financial resilience throughout economic cycles given its historically strong revenue performance, conservative budgeting practices and superior degree of inherent budget flexibility. The steady growth in revenues has supported surplus operations over the past several fiscal years with transfers out primarily used to support capital spending. The city has historically maintained reserves at strong levels, supporting its high level of financial flexibility... The city's strong budget monitoring practices and financial planning bolster the city's operating profile."

– Fitch Ratings, February 2024

"The city's strong economy and resilient housing market is expected to maintain tax base stability beyond next year. The city's financial position is very healthy with large reserves and liquidity that are maintained by formal policies and conservative fiscal management...The stable outlook reflects the city's strong fiscal management and governance that is committed to maintaining a healthy financial position given conservative multi-year budget forecasting and adherence to formally adopted fiscal policies. The outlook also incorporates the significant institutional presence that is expected to help maintain a strong labor force, tax base stability and attract

private investment in the city... Cambridge's budget management and policy credibility and effectiveness are strong and is reflected in its adherence to formal policies and the maintenance of its healthy financial position and trend of balanced options."

– Moody's Investors Service, February 2024

"The city's management team operates with established and well-embedded policies and procedures with a focus on forward-looking planning that allows for key city priorities to be addressed while sustaining financial stability and flexibility...The stable outlook reflects S&P Global Ratings' opinion of Cambridge's economic profile and very strong management environment, which allows the city to manage financial performance to include the maintenance of high reserves that offset elevated pension and OPEB liabilities. The budget-development process supports Cambridge's goals, including investments in education, housing, transportation, environment, and other quality-of-life issues, while maintaining financial balance. Ongoing monitoring of spending ensures adherence to the adopted budget. As part of the annual budget process, the city develops five-year financial and capital-investment plans, outlining immediate fiscal challenges and prioritizing capital needs."

– Standard and Poor's, February 2023

How Is Your Tax Bill Determined?

Three major factors are responsible for calculating your tax bill:

- The City's Operating and Capital Budget
- Commercial & Residential Property Tax Classifications
- Property Values (Assessment) – FY25 are established as of January 1, 2024, based on market activity during calendar year 2023.

Cambridge remains a highly attractive, desirable place to live, with low crime, highly educated workforce, and desirable cultural and business amenities, which support property values.

- Commercial property owners traditionally have paid approximately two-thirds of total property taxes.
- In FY24, residential property comprised 52% of the total assessed value, but residential property owners only paid 34% of total property taxes.
- Preliminary projections for FY25 indicate that commercial property owners will pay a similar portion of the tax levy as they have in previous years.

Assessed Property Values

Property values are established independently of the City Budget and Property Tax Classification.

The Massachusetts Department of Revenue requires that all property be assessed annually, using approved mass appraisal techniques, at 100% of full and fair cash value. Individual assessments may rise, or fall based upon market activities for similar properties and capital improvements. Fiscal year assessments are property values as of the previous January 1st. Therefore, FY25 property tax bills are based on the assessed value as of January 1, 2024, using calendar 2023 market activity.

The tax rate is established by dividing the tax levy by total property values once adjustments for the residential exemption have been accounted for.

During the past five years, the total residential value has increased by 22.0% as compared to the 61.1% increase for commercial property over the same period.

Residential Exemptions

The City offers a residential exemption program with a discount equal to 30% of the average residential assessed value. In FY24, the residential exemption reduced owner-occupied residential property assessed value by \$493,012, which equals \$2,919 in reduced real estate taxes.

To receive the residential exemption, homeowners must provide a Massachusetts tax return showing that they occupy their property as their primary residence. Homeowners must own and occupy their primary residents as of January 1, 2024. The Assessors conduct random audits and respond to inquiries about individuals claiming residential exemptions to ensure the integrity of the program.

For information on how to sign up for the exemption program or report concerns, please visit our website at Cambridgema.gov/assessor or contact the Assessor's Office at 617-349-4343.

Commercial-Residential Property Tax Classification

Each year, the Board of Assessors classifies all real property according to use: Commercial Property, Industrial Property, Personal Property (e.g. business furnishings, tools and equipment), and Residential Property.

Municipalities may choose to tax commercial property at a higher tax rate than residential property. This process is known as property classification.

Property tax classification law limits the maximum shift from the residential tax levy to the commercial tax levy, which Cambridge takes advantage of each year.

The percentage of the tax levy paid by commercial property owners has remained fairly constant at 66%, while residential owners pay 34%.

FY24 Commercial Tax Rates (per \$1,000) for Communities with Split Rates (Different Rate for Residential and Commercial Property)			
Cambridge	\$10.46	Watertown	\$23.08
Medford	\$16.41	Lexington	\$24.20
Brookline	\$16.41	Needham	\$24.57
Somerville	\$18.20	Boston	\$25.27
Newton	\$18.33	Framingham	\$25.41
Waltham	\$20.71	Burlington	\$25.81

Cambridge Residential Tax Rate Continues to be the Lowest of Any City in the Commonwealth!

Cambridge and Surrounding Communities	FY24 Tax Rate (per \$1,000)	Tax Bill \$750,000 Home (est.)	Tax Bill \$1,250,000 Home (est.)
Cambridge*	\$5.92	\$1,521.00	\$4,481.00
Brookline*	\$9.77	\$4,059.85	\$8,944.85
Somerville*	\$10.52	\$3,836.36	\$9,096.36
Belmont	\$10.56	\$7,920.00	\$13,200.00
Arlington	\$10.59	\$7,942.50	\$13,237.50
Boston*	\$10.90	\$4,564.47	\$10,014.47
Watertown*	\$11.70	\$5,530.48	\$11,380.48

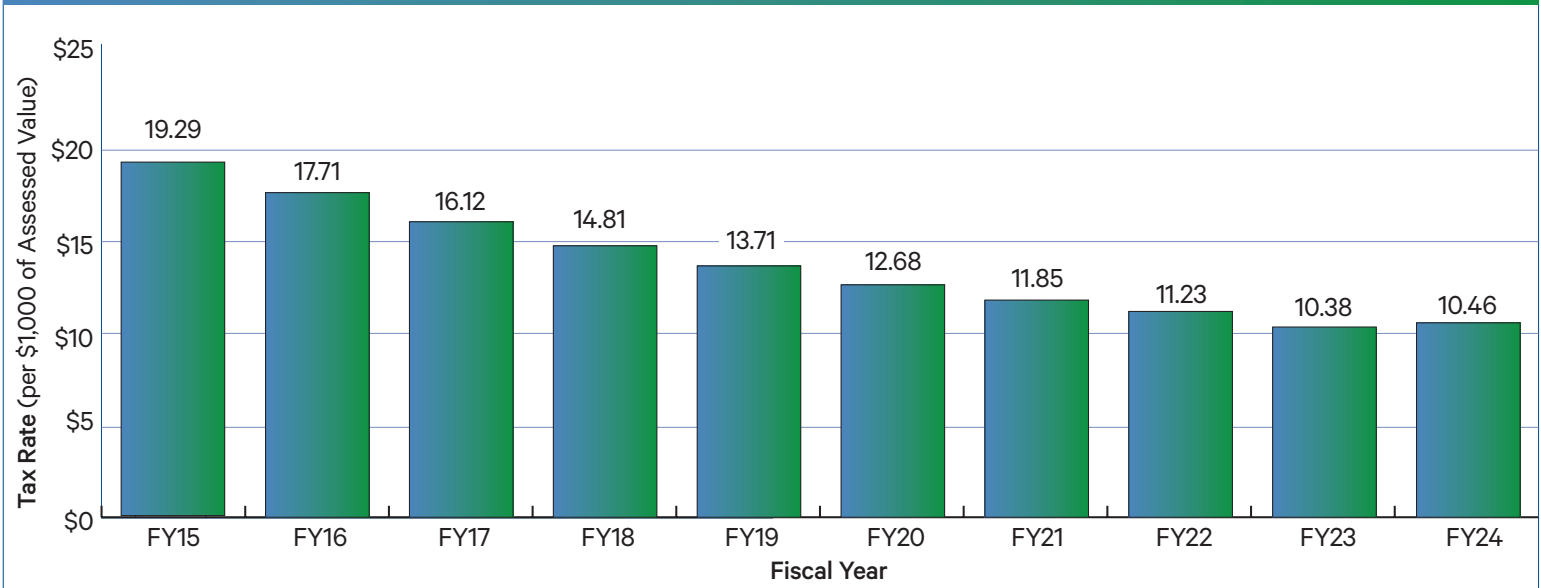
*Includes residential exemption for owner occupied homes. The residential exemption has not been adopted by all communities.

Top Ten Taxpayers in FY24

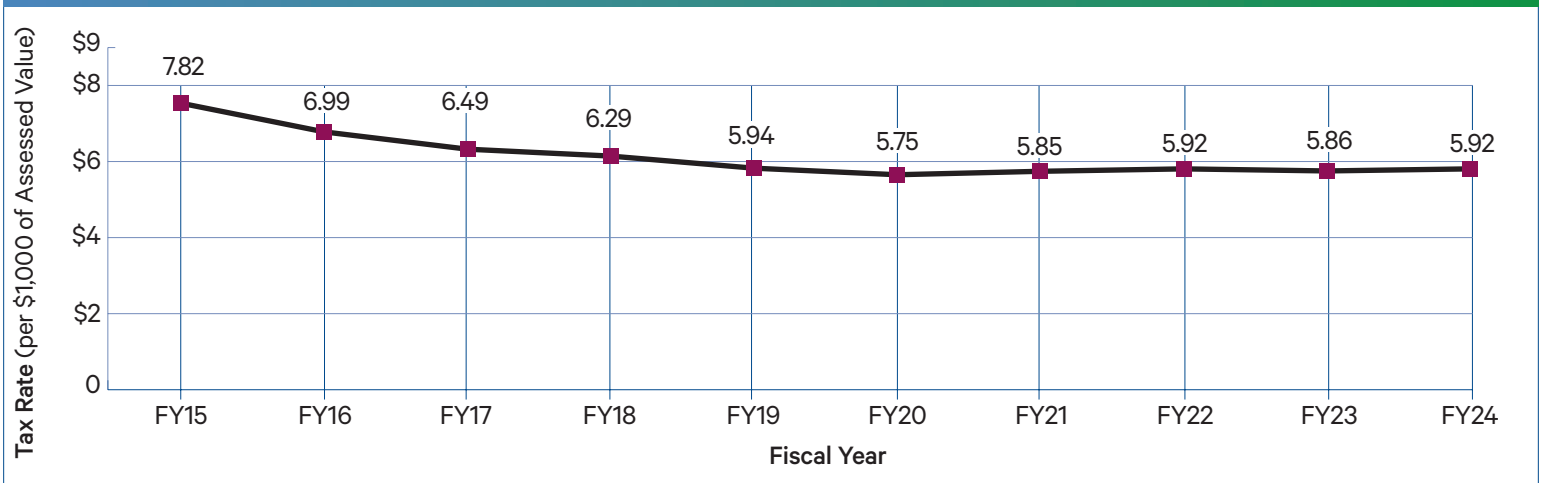
Property Owner	Nature of Business	Assessed Valuation	Real Property Taxes	% of Tax Levy
Mass. Institute of Technology	Education*	\$8,739,820,100	\$88,822,985	15.4%
Alexandria Real Estate	Commercial	\$4,149,467,200	\$43,390,737	7.5%
BioMed Realty Trust	Commercial	\$2,820,715,800	\$23,717,700	4.1%
Boston Properties	Commercial	\$2,266,446,500	\$20,628,080	3.6%
DivcoWest	Commercial	\$1,806,658,100	\$16,956,345	2.9%
Healthpeak	Commercial	\$1,361,912,000	\$14,209,012	2.5%
MBA-Rogers Street, LLC	Commercial	\$886,353,400	\$9,189,593	1.6%
RREEF American Reit II Corp	Commercial	\$651,795,000	\$7,022,309	1.2%
Presidents and Fellows of Harvard College	Education*	\$857,078,300	\$6,274,788	1.1%
Novartis Pharmaceuticals	Commercial	\$517,111,800	\$5,408,989	0.9%
Total		\$24,057,358,20	\$235,620,538	40.9%

*Note: Assessed valuation may include both commercial and residential property, which are taxed at different rates. Does not include payments in lieu of taxes.
 Source: City of Cambridge, Assessing Department

Cambridge Commercial Tax Rate FY15 - FY24



Cambridge Residential Tax Rate FY15 - FY24





A publication of the Office of the City Manager, City of Cambridge
795 Massachusetts Avenue • Cambridge, MA 02139
617-349-4300 • Cambridgema.gov
Newsletter #1

Tax Related Questions or Need More Information?

Property Value Information:

Assessing Department, 617-349-4343

Tax Bill Information:

Finance Department, 617-349-4220

Expenditure/Revenue Information:

Budget Office, 617-349-4270


General Information:

City Manager's Office, 617-349-4300

Upcoming Mailings Dates

October 2024

FY25 Tax Bills mailed

 Cambridgema.Gov

 [@CambMA](https://twitter.com/CambMA)

Important Meeting Dates

October 7, 2024

City Council votes on classifications as part of the tax rate process

November 2024

Community Q&A meetings through Zoom



City Hall Façade Restoration Project.



2024 Scholarship Winners.

Cambridge Awards \$240,000 in City Scholarships

This year, the City awarded 80 scholarships of \$3,000 each for a total of \$240,000 to Cambridge high school seniors and others pursuing higher education. Since the program's inception in 1993, the City has awarded 1,433 scholarships totaling \$3.6 million.

Taxpayers receive a separate envelope with their property tax bill to make a donation to the Scholarship Fund. In addition, individuals can make an online scholarship donation by going to Cambridgema.gov/paybill or mail a donation to City of Cambridge, P.O. Box 2005, Cambridge, MA 02139.