



Understanding Your Taxes

September 2019

“In FY19, 69.8% of residential taxpayers received a property tax bill that was lower, the same as, or only slightly higher (less than \$100) than the previous year.”

Louis A. DePasquale, City Manager • Lisa C. Peterson, Deputy City Manager • David Kale, Finance Director

Dear Residents and Taxpayers of Cambridge:

This is the first in a series of newsletters that explains the City’s Operating and Capital Budgets, property classifications, property values, tax bills, and available exemptions and abatements.

The FY20 Operating Budget of \$678.4 million and Capital Budget of \$101.1 million align with the City Council goal of allocating resources responsibly and responsively. The FY20 Budget represents the most significant increase in the City’s history of tax-supported resources to create and preserve affordable rental and homeownership opportunities for low, moderate, and middle-income families. This year and moving forward, the City has committed 25% of building permit revenue in capital funding to the Affordable Housing Trust (\$4.725 million in FY20). In addition, at least \$5 million of property tax revenue will be used to provide funding for the Affordable Housing Trust. These investments, combined with \$10.6 million of anticipated FY20 Community Preservation Act (CPA) funds for affordable housing, will result in over \$20 million of direct financial support to the Affordable Housing Trust in FY20.

FY20’s spending plan, from all sources, includes over \$84 million dedicated to the areas of housing and homelessness, early childhood education, and sustainability. Other highlights of the budget include: \$1 million for a new Police Cadet Program for residents aged 18-23 who are interested in pursuing a career in law enforcement; \$537,000 for 8 new preschool teachers; and \$1.2 million for programs related to urban forestry and the tree canopy in the City.

The budget demonstrates a strong commitment to support key City priorities while still maintaining a lower property tax rate and a lower residential property tax bill than surrounding communities. Our ability to generate diverse non-property tax revenues, foster new construction, control budget growth, and plan prudent use of reserves has made this possible.

The projected property tax levy needed to support the FY20 Adopted Budget reflects an increase of 8.7% to \$445.5 million. The final FY20 property tax levy will not be known until early October. In previous years, the City achieved a lower percentage increase in the property tax levy than originally estimated, and we are working hard to do the same this year.

In FY19, 69.8% of residential taxpayers received a property tax bill that was lower, the same as, or only slightly higher (less than \$100) than the previous year, with an additional 12.8% of residential taxpayers only seeing an increase between \$100-\$250. Over the past 10 years, an average of 71.1% of residential taxpayers have seen an increase of \$100 or less over the prior year’s bill.

I will be writing to you again next month when the tax rate has been set to explain what the new rates mean for your tax bills. I encourage you to read this publication, and to contact any of the departments listed on the back cover with any questions or comments.

Very truly yours,

Louis A. DePasquale
City Manager

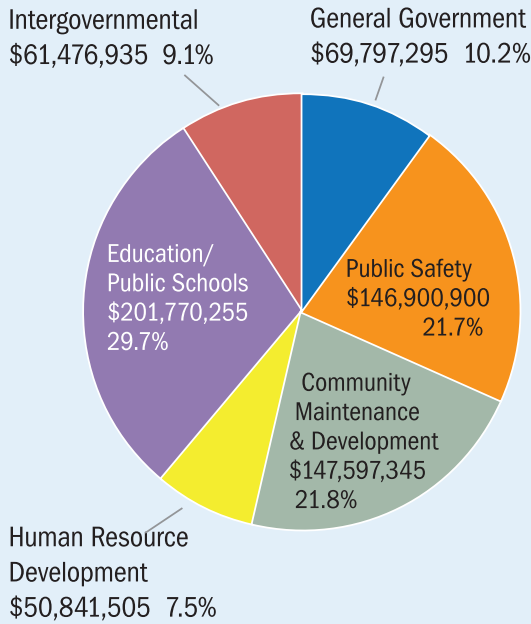
Cambridge Residential Tax Rate Continues to be the Lowest Among Surrounding Communities and One of the Lowest of Any City in the Commonwealth!

	FY 19 Tax Rate (per \$1,000)	Tax Bill \$500,000 Home	Tax Bill \$1,000,000 Home
Cambridge*	\$5.94	\$738	\$3,708
Brookline*	\$9.37	\$2,092	\$6,777
Somerville*	\$10.76	\$2,275	\$7,655
Boston*	\$10.54	\$2,551	\$7,821
Watertown*	\$12.88	\$4,533	\$10,973
Arlington	\$11.26	\$5,630	\$11,260
Belmont	\$11.67	\$5,835	\$11,670

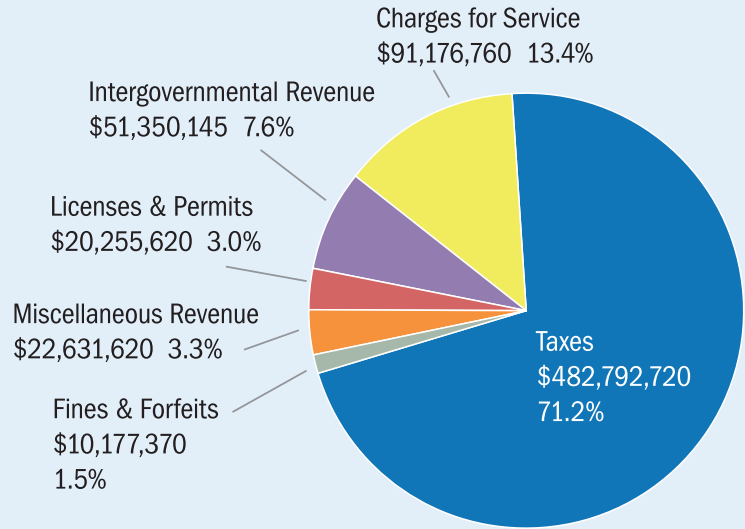
*Includes residential exemption for owner occupied homes. The residential exemption has not been adopted by all communities.

City Operating Budget (\$678.4 million)

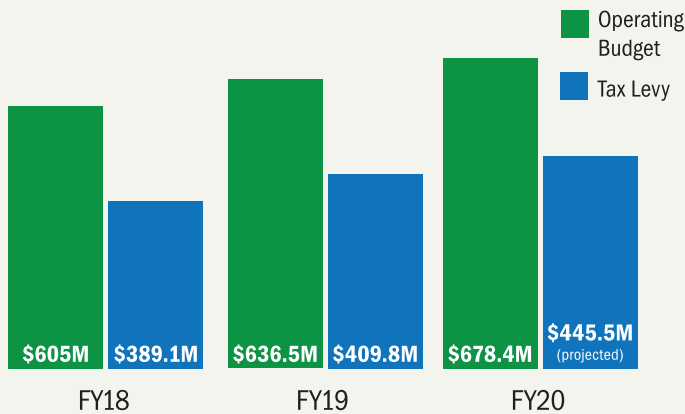
FY20 Expenditures



FY20 Revenues



City Operating Budget and Tax Levy



Approximately 66% of the Operating Budget is supported by property taxes. At the time the FY20 Budget was adopted, the City anticipated that it would need to collect \$445.5 million in property taxes.

FY20 Financial Highlights

- Operating Budget increased by 5.7% over the FY19 Adjusted Budget.
- Average increase in the City Budget over the last 10 years is 4.33%.
- Projected tax levy to support the City Budget is \$445.5 million, which is a 8.7% increase from the previous year.
- Average property tax levy increase over the last 10 years is 4.86%.
- There has been a 0% increase in the Water rate for the ninth consecutive year.

City Council Goal

“Ensure City’s budget allocates resources responsibly and responsively.”

Winning Participatory Budgeting Projects funded in FY20 (\$925,000)

- Trees, please: 100 Trees (\$200,000)
- Water Fountains in Every Park: Water bottle filling stations in 9 parks (\$90,000)
- Protect the Health and Safety of our Firefighters: 6 Gear dryers and 11 wireless headsets (\$110,000)
- Smoother Cycling: Bike lane repaving projects (\$250,000)
- Clean Up Cambridge: 10-12 Big Belly trash/recycle bins (\$125,000)
- Rain Gardens for Resiliency: Stormwater collecting gardens (\$150,000)

For more information about participatory budgeting visit pb.cambridgema.gov.

City Public Investment Budget (\$101.1 million)

Funding for the FY20 Public Investment Budget comes from a variety of sources: bond proceeds, property taxes, state and federal funds, 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 support all related water and sewer capital projects.

FY20 Public Investment Major Projects

- Participatory Budget Projects: \$925,000
- Municipal Facilities Improvements: \$13,000,000
- Public Works: Sewer/Stormwater: \$22,000,000
- Public Works: Complete Streets Reconstruction: \$7,790,830
- Community Development: Affordable Housing Preservation & Development: \$9,725,000
- Information Technology Initiatives: \$1,100,000
- Transportation Improvements: \$533,000
- Fire Department Headquarters Construction: \$22,000,000
- Tobin Montessori and Vassal Lane Upper School Design: \$10,000,000
- Harvard Square Kiosk and Plaza and Surface Enhancements: \$4,000,000

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. 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.



Fire Headquarters

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 33 cities in the United States with three AAA ratings. The critical factor examined by the rating agencies is whether a city has a prudent balance between incoming revenues and outgoing expenditures.

"The city's 'AAA' GO bond rating reflects Fitch Ratings' expectation for Cambridge to maintain a high level of financial flexibility through economic cycles, consistent with a history of strong operating performance and budget controls. The ratings further reflect the city's wealthy and growing property tax base, moderate expenditure growth and its demonstrated ability to reduce expenditures during economic downturns." - Fitch Ratings, February 2019

"The stable outlook reflects the strong fiscal management team that we expect to maintain a healthy financial position based on conservative multi-year budget forecasting and adherence to formally adopted fiscal policies. The outlook also incorporates the stabilizing presence of Harvard University (Aaa stable) and Massachusetts Institute of Technology (Aaa stable) as well as the long historical trend of tax base expansion." - Moody's Investors Service, February 2019

"The rating reflects our opinion of Cambridge's extremely strong property tax base that continues to grow within the Boston metropolitan statistical area (MSA), supporting continued positive budgetary performance that has led to improved reserves. The city has a favorable debt profile with the ability to absorb additional debt plans." - Standard and Poor's, February 2019

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)

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 tax 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.

Neither the City Council nor the City administration is allowed to increase the proportion of the tax levy paid by commercial owners versus the proportion paid by residential owners of real estate above this limit.

Cambridge reached the maximum shift of the tax levy from residential owners to commercial owners allowed by State law in FY04, primarily due to escalating residential values, which out-paced commercial property values.

The percentage of the tax levy paid by commercial property owners has remained fairly constant at 65%, while residential owners pay 35%.

Cambridge remains a highly attractive, desirable place to live, with low crime, a 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 FY19, residential property comprised 60% of total assessed value, but residential property owners paid only 35% of total property taxes. This is similar to prior years.
- Preliminary projections for FY20 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 1. Therefore, FY20 property tax bills are based on the assessed value as of January 1, 2019, using calendar 2018 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 (FY15-19), the total residential value has increased by 58.5% as compared to a 71.22% 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 FY19, the residential exemption reduced an owner occupied residential property assessed value by \$375,800, which equals \$2,232 in reduced real estate taxes.

To receive the residential exemption, homeowners must provide a Massachusetts state tax return showing that they occupy their property as their primary residence. Homeowners must own and occupy their primary residence as of January 1, 2019 to qualify for the residential exemption. The Assessors conduct random audits and respond to inquiries about individuals claiming residential exemptions to ensure the validity 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.

FY19 Commercial Tax Rates for Communities with Split Rates (Different Rate for Residential and Commercial Property)

Cambridge Has a Favorable Commercial Tax Rate Compared to Surrounding Communities			
Cambridge	13.71	Needham	24.42
Brookline	15.37	Boston	25.00
Somerville	17.33	Waltham	26.45
Medford	18.43	Burlington	27.22
Newton	19.94	Lexington	27.33
Watertown	23.95	Framingham	33.61

Top Ten Taxpayers in FY19

Property Owner	Nature of Business	Assessed Valuation**	Real Property Taxes	% of Tax Levy
Mass. Institute of Technology*	Education	\$4,393,024,800	\$57,629,351	14.06%
Alexandria Real Estate	Commercial	\$1,580,987,500	\$21,658,001	5.28%
BioMed Realty Trust	Commercial	\$1,384,098,900	\$18,888,763	4.61%
Boston Properties	Commercial	\$848,929,800	\$11,095,632	2.71%
MBA-Rogers Street, LLC	Commercial	\$491,588,700	\$6,634,109	1.62%
President and Fellows of Harvard College*	Education	\$649,273,700	\$5,912,599	1.44%
RREEF American Reit II Corp	Commercial	\$372,215,000	\$5,103,068	1.25%
Novartis Pharmaceuticals	Commercial	\$364,710,300	\$5,000,178	1.22%
New England Development	Commercial	\$271,089,600	\$3,627,009	0.89%
Equity Partners	Commercial	\$568,982,900	\$3,462,197	0.84%
		\$10,924,901,200	\$139,010,907	33.92%

*Does not include Payments in Lieu of Taxes

** Assessed valuations include both commercial and residential property

Source: City of Cambridge, Assessing Department



Electric Vehicle Charging Station

Motor Vehicle Excise Tax

All Massachusetts residents who own and operate a motor vehicle must pay an annual motor vehicle excise tax. The excise tax is levied by the city or town in which the vehicle is principally garaged. Motor vehicle excise tax bills are created from vehicle registration data collected by the Registry of Motor Vehicles (RMV).

How is My Excise Tax Bill Calculated?

Each motor vehicle is levied a tax at the rate of \$25 per \$1,000 of valuation. The value of the vehicle is determined by the State using a formula that considers the manufacturer's list price for vehicles in their year of manufacture and the age of the vehicle. The State formula is as follows:

In the year preceding the designated year of manufacture: 50%

- In the designated year of manufacture: 90%
- In the second year: 60%
- In the third year: 40%
- In the fourth year: 25%
- In the fifth and succeeding years: 10%

When are Motor Vehicle Excise Bills Sent?

Most people receive their excise bill in February. However, if you buy a car or move into the state during the year, you will receive your first excise tax bill a few months after the car is registered. This bill will be pro-rated for the portion of the year that you own and operate that vehicle in Massachusetts.

If you don't receive a bill, contact the City's Finance Department at 617-349-4220. According to Chapter 60A, Section 2 of the Massachusetts General Laws, a person who does not receive a bill is still liable for the excise tax plus any interest charges and

penalties that accrue. Therefore, it is the responsibility of the owner to contact the City in the event that a bill is not received or forwarded from a former address.

If I Move or Replace My Car, What Do I Need to Do?

Where you live on Jan. 1 of each year dictates where your bill will be sent.

If you move after that date, you must contact the community in which you resided on Jan. 1 to make sure that you get that year's bill.

If you no longer own your vehicle or moved out of the state, you can find abatement information online at:

cambridgema.gov/assessor.

What are the Penalties for Late Payment or for not Paying My Excise Bill?

If the excise tax is not paid within 30 days, interest will accrue on the overdue bill at an annual rate of 12% from the day after the due date. Additional fees of up to \$64 may be added to an unpaid excise bill.

If the bill is not paid within a year of issue, the City will notify the Registry of Motor Vehicles and the owner will be unable to renew the car's registration and/or renew a driver's license until the bill has been paid.

Cambridge Awards \$231,000 in City Scholarships



2019 Scholarship Recipients

This year, the City awarded 77 scholarships of \$3,000 each for a total of \$231,000 to Cambridge high school seniors and others pursuing higher education. Since the program's inception in 1993, the city has awarded 1,029 scholarships totaling \$2.4 million.



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Sustainability



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

Affordable Housing



Important Meeting Dates

October 2019
City Council votes on classifications
as part of the tax rate process

October and November 2019
Community Q&A meetings scheduled
at various locations

Early Childhood



Upcoming Mailings Dates

October 2019
2nd Tax Newsletter mailed
FY20 Tax Bills mailed

November 2019
Exemptions Newsletter mailed