



Understanding Your Taxes

★ NEWSLETTER FROM THE CITY OF CAMBRIDGE ★ EXECUTIVE DEPARTMENT ★

Dear Residents and Taxpayers of Cambridge:

I am writing again to update you about the City's budget, property assessments and tax bills.

In May, the City Council adopted the FY10 Budget which: 1) maintains City and school services that citizens have come to expect and provides for a strong capital plan, while providing the stability and reinvestment in our community that is important during these difficult times. This fact should not be lost, given the current economic climate and the fiscal challenges facing many cities and towns in the Commonwealth; 2) provides full funding to support programmatic and operational costs for the two facilities that opened during FY09 (War Memorial Recreation Center and the Public Safety Facility), and the two that were recently completed (West Cambridge Youth & Community Center and the Main Library); 3) provides financing for major renovations to Cambridge Rindge and Latin High School which began in June 2009; and 4) achieves the above with a moderate increase in the property tax levy, in spite of a \$8.7 million reduction in State Aid from FY09 levels, while supporting the City Council Goal of "evaluating expenditures with a view of maintaining a strong fiscal position and awareness of the impact on taxpayers." Overall, the FY10 Budget has increased by 2%, which is the smallest increase in several years.

Approximately 61% of the revenues that fund the City's budget are raised through property taxes. Massachusetts communities are limited in how they can raise revenues, resulting in a greater reliance on the property tax, since it is the largest and most stable revenue. The City of Cambridge has been able to achieve a lower property tax rate and lower residential property tax bill than surrounding communities due to its ability to generate diverse non-property tax revenues, foster new construction, control budget growth and plan prudent use of reserves. These qualities benefited the City during good economic times but, equally as important, they have allowed the City to weather the current economic climate more favorably than other communities.

During the past four fiscal years, we produced budgets resulting in an average property tax levy increase of 3.4%. In FY09, 85.3% of

residential taxpayers received a property tax bill that was lower, the same as, or only slightly higher (less than a \$100) than the previous year. On average, during the last four fiscal years, approximately 80% of residential taxpayers received a property tax bill that was lower, the same as, or only slightly higher (less than a \$100) than the previous year.

The adopted budget reflects a property tax levy increase of 5.98% while maintaining City services and providing for improvements to our infrastructure. The impact of the decrease in State Aid is the major factor creating the disparity between the percentage of budget increase (2%) and percentage of property levy increase (5.98%). The final State Budget reflected an additional \$2.0 million reduction in State Aid over what was contained in the adopted City Budget. However, the final State Budget granted authority to cities and towns to adopt increases to existing occupancy and meal excises, to be used as local funding sources. The City adopted increases to these local option excises in July 2009, which are expected to generate approximately \$2.7 million in revenue in FY10. This will allow the additional \$2.0 million in lost State aid to be replaced. Any additional revenues will be used to lower the property tax levy increase.

The final FY10 property tax levy will not be known until late September when the City Council votes on the City Manager's FY10 property tax and classification recommendations. In previous years, the City has been able to achieve a lower percentage increase in the property tax levy than originally estimated and we are working hard to do the same this year.

I encourage you to examine this publication, and to seek out City staff from the departments listed on the back cover with any questions or comments.

Very truly yours,

ROBERT W. HEALY, 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!

	FY09 TAX RATE (PER \$1,000)	TAX BILL \$400,000 HOME	TAX BILL \$800,000 HOME
CAMBRIDGE*	\$ 7.56	\$ 1,503	\$ 4,527
BROOKLINE*	\$ 10.69	\$ 2,534	\$ 6,810
BOSTON*	\$ 10.63	\$ 2,877	\$ 7,129
SOMERVILLE*	\$ 11.71	\$ 2,980	\$ 7,664
WATERTOWN*	\$ 12.24	\$ 3,810	\$ 8,706
BELMONT	\$ 11.89	\$ 4,756	\$ 9,512
ARLINGTON	\$ 11.92	\$ 4,768	\$ 9,536

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

City of Cambridge FY2010 Budget

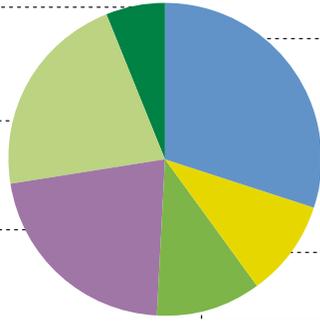
TOTAL OPERATING BUDGET: \$444,212,850

OPERATING EXPENDITURES

HUMAN RESOURCE DEVELOPMENT
\$28,232,600 / 6.4%

COMMUNITY MAINTENANCE & DEVELOPMENT
\$97,019,690 / 21.8%

PUBLIC SAFETY
\$97,169,260 / 21.9%



EDUCATION/ PUBLIC SCHOOLS
\$133,563,880 / 30.0%

INTERGOVERNMENTAL
\$42,600,240 / 9.6%

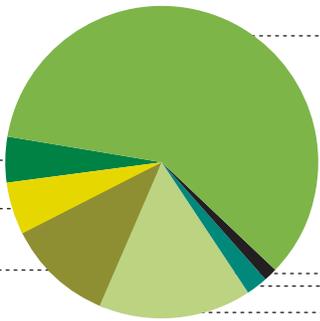
GENERAL GOVERNMENT
\$45,627,180 / 10.3%

OPERATING REVENUES

OTHER TAXES
\$19,805,610 / 4.5%

MISCELLANEOUS REVENUE
\$23,484,290 / 5.3%

INTERGOVERNMENTAL REVENUE
\$42,925,885 / 9.7%



PROPERTY TAXES
\$273,066,015 / 61.5%

LICENSES & PERMITS
\$5,958,620 / 1.3%

FINES & FORFEITS
\$8,985,080 / 2.0%

CHARGES FOR SERVICE
\$69,987,350 / 15.7%

DEPARTMENTS BY FUNCTIONAL GROUPS

General Government
(\$45,627,180)

Mayor
Executive
City Council
City Clerk
Law
Finance
Employee Benefits
General Services
Election
Public Celebrations
Reserve

Community Maintenance and Development
(\$97,019,690)

Public Works
Water
Community Development
Historical
Conservation
Peace Commission
Cable T.V.
Debt Service

Public Safety
(\$97,169,260)

Animal Commission
Fire
Police
Traffic, Parking & Transportation
Police Review & Advisory Board
Inspectional Services
License
Weights & Measures
Electrical
Emergency Management
Emergency Communications

Human Resource Development
(\$28,232,600)

Library
Women's Commission
Veterans' Services
Human Services
Human Rights Commission

Intergovernmental
(\$42,600,240)

MWRA
Cambridge Health Alliance
State Assessments

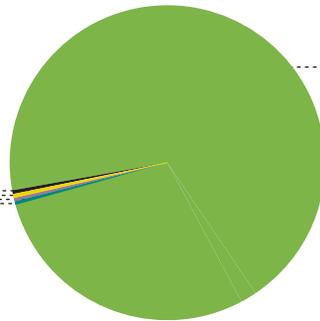
TOTAL CAPITAL BUDGET: \$44,650,780

CAPITAL EXPENDITURES

EDUCATION/ PUBLIC SCHOOLS
\$200,000 / 0.4%

HUMAN RESOURCE DEVELOPMENT
\$170,000 / 0.4%

PUBLIC SAFETY
\$130,000 / 0.3%



COMMUNITY MAINTENANCE & DEVELOPMENT
\$43,775,780 / 98.1%

GENERAL GOVERNMENT
\$375,000 / 0.8%

CAPITAL REVENUES

BOND PROCEEDS
\$15,290,000 / 34.3%

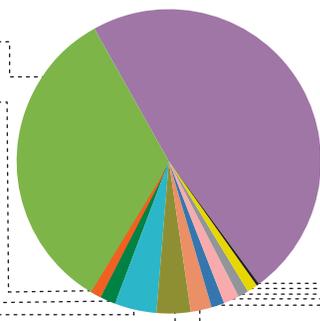
WATER FUND BALANCE
\$500,000 / 1.1%

STREET PRESERVATION OFFSET FUND
\$800,000 / 1.8%

CHAPTER 90 (STATE)
\$1,914,385 / 4.3%

FEDERAL BLOCK GRANT
\$1,579,740 / 3.5%

WATER SERVICE CHARGE
\$1,000,000 / 2.2%



MWRA GRANT
\$21,171,655 / 47.5%

GOLF COURSE FEES
\$20,000 / 0.1%

PROPERTY TAXES
\$500,000 / 1.1%

FREE CASH
\$500,000 / 1.1%

PARKING FUND
\$775,000 / 1.7%

SEWER SERVICE CHARGE
\$600,000 / 1.3%

FY10 CAPITAL PROJECTS LIST

- Acquisition of Personal Computers/ Technology Upgrades
- Fire Vehicles/Equipment and Fire Station Renovations
- Street/Sidewalk Reconstruction
- Accessibility Improvements
- Parking and Roadway Improvements/ Traffic Calming
- Water System Improvements
- Sewer Reconstruction
- Housing Rehab & Development
- Employment Program Fund
- Neighborhood Business Development/ Façade Improvement
- Parks and Recreation Facility Improvements
- School Equipment/Building Improvements
- Public Building Improvements
- Yerxa Road Underpass

How Your Tax Bill is Determined

Basic facts about the real estate tax levy

Three major factors are responsible for calculating a tax bill:

- ★ THE CITY BUDGET
- ★ COMMERCIAL-RESIDENTIAL PROPERTY TAX CLASSIFICATION
- ★ PROPERTY VALUES (ASSESSMENT)

CITY BUDGET. The adopted FY10 Budget of \$444.2 million is 2% greater than the FY09 adjusted budget. While the City has many sources of revenue, property taxes support about 61% of the operating budget. For FY10, the City projects that it must collect about \$270.2 million in property taxes. This is called the tax levy. Last year, the City Council and City administration produced an FY09 Budget with a 5.2% property tax levy increase. However, this meant that 85.3% of the residential taxpayers received a property tax bill that was lower, the same as, or only slightly higher (less than \$100) than the previous year. The City Council and City administration worked hard during the budget process to produce an FY10 Budget with a modest increase while dealing with a significant reduction in State Aid revenue. As a result, the property tax levy is projected to increase no greater than 5.98% with the goal of a smaller increase.

CAMBRIDGE OPERATING BUDGET (in millions)			CAMBRIDGE TAX LEVY (in millions)		
FY 08	FY 09	FY 10	FY 08	FY 09	FY 10
\$412.3M	\$434.1M	\$444.2M	\$242.3M	\$254.9M	\$270.2M (projected)

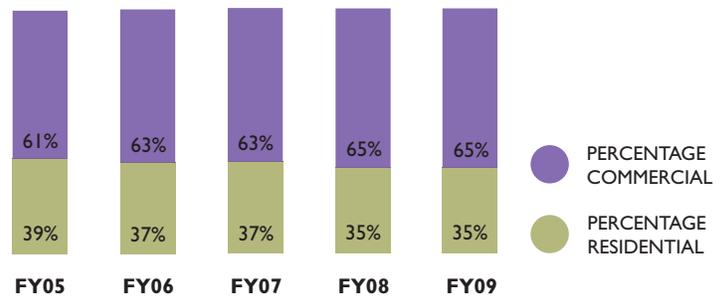
COMMERCIAL-RESIDENTIAL PROPERTY TAX CLASSIFICATION

Municipalities are allowed to tax commercial property (i.e. office, industrial and retail buildings, hotels and personal property) at a higher tax rate than residential property. This process is known as property tax classification. The State property tax classification law is complex, as are the formulas that determine how much the City may collect in property taxes from residential and commercial property owners. The State limits how much higher the commercial tax rate may be set above the residential tax rate. 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 the current limit under the permanent law. The property tax classification process has meant that commercial property owners traditionally have paid approximately two-thirds of the total property taxes.

City Council Goal: Evaluate City expenditures with a view of maintaining a strong fiscal position and awareness of the impact on taxpayers.

The classification of residential and commercial property as noted is complex and has limits, which impacts the overall percentage of taxes paid by residential and commercial property owners. For example, in FY04, the City of Cambridge reached the maximum shift of the tax levy from residential owners to commercial owners allowed by the State. Escalating residential values, which outpaced commercial property values, were the primary reason that Cambridge reached the permanent, state imposed limit on its ability to shift the tax burden from residential taxpayers to commercial taxpayers. As a result, not as much of the property tax levy may be shifted to commercial owners.

PERCENTAGE OF PROPERTY TAX LEVY PAID BY RESIDENTIAL & COMMERCIAL PROPERTY OWNERS



In FY05, the trend of slowing values of commercial real estate, coupled with rising values of residences, required Cambridge to further shift the relative burdens of commercial and residential property owners. This trend was reversed in FY06 when the commercial property owners as a group were required to pay 63.2% of the property tax levy, (up from 61.3% in FY05) with the share paid by residential owners going down from 38.7% to 36.8%.

This trend has continued in FY07, FY08 and FY09. Commercial property owners as a group were required to pay 65.0% of the property tax levy in FY09, up from 63.4% in FY07, with the share paid by residential owners going down to 35.0% in FY09 from 36.6% in FY07.

Preliminary projections for FY10 indicate that the portion of the tax levy to be paid by commercial property owners will be similar to recent fiscal years.

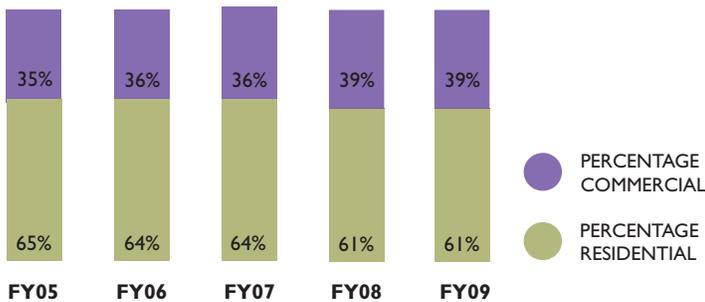
The Cambridge residential market has shown a 47% increase in condominium units during the eight-year period between FY03 and FY10, from 9,001 units in FY03 to 13,256 units in FY10. The demand for housing units has resulted in commercial property being converted to residential use, which has further eroded the commercial base while increasing the residential base. The national

INDEPENDENT ASSESSMENTS OF CAMBRIDGE'S FINANCIAL HEALTH

trend of residential property values growing at a higher rate than commercial values has leveled and now has reversed direction. However, Cambridge remains a highly attractive, desirable place to live, with low crime, a highly educated workforce and desirable cultural and business amenities, which support the property values.

The chart below shows the percent of total value of residential and commercial property. In FY09, residential property comprised 61.4% of total value, but residential owners paid only 35.0% of total taxes.

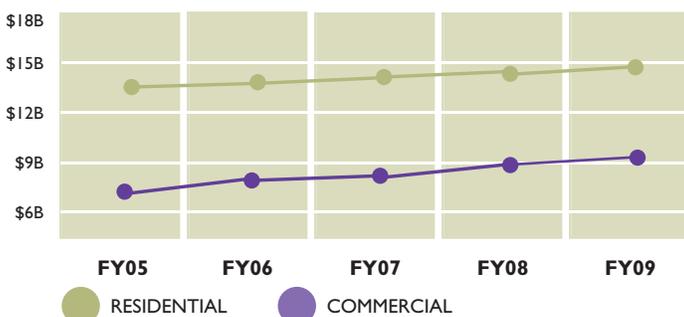
PERCENTAGE RESIDENTIAL & COMMERCIAL PROPERTY VALUES



PROPERTY VALUES. Property values are established independent of the above two factors. 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 the property values as of the previous January 1st. The FY10 property tax bills are based on the assessed value as of January 1, 2009, using calendar 2008 market activity. The tax rate is established by dividing the tax levy by total property value. Your property tax bill is calculated by multiplying your property's value by the tax rate.

The chart below illustrates that residential values had been growing at a faster rate than commercial values, but this trend has leveled off. During the past five years, the total residential value has increased by 5.6% as compared to a 23.4% increase for commercial property value.

FIVE-YEAR COMPARISON OF RESIDENTIAL AND COMMERCIAL TOTAL VALUES



What do the Rating Agencies say?

Wall Street's three major rating services, 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. The critical factor examined by rating services is whether a city has a prudent balance between incoming revenues and outgoing expenditures. Many communities pay significantly higher interest rates than Cambridge when borrowing money for capital improvement projects.

"The assignment of Moody's highest quality long-term rating incorporates: an exceptionally strong financial position, positioning the city to weather uncertain economic conditions more favorably than most similarly-sized cities. Cambridge's solid financial performance is supported by the city's seasoned and highly effective management team, a large and diverse tax base with a significant tax-exempt sector and a favorable debt profile supported by healthy enterprise systems and historically strong commonwealth school building aid."

— Moody's Investors Service, March 2009

"The stable outlook reflects Standard & Poor's expectation that the city will continue to manage its financial position prudently, which it has significantly demonstrated by increasing reserves over the past eight years. The city's economic and property tax base development should continue, allowing it to maintain structural balance between revenues and expenditures while maintaining ample tax levy flexibility."

— Standard and Poor's, March 2009

"The long-standing presence of higher education, health care, biotechnology, and life sciences industries creates a stable, well-diversified economy. The city boasts exceptional financial management reflected in consistently strong financial results and reserve levels. Debt levels are expected to remain manageable, aided by the city's rapid amortization rate. Key Rating Drivers - Continued, strong financial management should enable Cambridge to maintain its superior credit rating."

— Fitch Ratings, March 2009

Other Measures of Success...

- ★ Continued to receive strong feedback from the biannual Citizens Opinion Survey. In the latest survey, 92% of the respondents indicated that Cambridge was either a good or excellent "Place to Live", with 91% rating the "Overall Quality of Life" as good or excellent.
- ★ The Insurance Service Organization (ISO) has continued to give a Class I designation to the Cambridge Fire Department, the highest rating a Fire Department can receive. In 2008, there were only 57 Class I communities across the country; Cambridge is the only one in Massachusetts. This rating is based on criteria related to training, equipment, facilities, water supply and communication systems. Much of the information collected by ISO is utilized by the insurance industry in underwriting and to establish fair premiums for homeowners and commercial fire insurance, which translates into lower insurance premiums for Cambridge property owners.
- ★ Cambridge is one of only four municipalities in Massachusetts awarded the Certificate of Achievement for Excellence in Financial Reporting and Distinguished Budget Presentation by the Government Finance Officers Association.

Motor Vehicle Excise

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

WHEN ARE MOTOR 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 the State of Massachusetts. Thereafter, you will receive your bill in February.

HOW IS MY EXCISE BILL CALCULATED? Each motor vehicle is levied a tax at the rate of \$25 per one thousand dollars 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%

IF I MOVE, WHOM DO I CONTACT TO GIVE CHANGE OF ADDRESS INFORMATION? You must inform the Registry of Motor Vehicles of any change in address. Prompt notification of address changes will help ensure that you receive your bill.

It is important to note that where you live on Jan 1 of each year dictates where the 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.

WHOM DO I CONTACT IF I DO NOT RECEIVE A BILL?

Contact the City's Finance Department at 617 349 4220. According to Chapter 60A, Section 2 of Massachusetts General Laws, a person who does not receive a bill is still liable for the excise 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.

WHAT ARE THE PENALTIES FOR LATE PAYMENT OR FOR NOT PAYING MY EXCISE BILL?

If excise 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.

DID YOU KNOW?

TOP TEN CITY REAL ESTATE TAXPAYERS (FISCAL 2009)	NATURE OF BUSINESS	ASSESSED VALUATION	AMOUNT OF TAXES	% OF TOTAL TAX LEVY
Mass. Institute of Technology	Education	\$1,553,864,300	\$26,370,942	10.34%
BioMed Realty Trust	Commercial	743,656,100	13,274,602	5.21
Boston Properties	Commercial	606,212,500	10,893,639	4.27
Equity Partners	Commercial	286,590,100	4,807,200	1.89
Presidents & Fellows of Harvard College	Education	376,320,500	4,723,282	1.85
New England Development	Commercial	220,150,700	3,956,109	1.55
Novartis Pharmaceuticals	Commercial	203,936,300	3,664,735	1.44
PREEF American Reit II Corp.	Commercial	200,973,900	3,611,501	1.42
RB Kendall Fee LLC	Commercial	191,942,500	3,425,270	1.34
Alexandria Real Estate	Commercial	141,599,100	2,543,009	1.00
		\$4,525,246,000	\$77,270,289	30.31%

What If I Have a Tax Related Question or Want More Information?

Ask The Treasurer

E-MAIL: treasurer@cambridgema.gov

SEND MAIL TO:

The City Treasurer
Cambridge City Hall
795 Massachusetts Avenue
Cambridge, MA 02139

VISIT THE CITY'S WEBSITE: www.cambridgema.gov

Sign up for E-Line to receive periodic electronic newsletters, alerts and City publications

CONTACT A DEPARTMENT:

Assessing Department for Property Value Info. 617 349 4343

Budget Office for Expenditure/Revenue Info. 617 349 4270

Finance Department for Tax Bill Info. 617 349 4220

City Manager's Office for General Info. 617 349 4300

Important Dates & Publications

SEPTEMBER 2009

- City Council votes on residential and commercial tax rates

OCTOBER 2009

- FY10 Tax Newsletter Mailed (Including info on Abatements and Exemptions)
- FY10 Tax Bills Mailed
- Community Q&A meetings scheduled at various locations
- Exemptions Newsletter Mailed

www.cambridgema.gov

★ NEWSLETTER #1 ★

www.cambridgema.gov

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City of Cambridge

A Publication of the Office of the City Manager



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