

# City of Cambridge

## Executive Department

**YI-AN HUANG**  
City Manager

CMA 2026-50  
**IN CITY COUNCIL**  
March 9, 2026

To the Honorable, the City Council:

I am pleased to announce that the City of Cambridge has once again earned the highest possible credit rating, Triple A (AAA), from all three major credit agencies. This distinction is a testament to our sound financial management and to the continued strength of our local economy.

Cambridge is one of only 27 cities nationwide to earn the highest rating possible from Moody's Ratings (Moody's), S&P Global Ratings (S&P), and Fitch Ratings (Fitch). Further, Cambridge has received this noteworthy distinction every year since 1999.

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.

Achieving this AAA rating lowers our borrowing costs, saving taxpayer dollars. It also stands as a clear endorsement of our fiscal discipline and our role as a leader in sound municipal management.

These ratings are in conjunction with the City's \$162.8 million bond sale. The sale included \$110.6 million in new General Obligation bonds as well as a refinancing of \$52.2 million of existing debt. The competitive sale took place on March 4, 2026. The bonds were sold at a True Interest Cost (TIC) of 2.157%. This is the lowest interest rate received by the City since 2021.

Capital projects funded through this bond issuance include open space and path projects; fire station headquarters; street and sidewalk reconstruction; transportation and safety improvements; municipal facilities; school building improvements and construction; and sewer reconstruction. These projects represent important and necessary capital investments in our community that help address city goals and priorities related to education, infrastructure, sustainability, transportation, and public safety. The scale of these projects also demonstrates our ability to continuously invest in major programs and initiatives during an uncertain economic environment.

The refinancing of \$52.2 million in existing debt yielded \$2.1 million in savings to the City, which will reduce our debt service cost over the next several years. The refinanced debt was originally issued between 2012-2016 and funded projects including the Old Police Station (5



Western Avenue), the MLK School and Putnam Avenue Upper School, and the Police Station Acquisition.

While Cambridge is not immune to the challenges of a cooling commercial market, marked by increased vacancy rates, declining commercial values, and slower development, our longstanding fiscal discipline has served as a critical buffer. The rating agencies specifically noted the City's strong fiscal policies and practices related to budgeting, managing city funds, maintaining reserves, and debt management. These practices have allowed the city to maintain a healthy fund balance, and a high level of excess levy capacity, which provides important flexibility to raise the revenue needed to support ongoing and new investments, initiatives, and programs.

In addition, there is strong collaboration among city management, elected officials, department leaders, and the community, to address recent fiscal challenges. In particular, in coordination with the City Council, the city has taken a multiyear approach to set targets for moderating budget growth; dedicated reserves to a Federal Funding Stabilization Fund to help mitigate impacts due to the uncertainty related to federal grants and programs; and has adjusted our projected debt burden by establishing a more resource constrained approach to capital planning and reviewing planned investments in terms of project scale, scope, and timing.

These efforts, along with our adherence to fiscal policies, contribute to our financial strength and flexibility which is recognized by each of the credit rating agencies. Just as importantly, this fiscal strength enables sustainable community investment while minimizing the impact on our taxpayers.

Our AAA rating sends a strong message regarding the City's continued financial strength and stability; leadership; strong policies; and our ability to withstand economic shocks and unanticipated conditions which are many times, beyond our direct control.

Below are excerpts from the rating reports of each agency, highlighting some of the noteworthy characteristics of Cambridge:

### **Moody's Ratings**

"Cambridge's (Aaa stable) credit profile is strong and will likely remain strong. The city benefits from a dynamic economy that is anchored by world renowned higher education institutions and a substantial research and development sector.

The city's financial position is expected to remain healthy given strong fiscal management and significant operating flexibility that will help maintain stability despite the weakness in the tax base. Cambridge plans to moderate budget growth through 2030, targeting property tax levy growth of less than 7% annually and to limit annual operating budget increases to less than 5%. Property tax revenue is expected to continue to increase because of Massachusetts municipalities ability to increase the tax levy within the tax levy limits despite a decline in the tax base value.

### **Credit Strengths**

- Economy anchored by institutional presence

- Ample operating flexibility given a large amount of unused levy capacity under the tax levy limit
- Strong reserves and liquidity

### Credit Challenges

- Taxpayer concentration in research and development
- Tax base value declines in the commercial/industrial sectors expected through 2029
- Maintaining service levels in line with community expectations

### Factors That Could Lead To A Downgrade

- Decline in available fund balance ratio to less than 35%
- Significant increase in the long-term liabilities ratio to 350%
- Sustained decline in economic metrics or the tax base value that begins to impact the ability to generate revenue growth

### Ratings Outlook

The stable outlook reflects the city's strong fiscal management and governance that is committed to maintaining a healthy financial position based on conservative budget forecasting and formal 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.”

### Fitch Ratings

“The 'AAA' rating on the city’s IDR and GO bonds reflects Fitch's expectation for the city to maintain healthy financial flexibility through future economic cycles, consistent with its history of strong operating performance and robust reserves. The 'AAA' IDR incorporates the city’s 'aaa' financial resilience assessment, which reflects a 'high-midrange' level of budgetary flexibility and an expectation that unrestricted general fund reserves (the sum of committed, assigned and unassigned) will be maintained at or above 10% of spending. The city’s unrestricted reserves have been maintained well above this level for several years and were at 38% of spending in fiscal 2025.

### Current Developments

Cambridge's financial profile remains very strong. The city’s unrestricted general fund balance (sum of committed, assigned and unassigned) in fiscal 2025 totaled \$366.8 million or approximately 38% of spending.

The fiscal 2026 \$992.2 million general fund budget is up \$36.6 million, or 3.8%, over the fiscal 2025 adopted operating budget. The tax levy was raised 8.03%, reaching \$678.9 million. The city’s annual levy increase has typically been between 5%-9% over the past fiscal years as taxable assessed values have experienced growth. Budget increases are attributable to employee salary and benefit costs, higher debt service costs and an increase in school department funding.

New development and construction activity for office, lab, residential and mixed-use has begun to slow due to relatively high rates in office vacancies, reduced demand for lab space and peak valuations of residential properties, resulting in a slowdown of sales activity. Fitch expects long-term demand to be sound due to Cambridge's central location near the city of Boston, its

importance as a research center for life and sciences companies and the presence of two of the country's leading higher education institutions, Harvard University and Massachusetts Institute of Technology (MIT).

*Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade*

- A substantial increase in long-term liabilities associated with debt or increased NPLs that begins to negatively impact future budget decisions and operating results, assuming current levels of resident income, governmental expenditures and revenues;
- A decline in unrestricted general fund balances sustained at or below 10% of spending, leading to a lower assessment of financial resilience;
- A material sustained weakening of demographic and economic metrics.”

**S&P Global Ratings**

*Credit Highlights*

“Cambridge is an affluent community adjacent to Boston, with many leading science and technology companies and major universities providing stability to the city. While tax base growth will be slower due to changes in the region's lab and office market, the tax base will remain a significant source of strength and revenue for the city even as commercial values decline, as the city is positioned for additional residential development. Its 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; we believe the city's management has taken steps to mitigate impact from changes including in the commercial property market and possible volatility in federal funding.

*Credit Opinion*

Management has adjusted projections for new growth and associated revenue to account for the evolving commercial property market and expected decline in assessed value. Cambridge maintains tax levy flexibility due to a significant amount of excess levy capacity and the ability to pursue further shifts in the dual commercial residential tax burden within statutory thresholds.

The city's budget planning is comprehensive and considers multiple scenarios and uses generally conservative assumptions. Ongoing monitoring of spending ensures adherence to the adopted budget. Management makes quarterly budget-to-actual and investment management reports to finance and investment committees, respectively, and uses historical trend analysis to develop departmental expenditure and revenue assumptions. 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. These plans are thoroughly integrated into the city's management culture and allow Cambridge to adapt to macroeconomic conditions and meet internal objectives.

The city is looking for opportunities to limit debt issuance over the next several years to constrain cost growth and maintain compliance with debt policies and has already eliminated about \$50 million in projected tax-supported issuance.

*Downside Scenario*

We could lower the rating if reserves were to decrease significantly without a plan for restoration due to pressure from debt service and retirement costs or other revenue and expenditure challenges.

Outlook

The stable outlook reflects S&P Global Ratings' expectation that Cambridge's economic profile and management environment will allow the city to manage financial performance and maintain high reserves and substantial levy capacity that offset elevated debt, pension, and OPEB liabilities.”

Very truly yours,

A handwritten signature in black ink, appearing to read "Yi-An Huang". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Yi-An Huang  
City Manager

## CREDIT OPINION

13 February 2026



Send Your Feedback

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EMEA 44-20-7772-5454

# City of Cambridge, MA

## Update to credit analysis

### Summary

Cambridge's (Aaa stable) credit profile is strong and will likely remain strong. The city benefits from a dynamic economy that is anchored by world renowned higher education institutions and a substantial research and development sector. The large R&D sector results in significant taxpayer concentration with the top ten taxpayers representing 29.9% of total assessed value and 43.3% of the total tax levy. The credit strength of the top taxpayer, the [Massachusetts Institute of Technology](#) (MIT, Aaa stable) helps to mitigate this concentration risk. MIT represented 11% of total AV and 15.9% of the tax levy in fiscal 2026. The city also benefits from a high resident income ratio of 144% and very strong full (equalized) value per capita of \$724,819.

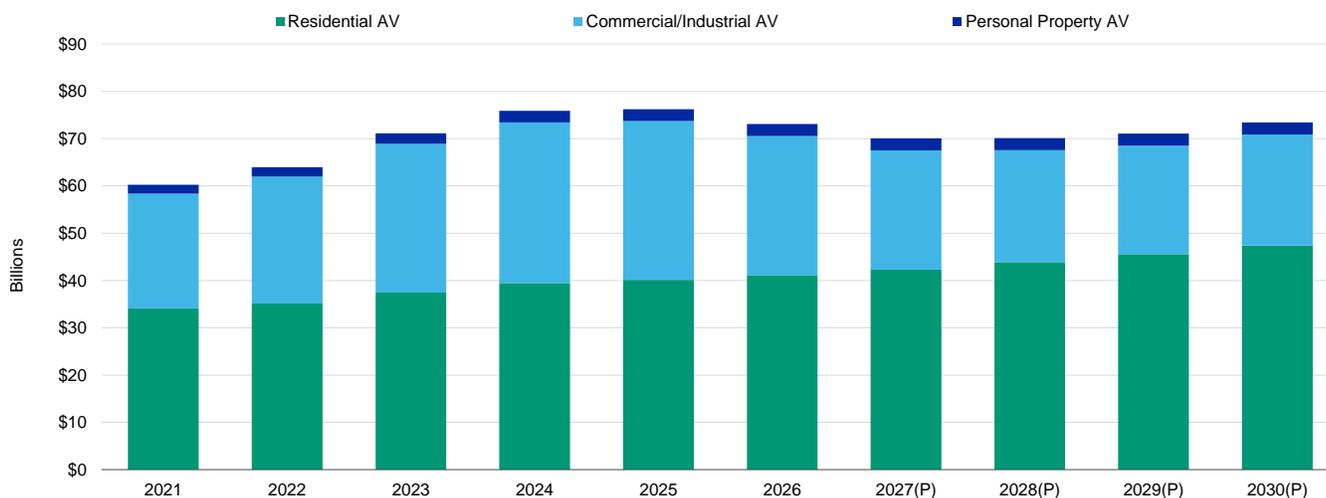
The total tax base value declined 4.1% in 2026 and is projected to decline another 4.1% in 2027 given material contraction of commercial and industrial sector values. The valuation decline started in 2025 and is projected to continue through 2029 (see exhibit). The challenges in the commercial office and lab subsectors have resulted in high vacancy rates and lack of demand that no longer supports the supply.

The city's financial position is expected to remain healthy given strong fiscal management and significant operating flexibility that will help maintain stability despite the weakness in the tax base. Cambridge plans to moderate budget growth through 2030, targeting property tax levy growth of less than 7% annually and to limit annual operating budget increases to less than 5%. Property tax revenue is expected to continue to increase because of Massachusetts municipalities ability to increase the tax levy within the tax levy limits despite a decline in the tax base value. The city ended fiscal 2025 with an available fund balance ratio of 53.9%.

The city's long-term liabilities ratio was 167.8% as of June 30, 2025. Leverage will likely remain moderate given the city's commitment to fully funding its pension liability by 2029 and addressing the OPEB liability over the long-term. As part of moderating budget growth, the city plans to reduce fiscal 2027-30 debt issuance and planned capital outlays.

Exhibit 1

**Cambridge's tax base value is projected to be impacted by commercial/industrial value declines through 2029**  
 Cambridge's actual and projected total assessed value by fiscal year



(P)=projection. Residential sector assumes existing residential value change of 2% in 2027, 3% in 2028 to 2030. New construction of \$300 million in 2027, \$350 million in 2028 and 2029, \$450 million in 2030. Commercial/Industrial sector assumes existing value change of -15.5% in 2027, -8% in 2028, -5% in 2029, 0% in 2030. New construction of \$400 million in 2027, \$450 million in 2028 and 2029, and \$550 million in 2030.

Source: City of Cambridge, MA

### Credit strengths

- » Economy anchored by institutional presence
- » Ample operating flexibility given a large amount of unused levy capacity under the tax levy limit
- » Strong reserves and liquidity

### Credit challenges

- » Taxpayer concentration in research and development
- » Tax base value declines in the commercial/industrial sectors expected through 2029
- » Maintaining service levels in line with community expectations

### Rating outlook

The stable outlook reflects the city's strong fiscal management and governance that is committed to maintaining a healthy financial position based on conservative budget forecasting and formal 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.

### Factors that could lead to an upgrade

- » Not applicable

### Factors that could lead to a downgrade

- » Decline in available fund balance ratio to less than 35%

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the issuer/deal page on <https://ratings.moody's.com> for the most updated credit rating action information and rating history.

- » Significant increase in the long-term liabilities ratio to 350%
- » Sustained decline in economic metrics or the tax base value that begins to impact the ability to generate revenue growth

## Key indicators

Exhibit 2

### Cambridge (City of) MA

	2022	2023	2024	2025	Aaa Medians
<b>Economy</b>					
Resident income ratio (%)	144.1%	144.3%	N/A	N/A	167.9%
Full Value (\$000)	\$63,505,736	\$70,337,059	\$70,337,059	\$85,379,282	\$9,704,244
Population	117,962	117,794	N/A	N/A	36,112
Full value per capita (\$)	\$538,358	\$597,119	N/A	N/A	\$239,458
Annual Growth in Real GDP	2.4%	1.5%	N/A	N/A	2.1%
<b>Financial Performance</b>					
Revenue (\$000)	\$887,598	\$952,847	\$1,107,683	\$1,090,980	\$116,165
Available fund balance (\$000)	\$435,189	\$461,527	\$587,056	\$587,700	\$78,547
Net unrestricted cash (\$000)	\$836,477	\$867,098	\$979,836	\$974,896	\$109,144
Available fund balance ratio (%)	49.0%	48.4%	53.0%	53.9%	65.8%
Liquidity ratio (%)	94.2%	91.0%	88.5%	89.4%	93.9%
<b>Leverage</b>					
Debt (\$000)	\$553,675	\$575,045	\$681,103	\$762,644	\$81,498
Adjusted net pension liabilities (\$000)	\$855,937	\$572,427	\$608,449	\$419,135	\$71,276
Adjusted net OPEB liabilities (\$000)	\$822,104	\$642,836	\$616,946	\$592,709	\$10,296
Other long-term liabilities (\$000)	\$46,840	\$49,462	\$54,319	\$56,412	\$4,168
Long-term liabilities ratio (%)	256.7%	193.1%	177.0%	167.8%	183.1%
<b>Fixed costs</b>					
Implied debt service (\$000)	\$36,961	\$38,669	\$39,946	\$47,139	\$5,076
Pension tread water contribution (\$000)	\$18,603	\$10,014	\$25,068	N/A	\$3,403
OPEB contributions (\$000)	\$24,151	\$26,418	\$27,817	\$30,931	\$543
Implied cost of other long-term liabilities (\$000)	\$3,099	\$3,271	\$3,436	\$3,759	\$279
Fixed-costs ratio (%)	9.3%	8.2%	8.7%	9.8%	10.0%

For definitions of the metrics in the table above please refer to the [US Cities and Counties Methodology](#) or see the Glossary in the Appendix below. Metrics represented as N/A indicate the data were not available at the time of publication. The medians come from our most recently published [US Cities and Counties Median Report](#).

The real GDP annual growth metric cited above is for the Boston-Cambridge-Newton, MA-NH Metropolitan Statistical Area.

Sources: US Census Bureau, Cambridge (City of) MA's financial statements and Moody's Ratings, US Bureau of Economic Analysis

## Profile

Cambridge is a large and diverse community that neighbors the City of Boston (Aaa stable) across the Charles River. The city has around 118,000 residents and its economy is anchored by [Harvard University](#) (Aaa stable) and MIT. The city provides general governmental services including police and fire protection, public preK-12 education, parks and recreation, health and social services, libraries and culture, and maintenance of streets and highways.

## Detailed credit considerations

### Economy: strong institutional presence will likely contribute to long-term economic stability while managing short-term challenges from CRE and macroeconomic changes

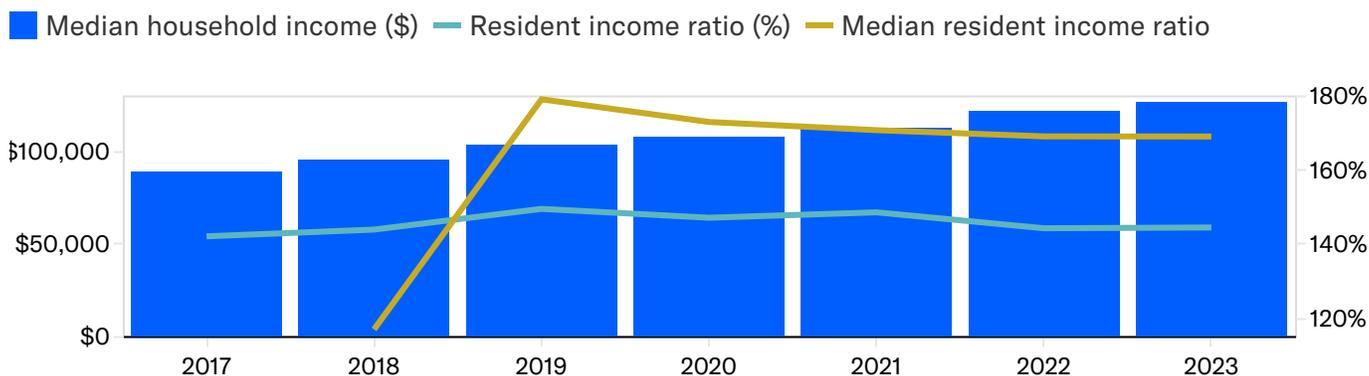
Cambridge's economy benefits from the presence of Harvard and MIT which together enroll around 33,000 students and provide employment to over 22,000 full-time positions (roughly 16% of the city's workforce). The city's economic growth as measured by the Boston MSA's five year CAGR of real GDP compared to the US real GDP remains positive at 0.3%. The city's largest industries are professional and business services and education and health services including the vibrant biotechnology and pharmaceutical sectors. The top 10 taxpayers are concentrated and represent 30% of 2026 total assessed value. MIT, owner of significant taxable property, is the largest taxpayer representing 11% of AV.

The economy will continue to be impacted over the next few years by tariffs, reduced investment, and shifts in the commercial real estate market. Currently, the unemployment rate remains in line with the state and nation. However, tax base value is likely to

decline slightly with limited growth through 2030. Total AV declined by 4.1% in 2026 and the city is projecting total AV to decline by another 4.1% in 2027. From 2025 to 2029 the commercial and industrial sectors combined could decline by 31.7% based on actual and projected value changes.

While the next five years will be a challenge for the city's economy, the city's long-term strengths, including low tax rates and access to a strong and highly educated work force, will help the city maintain its strong credit profile through the economic cycle. This is evident by a number of companies that have recently committed to new presence in the city. The headquarters of Moderna was completed in 2024, the US headquarters of [Takeda](#) (Baa1 stable) and [Astra Zeneca](#) (A1 stable) are currently under construction. Additionally, [Biogen Inc.](#) (Baa2 stable) also has plans to relocate in the city with a smaller footprint but newer space.

Exhibit 3  
**Resident Income continues to be strong and a key strength for the city's economy**



Source: US Census Bureau - American Community Survey 5-Year Estimates; US Bureau of Economic Analysis; Moody's Ratings

**Financial operations: city plans to tap unused levy capacity and reduce budget growth to maintain healthy financial position during challenging economic cycle**

Cambridge's financial position is likely to remain healthy over the next few years because of strong fiscal management and significant revenue flexibility. The city plans to reduce budget growth and tap unused levy capacity through 2030 to mitigate the stagnant tax base value growth and weather a challenging economy.

The city anticipates a fiscal 2027 budget and preliminary targets for fiscal 2028 through 2030 to have less than a 7% annual increase to the property tax levy and an overall operating budget growth of less than 5%. While these budget projections still provide for healthy growth it does represent a decline for Cambridge given its history of above-average budget growth compared to most cities, to cover high service level demands from taxpayers and investment in key initiatives including sustainability and affordable housing.

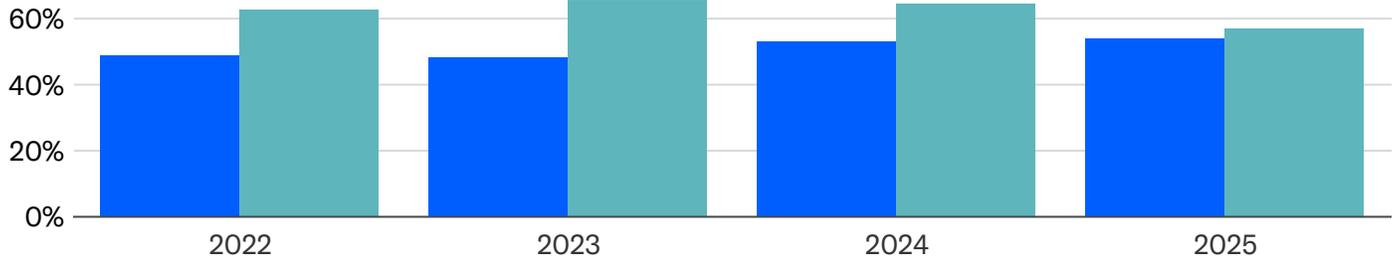
Cambridge is one of the few municipalities that has a large amount of unused levy capacity under Proposition 2½. In fiscal 2026 unused capacity totaled \$173 million representing 17% of the operating budget. The city projects it could tap this unused capacity each year through 2030. This could result in a decline in unused capacity to \$125 million or 10% of the projected 2030 operating budget, a still healthy amount.

The city is well positioned to continue to increase property taxes based on projections given favorable residential and commercial tax rates. The city's fiscal 2026 residential tax rate was \$6.67 (per \$1,000 of value) and the commercial rate increased to \$14.07. These rates compare favorably to Boston's rates of \$12.40 and \$26.96, respectively, and the Massachusetts average of \$12.18 and \$15.18.

Exhibit 4

**Fund Balance Ratio is likely to remain healthy given plenty of revenue growth flexibility**

■ Available fund balance ratio ■ Median available fund balance ratio



Source: Audited financial statements; Moody's Ratings

**Liquidity**

The city's net unrestricted cash and investments across governmental and business-type activities at the end of fiscal 2025 was \$974.9 million representing a high 89.4% of revenue. The cash position is higher than the available reserves because of cash that is designated as restricted reserves including \$260.5 million in the capital fund, plus additional funds in the city grants fund and other governmental funds.

**Leverage**

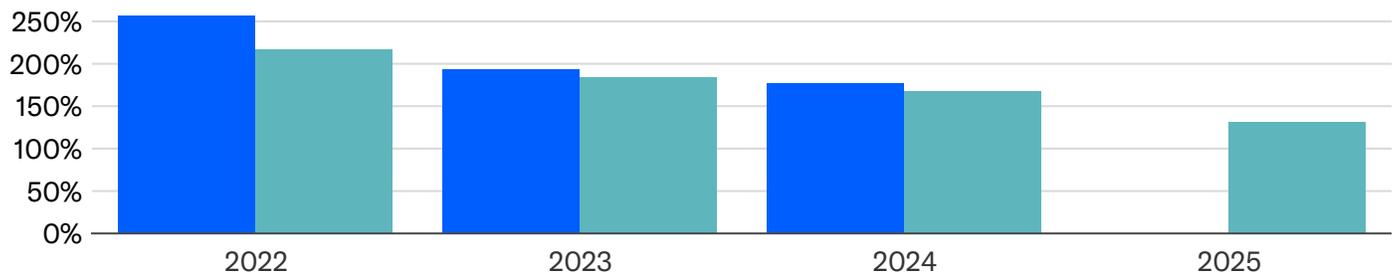
Cambridge's leverage will likely remain in line with Aaa-rated peers given the city's debt plans, formal debt policy, and funding commitment towards the unfunded pension and OPEB liabilities. As part of the city's plans to moderate budget growth the amount of debt issuance over the next four years is expected to be reduced from last year's estimates by around \$60 million. Total debt issuance through 2030 is estimated at \$696 million.

The city ended fiscal 2025 with a long-term liabilities ratio of 167.8% of revenue. The city's debt accounts for 42% of the total leverage ratio while adjusted net pension liability and adjusted net OPEB liability represent another 23% and 32%, respectively. We project the long-term liabilities ratio will remain relatively flat-to-declining over the next five years.

Exhibit 5

**Total Primary Government - Long Term Liabilities - likely to remain in line with Aaa-rated peers**

■ Long-term liabilities ratio ■ Median long-term liabilities ratio



Source: Audited financial statements; Moody's Ratings

**Debt structure**

All of the city's debt is fixed rate and amortizes over the long-term with a final maturity of 2046. Under the city's formal debt policy at least 70% of principal is retired in 10 years. Currently, 86% is being retired in ten years based on the current amortization of outstanding debt.

**Debt-related derivatives**

Cambridge is not party to any interest rate swaps or other debt-related derivative agreements.

**Pensions and OPEB**

Cambridge's pension and OPEB liabilities are larger than its debt burden and, though manageable at this time, represent a potential future credit challenge. The city participates in the Cambridge Retirement Plan, a multi-employer defined benefit plan and makes annual required contributions. The latest actuarial report assumes a 7.1% discount rate with a funding date of 2029 on a reported basis. The city's teachers participate in the Massachusetts Teachers Retirement System in which the city receives on-behalf payments toward that liability that is covered by the Commonwealth.

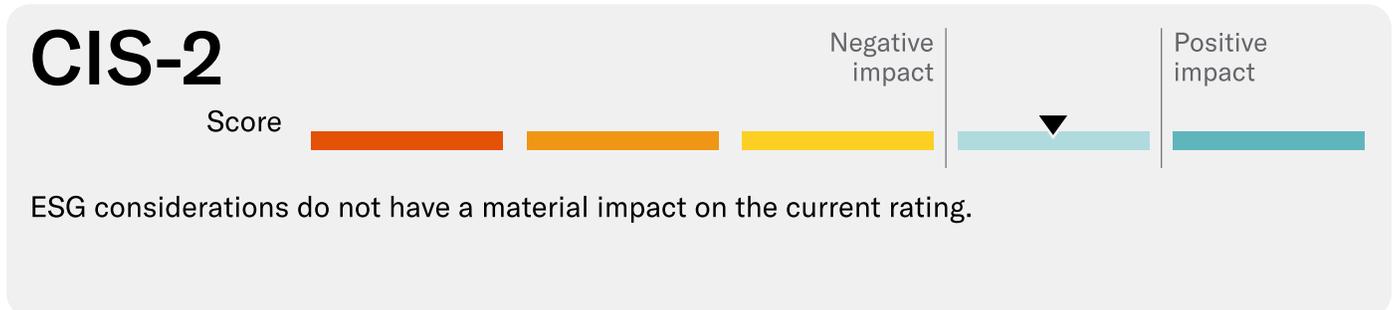
The city also funds its OPEB liability on a pay-go basis plus annual budgeted deposits into an OPEB trust based on its funding policy. The OPEB plan fiduciary net position is 5.75% of the total OPEB liability as of the end of fiscal 2025.

The 2025 fixed costs ratio of 9.8% is very favorable and will likely remain low. Additionally, the city's annual pension contributions for the last five years have been significantly higher than the Moody's tread water indicator, which is the amount required to keep the unfunded liability from increasing if all actuarial assumptions are realized, a reflection of the commitment to meet the 2029 pension funding date.

**ESG considerations**

Exhibit 6

**ESG credit impact score**



Source: Moody's Ratings

Cambridge's ESG credit impact score of **CIS-2** reflects above-average environmental exposure and strong social and governance considerations that reflect in the city's credit quality, resiliency and ability to respond to shocks.

Exhibit 7

**ESG issuer profile scores**



Source: Moody's Ratings

### Environmental

Cambridge has above-average exposure to environmental considerations given its physical climate risks associated with hurricanes and other weather events given its geographical location. Other environmental considerations for carbon transition, natural capital, and water and pollution risks are considered low.

### Social

Cambridge's social considerations are strong. The city benefits from favorable educational attainment, a strong labor force and positive health and safety. City residents also have access to basic services and the city benefits from stable demographics. Housing affordability is a neutral to low risk but is a growing challenge.

### Governance

Cambridge's governance considerations are strong. The city has a favorable institutional structure, transparency and disclosure. The city also consistently approves and releases its budgets and audited financial statements in a timely manner. Cambridge's budget management and policy credibility and effectiveness are strong and is reflected in its healthy financial position and trend of balanced operations.

Massachusetts cities and towns have a strong ability to match revenues to expenditures. While their primary operating revenue source (property taxes) is subject to state-imposed caps, there are voter approved exemptions that allow for general overrides and exclusions for debt service. State aid is another primary revenue source which mainly funds K-12 education provided by the cities and towns.

## Rating methodology and scorecard factors

The US Cities and Counties Methodology includes a scorecard, which summarizes the rating factors generally most important to city and county credit profiles. Because the scorecard is a summary, and may not include every consideration in the credit analysis for a specific issuer, a scorecard-indicated outcome may or may not map closely to the actual rating assigned.

Exhibit 8

### Cambridge (City of) MA

	Measure	Weight	Score
<b>Economy</b>			
Resident income ratio	144.3%	10.0%	Aaa
Full value per capita	724,819	10.0%	Aaa
Economic growth metric	0.3%	10.0%	Aaa
<b>Financial Performance</b>			
Available fund balance ratio	53.9%	20.0%	Aaa
Liquidity ratio	89.4%	10.0%	Aaa
<b>Institutional Framework</b>			
Institutional Framework	Aa	10.0%	Aa
<b>Leverage</b>			
Long-term liabilities ratio	167.8%	20.0%	Aa
Fixed-costs ratio	9.8%	10.0%	Aaa
<b>Notching factors</b>			
Additional Strength in Local Resources	0.5		
Scorecard-Indicated Outcome			Aaa
<b>Assigned Rating</b>			<b>Aaa</b>

The Economic Growth metric cited above compares the five-year CAGR of real GDP for Boston-Cambridge-Newton, MA-NH Metropolitan Statistical Area to the five-year CAGR of real GDP for the US.

Sources: US Census Bureau, Cambridge (City of) MA's financial statements and Moody's Ratings

## Appendix

Exhibit 9

### Key Indicators Glossary

	Definition	Typical Source*
<b>Economy</b>		
Resident income ratio	Median Household Income (MHI) for the city or county, adjusted for Regional Price Parity (RPP), as a % of the US MHI	MHI: US Census Bureau - American Community Survey 5-Year Estimates RPP: US Bureau of Economic Analysis
Full value	Estimated market value of taxable property in the city or county	State repositories; audited financial statements; continuing disclosures
Population	Population of the city or county	US Census Bureau - American Community Survey 5-Year Estimates
Full value per capita	Full value / population	
Economic growth metric	Five year CAGR of real GDP for Metropolitan Statistical Area or county minus the five-year CAGR of real GDP for the US	Real GDP: US Bureau of Economic Analysis
<b>Financial performance</b>		
Revenue	Sum of revenue from total governmental funds, operating and non-operating revenue from total business-type activities, and non-operating revenue from internal services funds, excluding transfers and one-time revenue, e.g., bond proceeds or capital contributions	Audited financial statements
Available fund balance	Sum of all fund balances that are classified as unassigned, assigned or committed in the total governmental funds, plus unrestricted current assets minus current liabilities from the city's or county's business-type activities and internal services funds	Audited financial statements
Net unrestricted cash	Sum of unrestricted cash in governmental activities, business type activities and internal services fund, net of short-term debt	Audited financial statements
Available fund balance ratio	Available fund balance (including net current assets from business-type activities and internal services funds) / Revenue	
Liquidity ratio	Net unrestricted cash / Revenue	
<b>Leverage</b>		
Debt	Outstanding long-term bonds and all other forms of long-term debt across the governmental and business-type activities, including debt of another entity for which it has provided a guarantee disclosed in its financial statements	Audited financial statements; official statements
Adjusted net pension liabilities (ANPL)	Total primary government's pension liabilities adjusted by Moody's to standardize the discount rate used to compute the present value of accrued benefits	Audited financial statements; Moody's Ratings
Adjusted net OPEB liabilities (ANOL)	Total primary government's net other post-employment benefit (OPEB) liabilities adjusted by Moody's to standardize the discount rate used to compute the present value of accrued benefits	Audited financial statements; Moody's Ratings
Other long-term liabilities (OLTL)	Miscellaneous long-term liabilities reported under the governmental and business-type activities entries	Audited financial statements
Long-term liabilities ratio	Debt + ANPL + ANOL + OLTL / Revenue	
<b>Fixed costs</b>		
Implied debt service	Annual cost to amortize city or county's long-term debt over 20 years with level payments	Audited financial statements; official statements; Moody's Ratings
Pension tread water contribution	Pension contribution necessary to prevent reported unfunded pension liabilities from growing, year over year, in nominal dollars, if all actuarial assumptions are met	Audited financial statements; Moody's Ratings
OPEB contribution	City or county's actual contribution in a given period	Audited financial statements
Implied cost of OLTL	Annual cost to amortize city or county's other long-term liabilities over 20 years with level payments	Audited financial statements; Moody's Ratings
Fixed-costs ratio	Implied debt service + Pension tread water + OPEB contributions + Implied cost of OLTL / Revenue	

\*Note: If typical data source is not available then alternative sources or proxy data may be considered. For more detailed definitions of the metrics listed above please refer to the [US Cities and Counties Methodology](#).

Source: Moody's Ratings

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**REPORT NUMBER** 1474197

CLIENT SERVICES

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# Cambridge, Massachusetts

The 'AAA' rating on the city's IDR and GO bonds reflects Fitch's expectation for the city to maintain healthy financial flexibility through future economic cycles, consistent with its history of strong operating performance and robust reserves. The 'AAA' IDR incorporates the city's 'aaa' financial resilience assessment, which reflects a 'high-midrange' level of budgetary flexibility and an expectation that unrestricted general fund reserves (the sum of committed, assigned and unassigned) will be maintained at or above 10% of spending. The city's unrestricted reserves have been maintained well above this level for several years and were at 38% of spending in fiscal 2025.

The rating also captures the city's 'midrange' long-term liability metrics associated with direct governmental debt (net of self-supporting debt) and Fitch-adjusted net pension liabilities (NPLs). Liability metrics are expected to remain 'midrange' over the near term given the city's plans for additional governmental debt and amortization of existing debt.

Demographic and economic level metrics on a composite basis are considered 'strongest', including unemployment rates below the national average, high rates of educational attainment and very high median household income (MHI) levels when compared to Fitch portfolio averages.

Additionally, the rating reflects the application of a positive one-notch Additional Analytical Factor, which recognizes the city's revenue-raising capacity due to its exceptionally large market value per capita of over \$600,000 and high revenue control.

## Rating Sensitivities

### Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

- A substantial increase in long-term liabilities associated with debt or increased NPLs that begins to negatively impact future budget decisions and operating results, assuming current levels of resident income, governmental expenditures and revenues;
- A decline in unrestricted general fund balances sustained at or below 10% of spending, leading to a lower assessment of financial resilience;
- A material sustained weakening of demographic and economic metrics.

### Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

- Not applicable given the 'AAA' rating and Stable Outlook.

## Security

The bonds are a general obligation of the city and are backed by its full faith and credit and a property tax levy that is limited by state statute.

### Ratings

Long-Term IDR AAA

### Outlooks

Long-Term IDR Stable

### New Issues

\$162,810,000 General Obligation  
Municipal Purpose Loan of 2026 AAA

### Sale Date

March 4

### Outstanding Debt

[Issuer Ratings Information](#)

### Applicable Criteria

U.S. Public Finance Local Government Rating  
Criteria (April 2024)

### Related Research

[Fitch Rates Cambridge, MA's \\$162.8MM Series 2026 GO Bonds 'AAA'; Outlook Stable \(February 2026\)](#)

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## Fitch's Local Government Rating Model

The Local Government Rating Model generates Model Implied Ratings, which communicate the issuer's credit quality relative to Fitch's local government rating portfolio. (The Model Implied Rating will be the Issuer Default Rating except in certain circumstances explained in the applicable criteria.) The Model Implied Rating is expressed via a numerical value calibrated to Fitch's long-term rating scale, which ranges from 10.0 or higher (AAA), 9.0 (AA+), 8.0 (AA) and so forth down to 1.0 (BBB- and below).

Model Implied Ratings reflect the combination of issuer-specific metrics and assessments to generate a Metric Profile and a structured framework to account for Additional Analytical Factors not captured in the Metric Profile that can either mitigate or exacerbate credit risks. Additional Analytical Factors are reflected in notching from the Metric Profile and are capped at +/-3 notches.

## Rating Headroom & Positioning

**Cambridge Model Implied Rating:** 'AAA' (Numerical Value: 11.55)

- **Metric Profile:** 'AAA' (Numerical Value: 10.55)
- **Net Additional Analytical Factor Notching:** +1.0

Individual Additional Analytical Notching Factors:

- **Revenue Capacity:** +1.0

Cambridge's Model Implied Rating is 'AAA'. The associated numerical value of 11.55 is at the upper end of the range for a 'AAA' rating.

## Current Developments

Cambridge's financial profile remains very strong. The city's unrestricted general fund balance (sum of committed, assigned and unassigned) in fiscal 2025 totaled \$366.8 million or approximately 38% of spending.

The fiscal 2026 \$992.2 million general fund budget is up \$36.6 million, or 3.8%, over the fiscal 2025 adopted operating budget. The tax levy was raised 8.03%, reaching \$678.9 million. The city's annual levy increase has typically been between 5%-9% over the past fiscal years as taxable assessed values have experienced growth. Budget increases are attributable to employee salary and benefit costs, higher debt service costs and an increase in school department funding.

Following an extended period of yoy growth in tax base values, the city's fiscal 2026 total assessed value (TAV) declined 4.1% yoy or approximately \$3.1 billion. The decline was driven by changes in commercial and industrial assessed values, which decreased by \$4.2 billion or 12.5% yoy. Commercial and industrial properties represent 40% of the city's fiscal 2026 TAV. Residential values increased by 2.6% or \$1 billion yoy to \$41.2 billion. YOY lab vacancy increased to 22% in 3Q25 from 12% in 3Q24. Similarly, the office vacancy rate rose to 22.5% in 3Q25 from 20% in 3Q24.

New development and construction activity for office, lab, residential and mixed-use has begun to slow due to relatively high rates in office vacancies, reduced demand for lab space and peak valuations of residential properties, resulting in a slowdown of sales activity. Fitch expects long-term demand to be sound due to Cambridge's central location near the city of Boston, its importance as a research center for life and sciences companies and the presence of two of the country's leading higher education institutions, Harvard University and Massachusetts Institute of Technology (MIT).

The city is projecting TAV to decline in FY 2027 and remain below current levels until rebounding in 2030, driven by slower demand in commercial real estate. For FY27, the city is projecting that commercial/industrial values will decline by 15.5%, whereas residential values will increase by 2%. Declines in commercial/industrial values are projected to continue to occur, although at a lesser degree, through 2029, and are expected to stabilize in 2030. Fitch considers these projections to be reasonable based on higher-than-usual vacancy rates and new commercial and residential construction underway and proposed. The city's five-year financial projections reflect a use of a portion of the city's large excess levy capacity, currently equal to \$172.9 million, as management may utilize this revenue source if TAV levels continue to decline.

## Profile

The city is an important economic component of the Boston metropolitan area and Massachusetts as a whole and benefits from the presence of both Harvard and MIT. These institutions are the city's top two employers, while other major employers include the city itself and a number of biotechnology companies including Takeda Pharmaceuticals, Biogen, Novartis and Sanofi.

Cambridge's position as a national leader in the life sciences and high-tech sectors and expansion of these sectors have contributed to notable tax base, employment and resident income growth over the past several years. Wealth levels are above state and national averages, and unemployment is consistently below them. Several major software and internet companies have established research and development operations in Cambridge, including Microsoft, Google, Amazon and Meta.

Key Drivers

Issuer: Cambridge (MA)	Financial Profile	1.0	<b>Issuer Position Within AAA Model Implied Rating</b>  Strong AAA   Mid AAA   Low AAA Rating position post application of analytical overlay		
Type: City General Obligation	Demographic & Economic Strength	0.0			
Current: AAA, RO:Sta (2026/02/02)	Long-Term Liability Burden	0.0			
Fiscal Year	2024	AAF Notching Total(4)			1.0
Metric Profile	10.55	MIR - Metric			11.55
Metric Profile Mapping	AAA	MIR - Mapping			AAA

Metric	Analyst Input		Metric		Composite		
	2025	2025	Percentile	Weight	Percentile / Value	Assessment	Weight
<b>Financial Profile</b>							
<b>Financial Resilience Components</b>							
Available Reserves (FB/Expenditures: 5-Year Low) (%)	38.2						
Revenue Control Assessment	High	High					
Expenditure Control Assessment	Midrange	Midrange				aaa	35%
Budgetary Flexibility	High Midrange	High Midrange					
<b>Financial Resilience</b>	aaa	aaa		100%			
Lowest Cumulative 3 Year Revenue Performance (+/-) since 2008 (%)	3.9						
<b>Revenue Volatility(1)</b>			93%	100%		Strongest	0%
<b>Demographic and Economic Strength</b>							
<b>Trend</b>							
Population Trend (%) (2)	0.8	0.8	45%	100%	45%	Midrange	8%
Unemployment Rate as Percentage of National Rate (%) (5)	77.5		80%	33%			
Population w/ Bachelor's Degree and Higher (%) (2)	80.2	80.8	100%	33%	88%	Strongest	26%
MHI as a % of the Portfolio Median (2)	142.5		84%	33%			
<b>Concentration &amp; Size</b>							
Population Size (2) (3)	119,315	121,186	100%	50%	100%	Strongest	9%
Economic Concentration (%) (2) (3)	46.7		100%	50%			
<b>Long-Term Liability Burden</b>							
Liabilities/Personal Income (%)	5.8	6.1	43%	35%			
Liabilities/Governmental Revenues (%) (6)	81.9	88.0	89%	25%	57%	Midrange	21%
Carrying Costs/Governmental Expenditures (%)	14.7	14.8	50%	40%			

(1) Model directly uses revenue volatility. Percentiles are for information only; metric percentile represents the issuer; composite percentile represents the average of the issuer's class. The Revenue Volatility metric represents the issuer's revenue volatility relative to the median revenue volatility of the total issuer portfolio. Revenue Volatility is treated asymmetrically, where weight is marginal for issuers that exhibit low to moderate revenue volatility. For issuers with higher revenue volatility, this factor will moderately lower the metric profile, implying a somewhat reduced weighting for all other variables in these instances.

(2) Population, Concentration, MHI and Educational Attainment data is lagged by one year. e.g. 2021 data is used and displayed for fiscal year 2022.

(3) Percentiles represent the class. Economic concentration is defined as the sum of the absolute deviation of the issuer from the national average proportion across major economic sectors. Sector data is on the county level for all entities or the MSA level for cities that span multiple counties. If data is unavailable for an issuer, median figures based on reported data for all counties within the issuer's state are used as proxy values.

(4) Additional Analytical Factors (AAF) have a potential notching range of +2/-2 for each of the three categories and an overall IDR notching range of +3/-3.

(5) County level data used for sub-county entities when prior year's data is unavailable. If county data is unavailable, MSA data is used. MSA level data is used for cities that span multiple counties.

(6) As a proxy for per capita personal income for sub-county levels of local government, Fitch calculates the ratio of money income to per capita income for the county in which the rated entity is located and applies that ratio to the entity's money income. The estimated per capita personal income figure is multiplied by population to estimate total personal income.

Source: Fitch Ratings

Financial Profile

Financial Resilience - 'aaa'

Cambridge's financial resilience is driven by the combination of its 'High' revenue control assessment and 'Midrange' expenditure control assessment, culminating in a 'High Midrange' budgetary flexibility assessment.

- Revenue control assessment: High
- Expenditure control assessment: Midrange
- Budgetary flexibility assessment: High Midrange
- Minimum fund balance for current financial resilience assessment: >= 10.0%
- Current year fund balance to expenditure ratio: 38.1% (2025)
- Lowest fund balance to expenditure ratio for the fiscal-year period 2020-2025: 38.1% (2025)

Revenue Volatility - 'Strongest'

Cambridge's weakest historic three-year revenue performance is neutral to the Model Implied Rating.

The revenue volatility metric is an estimate of potential revenue volatility based on the issuer's historical experience relative to the median for the Fitch-rated local government portfolio. The metric helps to differentiate issuers by the scale of revenue loss that would have to be addressed through revenue raising, cost controls or utilization of reserves through economic cycles.

- **Lowest three-year revenue performance (based on revenues dating back to 2005):** 3.9% increase for the three-year period ending fiscal 2010
- **Median issuer decline:** -4.3% (2024)

**Additional Analytical Factors and Notching**

Financial Profile Additional Analytical Factors and Notching: +1.0 notch (for Revenue Capacity)

The Model Implied Rating includes a +1 notch Additional Analytical Factor due to the city's exceptionally high taxable assessed value per capita of \$603,000, which would suggest a greater capacity to tap into revenue-generating resources to support governmental costs and fiscal resilience than that communicated by the metric profile.

**State-Specific Revenue/Expenditure Context & Budgetary Control**

Pursuant to state law, Proposition 2 1/2 limits the city's ability to levy property taxes by: 1) a "levy ceiling," an absolute cap on the level of property taxation, set at 2.5% of the overall property tax valuation (primary limit); and 2) a levy limit that restricts the annual growth in taxation to 2.5% over the previous year's levy plus the value of new growth (secondary limit). Taxation in excess of the levy limit (plus any new growth) requires voter approval.

Management has typically levied below the ceiling each year. Any excess in levy capacity is carried forward and available for use at any time. The city's excess tax levy limit is approximately \$172.9 million, down slightly from fiscal 2025. This excess levy capacity totals approximately 17% of the fiscal 2026 budgeted general fund revenues and provides for high revenue-raising flexibility if needed.

**Demographic and Economic Strength**

**Population Trend - 'Midrange'**

Based on the median of 10-year annual percentage change in population, Cambridge's population trend is assessed as 'Midrange'.

**Population trend:** 0.8% 2024 (45th percentile) (vs. 0.8% 2023 median of 10-year annual percentage change in population)

**Unemployment, Educational Attainment and MHI Level - 'Strongest'**

The overall strength of Cambridge's demographic and economic level indicators (unemployment rate, educational attainment, median household income [MHI]) in 2024 are assessed as 'Strongest' on a composite basis, performing at the 88th percentile of Fitch's local government rating portfolio. This is due to relatively strong education attainment levels, median-issuer indexed adjusted MHI and unemployment rate.

- **Unemployment rate as a percentage of national rate:** 77.5% 2024 (80th percentile), relative to the national rate of 4.0%
- **Percent of population with a bachelor's degree or higher:** 80.8% 2024 (100th percentile) (vs. 80.2% 2023 Actual)
- **MHI as a percent of the portfolio median:** 142.5% (2023) (84th percentile)

**Economic Concentration and Population Size - 'Strongest'**

Cambridge's population in 2024 was of sufficient size and the economy was sufficiently diversified to qualify for Fitch's highest overall size/diversification category.

The composite metric acts asymmetrically, with most issuers (above the 15th percentile for each metric) sufficiently diversified to minimize risks associated with small population and economic concentration. Downward effects of the metric on the Metric Profile are most pronounced for the least economically diverse issuers (in the fifth percentile for the metric or lower). The economic concentration percentage shown below is defined as the sum of the absolute deviation of the percentage of personal income by major economic sectors relative to the U.S. distribution.

- **Population size:** 121,186 2024 (above the 15th percentile) (vs. 119,315 2023 Actual)
- **Economic concentration:** 46.7% (2024) (above the 15th percentile)

### Long-Term Liability Burden

Cambridge's liabilities to governmental revenue remain strong while carrying costs to governmental expenditures and liabilities to personal income remain midrange. The long-term liability composite metric in 2024 is at the 57th percentile, roughly in line with Fitch's local government rating portfolio.

- **Liabilities to personal income:** 6.1% Analyst Input (43rd percentile) (vs. 5.8% 2024 Actual)
- **Liabilities to governmental revenue:** 88.0% Analyst Input (89th percentile) (vs. 81.9% 2024 Actual)
- **Carrying costs to governmental expenditures:** 14.8% Analyst Input (50th percentile) (vs. 14.7% 2024 Actual)

### Pension Adjustments

On an aggregate basis for all pension plans as of the most recent measurement date, the reported asset to liability ratio was 87.6%, or an estimated 77.7%, using Fitch's standard 6% rate of return adjustment. The Fitch-adjusted NPL was equal to \$382.3 million, or about 2.5% of personal income.

### Additional Insight

The OPEB contribution requirements of OPEB plan members and the city are established and may be amended by the city. Ten percent of the calculated contribution is currently paid by retirees through pension benefit deductions. The state allows up to 50% to be paid by retirees. The remainder of such cost is funded by the city. The city currently contributes enough money to the OPEB plan to satisfy current obligations on a pay-as-you-go basis, but has historically overfunded to support fund assets. The city's net OPEB liability of \$728 million was 6% funded as of fiscal 2025 and represents 5% of personal income.

### Analyst Inputs to the Model

Analyst inputs to the model reflect metric adjustments to account for historical data anomalies, forward-looking performance shifts or non-recurring events that may otherwise skew the time series.

Fitch adjusted the city's debt liabilities to reflect amortization of principal on outstanding debt since the end of fiscal 2025 and the current 2026 issuance.

### ESG Considerations

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' means ESG issues are credit-neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit <https://www.fitchratings.com/topics/esg/products#esg-relevance-scores>.

Financial Summary

(\$000, Audited Fiscal Years Ending Jun. 30)	2021	2022	2023	2024	2025
<b>General Fund Revenues</b>					
Property Tax	477,369	497,042	530,537	579,388	631,730
Sales Tax	12,017	20,401	30,112	32,976	33,307
Income Tax	-	-	-	-	-
Other Tax	8,219	8,535	8,455	8,683	8,900
Total Taxes - Undifferentiated	-	-	-	-	-
Intergovernmental	88,639	71,847	76,348	82,213	79,246
Other Revenue	152,589	143,334	174,699	211,853	164,718
<b>Total</b>	<b>738,834</b>	<b>741,159</b>	<b>820,151</b>	<b>915,114</b>	<b>917,901</b>
<b>General Fund Expenditures</b>					
General Government	49,577	49,050	53,528	58,884	60,279
Public Safety	147,363	158,856	170,269	178,812	191,461
Educational	258,815	242,833	252,436	272,012	295,137
Debt Service	78,833	82,107	86,986	89,251	101,471
Capital Outlay	-	-	-	-	-
Other Expenditures	192,006	201,407	214,812	232,934	257,304
<b>Total</b>	<b>726,594</b>	<b>734,253</b>	<b>778,030</b>	<b>831,894</b>	<b>905,653</b>
Transfers In and Other Sources	45,952	20,661	21,297	22,580	23,181
Transfers Out and Other Sources	77,878	50,676	59,032	44,000	56,117
<b>Net Transfers &amp; Other</b>	<b>-31,926</b>	<b>-30,015</b>	<b>-37,735</b>	<b>-21,420</b>	<b>-32,935</b>
Adjustment for Bond Proceeds and Extraordinary One-Time Uses	21,456	-	-	-	-
Net Op. Surplus (Deficit) After Transfers	-19,686	-23,109	4,386	61,800	-20,687
Net Op. Surplus (Deficit)/ (Total Expenditures + Transfers Out and Other Uses)(%)	-2.51	-2.94	0.52	7.06	-2.15
Total Fund Balance	344,379	321,270	325,656	387,456	366,769
Unrestricted Fund Balance	341,633	317,212	319,567	384,565	366,769
Other Available Fund Balances	-	-	-	-	-
<b>Total Available Unrestricted Reserves (GF + Other)</b>	<b>341,633</b>	<b>317,212</b>	<b>319,567</b>	<b>384,565</b>	<b>366,769</b>
Available Reserves as % of Spending (Adj for Bond Proceeds and Other One-Time Uses)	43.63	40.41	38.18	43.91	38.13

Sources: Fitch Ratings, Fitch Solutions, Cambridge (MA) [General Government]

## Long-Term Liability Burden (\$000)

(\$000, Audited Fiscal Years Ending Jun. 30)	2025
Direct Debt	694,821
Less: Self-Supporting Debt	109,582
Net Direct Debt	585,238
Fitch Adjusted NPL	329,790
<b>Net Direct Debt + Fitch-Adjusted net pension liabilities (NPL)</b>	<b>915,028</b>
Population	121,186
Per Capita Personal Income	-
Estimated Personal Income (\$000)	15,363,146
<b>Net Debt + Fitch-Adjusted NPL / Personal Income (%)</b>	<b>6</b>
Total Governmental Revenues	1,070,906
<b>Net Direct Debt + Fitch Adjusted NPL as Percentage of Governmental Revenue (%)</b>	<b>85.44</b>
Debt Service (Net of State Support)	101,471
Actuarially Determined Pension Contributions	47,317
Actual OPEB Contributions	30,931
Total Governmental Expenditures	1,216,936
<b>Carrying Costs/Governmental Expenditures (%)</b>	<b>14.77</b>

Note: Figures above do not reflect any Analyst Input Adjustments.  
Sources: Fitch Ratings, Fitch Solutions, Cambridge (MA) [General Government]

**Summary**

Description	Final Value
<b>Budgetary Flexibility Assessments</b>	
Revenue Control Assessment	High
Expenditure Control Assessment	Midrange
Collective Bargaining and Resolution Framework	Midrange
Workforce Outcomes	Midrange
Cost Drivers	Midrange
<b>Metrics Assessments</b>	
Financial Profile - Financial Resilience	aaa
Financial Profile - Revenue Volatility	Strongest
Demographic & Economic Strength - Trend	Midrange
Demographic & Economic Strength - Level	Strongest
Demographic & Economic Strength - Concentration & Size	Strongest
Long-Term Liability Burden	Midrange
<b>Metric Profile Mapping</b>	AAA
<b>Metric Profile</b>	10.55
<b>Additional Analytical Factors</b>	
<b>Total Notching - capped</b>	<b>1</b>
<b>Financial Profile</b>	
<b>Fiscal Oversight</b>	<b>1</b>
Revenue Capacity	1
Contingent Risks	
Non-Recurring Support or Spending Deferrals	
Political Risks	
Management Practices	
<b>Demographic &amp; Economic Strength</b>	
Economic and Institutional Strength	
Revenue Concentration Risks	
School District Resources	
<b>Long-Term Liability Burden</b>	
Pension Funding Assumptions	
Pension Contributions	
OPEB	
Debt Structure	
Capital Demands and Affordability	
<b>Model Implied Rating - Mapping</b>	AAA
<b>Model Implied Rating - Metric</b>	11.55
<b>Outliers and Developing Situations Considerations</b>	
<b>Notching Rationale - 1</b>	No
<b>Notching Rationale - 2</b>	
<b>Issuer Default Rating/ Issuer Default Credit Opinion</b>	AAA
<b>Outlook/Watch</b>	RO:Sta
Source: Fitch Ratings	

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Research Update:

# Cambridge, MA \$162.8 Million Series 2026 GO Municipal-Purpose Loan Bonds Assigned 'AAA' Rating

February 19, 2026

## Overview

- S&P Global Ratings assigned its 'AAA' rating to [Cambridge, Mass.](#) roughly \$162.8 million series 2026 general obligation (GO) municipal-purpose loan bonds.
- At the same time, S&P Global Ratings affirmed its 'AAA' rating on the city's existing GO debt.
- The outlook is stable.

## Rationale

### Security

The city's full-faith-and-credit pledge, subject to Proposition 2 1/2 limitations, secures the GO debt. Despite commonwealth levy-limit laws, we did not make a rating distinction between Cambridge's limited-tax GO pledge and general creditworthiness because our analysis of its financial and economic conditions already includes the tax limitation imposed on its revenue-raising ability.

Series 2026 bond proceeds will fund various capital projects and refund about \$52 million in existing bonds.

### Credit highlights

Cambridge is an affluent community adjacent to Boston, with many leading science and technology companies and major universities providing stability to the city. While tax base growth will be slower due to changes in the region's lab and office market, the tax base will remain a significant source of strength and revenue for the city even as commercial values decline, as the city is positioned for additional residential development. Its 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

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flexibility; we believe the city's management has taken steps to mitigate impact from changes including in the commercial property market and possible volatility in federal funding.

The rating also reflects our opinion of the following credit factors:

- The city's economic profile is robust, with high incomes and a large tax base supported by corporate and institutional presences with ongoing investment, particularly in residential properties. However, there is tax base concentration with the Massachusetts Institute of Technology (MIT) being the city's leading taxpayer.
- The revenue base is stable, with property taxes accounting for most general fund revenues, allowing the city to sustain very strong reserves even as additional services such as pre-kindergarten education have been introduced. The city has substantial available reserves and also has taxing flexibility that we expect will allow it to sustain budgetary balance.
- Management is generally conservative, with robust forward-looking planning that identifies needs and financing for capital improvement and an ongoing conversation regarding operational goals and funding opportunities for additional positions and services as needed. The city also maintains and adheres to robust policies pertaining to investments, debt management, and reserves. The city has taken steps to mitigate cybersecurity risk.
- The debt profile is stable, with continuous debt issuance to support capital priorities expected to continue, and a large other post-employment benefits (OPEB) obligation. The city plans annual issuance for various capital needs, and revises capital needs and associated debt on an annual basis.
- Massachusetts municipalities have a predictable operating framework with some statutory flexibility to raise local-source revenue for operations, despite commonwealth limits on property tax levy growth. For more information on our institutional framework assessment for Massachusetts municipalities, see "[Institutional Framework Assessment: Massachusetts Local Governments](#)," Sept. 9, 2024.

### Environmental, social, and governance

We consider Cambridge vulnerable to physical factors, including rising water levels from climate change that could directly affect taxable properties due to its location along the Charles River. The city has been proactively addressing these challenges and maintains long-term environmental resiliency plans. We have analyzed Cambridge's social and governance factors relative to its economy, management, financial measures, and debt and liability profile; we view both as neutral in our credit rating analysis.

### Rating above the sovereign

Cambridge's GO bonds are eligible to be rated above the sovereign because we believe the city can maintain better credit characteristics than the nation in a stress scenario. The city has a predominantly locally derived revenue source, with 69% of governmental activity revenue from property taxes and with independent taxing authority and treasury management from the federal government. (For further information, see "[Ratings Above The Sovereign--Corporate And Government Ratings: Methodology And Assumptions](#)," Nov. 19, 2013.)

## Outlook

The stable outlook reflects S&P Global Ratings' expectation that Cambridge's economic profile and management environment will allow the city to manage financial performance and maintain high reserves and substantial levy capacity that offset elevated debt, pension, and OPEB liabilities.

### **Downside scenario**

We could lower the rating if reserves were to decrease significantly without a plan for restoration due to pressure from debt service and retirement costs or other revenue and expenditure challenges.

## **Credit Opinion**

### **Economy**

Cambridge is an integral part of the regional Boston economy and benefits from Harvard University and MIT, its two leading employers and two of the leading taxpayers, which serve as knowledge centers and origins of startups, research centers, and life-science and high-technology companies that promote economic activity. Microsoft, Google, Amazon, Apple, Facebook, Pfizer, and IBM are among companies with offices or labs in the city. While there is some concentration in the tax base, due primarily to MIT's land holdings, we believe the overall size of the tax base and the stability of these institutions are mitigating factors to the risk associated with concentration.

The tax base is made up of about 56% residential and 40% commercial and industrial properties. We note that in the current fiscal year, the assessed value of commercial properties in the city declined by about \$4 billion, attributed to changes in the region's lab and office markets as well as changes in funding, policies, and activity in the life science and research sectors. At the same time, the city's new lab development has slowed as vacancy has increased; however absorption rates are projected to improve in the coming years as leasing has continued. Management has adjusted projections for new growth and associated revenue to account for the evolving commercial property market and expected decline in assessed value. Cambridge maintains tax levy flexibility due to a significant amount of excess levy capacity and the ability to pursue further shifts in the dual commercial residential tax burden within statutory thresholds.

Residential development has remained steady and will likely see more growth than commercial properties in the near term, supported by state and local efforts to grow the housing supply. The city has completed a rezoning effort in the Alewife and Massachusetts Avenue areas to allow for mixed-use development and is pursuing a citywide rezoning effort to allow for denser residential development. We expect development will likely continue, leading to continued tax base growth, albeit slower than in the last several years.

### **Financial performance, reserves, and liquidity**

Cambridge's revenue and expenditure profile is predictable, with local property taxes accounting for about 69% of fiscal 2025 operating revenue. Departmental revenue was about 8% and intergovernmental aid was 9%, with investment income and hotel and meals taxes exhibiting strength as well. The fiscal 2025 budget totaled \$956 million, an 8.1% increase over fiscal 2024, with most of the increase in the budget attributable to an increase in compensation, benefits, and retirement liability costs. One of the city's major initiatives is expanded early childhood education, and management has invested in administration and capital needs for the program.

## Cambridge, MA \$162.8 Million Series 2026 GO Municipal-Purpose Loan Bonds Assigned 'AAA' Rating

The city had created a \$10 million stabilization fund to phase in budgetary support for this program, and about \$8.5 million of this reserve was used in fiscal 2025 as this program is phased into the budget. While the city has historically appropriated free cash as part of the budget, 2025 was the first of several years that the city did not regenerate this appropriation, reflected in the deficit result and decline in available fund balance. This result is attributed to an increase in expenditures from new teacher contracts, the introduction of the pre-kindergarten program, and non-police emergency response programs. Cambridge has continued to use reserves to support capital initiatives while controlling tax rate growth, and in fiscal 2025, the transfer into the capital fund from the general fund was about \$25.6 million. The city's adopted 2026 budget totals \$992 million, a 3.8% increase over the prior year, which is a lower increase than the city has typically seen over the last decade. The budget includes some use of the city's excess levy capacity as well as \$25 million in budgeted use of free cash, about \$5 million less than the prior year. The city is developing the fiscal 2027 budget, aiming to sustain all services while incorporating slower revenue growth. The budget will reflect the city's efforts to slow budget growth as new growth from development slows.

As management considers future budgets, there is a focus on sustainable budget growth as revenues increase at a slower pace than in the last five years, and we expect fewer new positions and services to be introduced. We expect available fund balance will likely remain more than 30% of expenditures, including the budget stabilization fund and other funds we consider available which the city accounts for in committed general fund reserves. The overall reserve profile and \$173 million in unused levy capacity (about 17% of fiscal 2026 budgeted operating expenditures) provides budgetary flexibility and stability. Over the long term, its unfunded retirement liability carrying charges may increase, but we expect management will continue to incorporate these into the annual levy.

### Management

The city's budget planning is comprehensive and considers multiple scenarios and uses generally conservative assumptions. Ongoing monitoring of spending ensures adherence to the adopted budget. Management makes quarterly budget-to-actual and investment management reports to finance and investment committees, respectively, and uses historical trend analysis to develop departmental expenditure and revenue assumptions. 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. These plans are thoroughly integrated into the city's management culture and allow Cambridge to adapt to macroeconomic conditions and meet internal objectives.

The city invests in the state-run Massachusetts Municipal Depository Trust and bank deposits and has an investment policy that outlines objectives, standards of care, permitted investments, and reporting requirements. Its formal debt management policy includes informal targets for debt service-to-budget limits and net-present-value-savings thresholds for refunding transactions. City policy calls for maintaining an unassigned fund balance of at least 15% of the ensuing fiscal year's operating revenue as well as a total general fund balance of at least 25% of the following fiscal year's operating revenue. These policies have been adhered to over the long term and have supported fiscal stability.

### Debt and liabilities

Cambridge has about \$809 million of total direct debt outstanding, leading to elevated total liabilities relative to peers, though we note that the city has a relatively low amount of debt

## Cambridge, MA \$162.8 Million Series 2026 GO Municipal-Purpose Loan Bonds Assigned 'AAA' Rating

outstanding when compared to total governmental funds revenue. The city's capital plan calls for issuance of additional debt each year. The city's debt profile is reinforced by a robust debt management policy that calls for 70% of debt to be amortized in 10 years, which it currently exceeds, with 82% of debt to be retired in that time. The city is looking for opportunities to limit debt issuance over the next several years to constrain cost growth and maintain compliance with debt policies and has already eliminated about \$50 million in projected tax-supported issuance. We do not believe our view of the city's debt profile will likely change significantly.

Cambridge's large pension and OPEB obligation is a credit weakness, in our opinion. We believe some assumptions used to build the required pension contribution are permissive, which could lead to fluctuating costs. In addition, the adopted funding schedule relies on significant cost escalation to meet a rapid amortization goal. Cambridge contributes \$2 million annually above the OPEB pay-as-you-go cost, and its plan to address these costs relies on full pension plan funding. In the interim, we expect costs will likely continue to increase.

As of June 30, 2025, the city participated in:

- Cambridge Retirement System, which is 91.9% funded, with a \$128 million proportionate share of the net pension liability; and
- Cambridge's single-employer, defined-benefit OPEB plan, which is 5% funded, with a \$728 million net OPEB liability; the OPEB trust has \$44 million in assets.

The pension system's discount is 7.1%, above the 6% rate we view as likely to mitigate contribution volatility. The city recently updated the system's funding schedule, which now calls for achievement of full funding by June 2029; however, it will have to balance contributions to maintain full funding. We believe management plans for these costs as part of its long-term financial planning; the high funding ratio could mitigate potential cost volatility. While the OPEB liability decreased during the past year, we expect costs will likely continue to increase, and the liability will remain large.

### Cambridge, Massachusetts--credit summary

Institutional framework (IF)	2
Individual credit profile (ICP)	1.70
Economy	1.0
Financial performance	2
Reserves and liquidity	1
Management	1.00
Debt and liabilities	3.50

### Cambridge, Massachusetts--key credit metrics

	Most recent	2025	2024	2023
<b>Economy</b>				
Real GCP per capita % of U.S.	--	--	--	179
County PCPI % of U.S.	--	--	--	154
Market value (\$000s)	--	76,240,600	75,883,595	71,139,913
Market value per capita (\$)	--	640,667	637,667	597,117
Top 10 taxpayers % of taxable value	--	32.4	31.7	29.8
County unemployment rate (%)	--	3.9	3.6	3.0

**Cambridge, Massachusetts--key credit metrics**

	Most recent	2025	2024	2023
Local median household EBI % of U.S.	--	--	144	152
Local per capita EBI % of U.S.	--	--	169	174
Local population	--	--	119,002	119,139
<b>Financial performance</b>				
Operating fund revenues (\$000s)	--	917,901	915,114	820,151
Operating fund expenditures (\$000s)	--	905,653	831,894	778,030
Net transfers and other adjustments (\$000s)	--	(32,936)	(21,421)	(37,735)
Operating result (\$000s)	--	(20,688)	61,799	4,386
Operating result % of revenues	--	(2.3)	6.8	0.5
Operating result three-year average %	--	1.7	1.4	(1.7)
<b>Reserves and liquidity</b>				
Available reserves % of operating revenues	--	31.4	36.4	33.3
Available reserves (\$000s)	--	288,014	332,854	273,092
<b>Debt and liabilities</b>				
Debt service cost % of revenues	--	9.5	8.2	9.3
Net direct debt per capita (\$)	6,799	5,869	5,229	4,442
Net direct debt (\$000s)	809,090	698,460	622,308	529,266
Direct debt 10-year amortization (%)	82	81	81	83
Pension and OPEB cost % of revenues	--	7.0	7.0	8.0
NPLs per capita (\$)	--	1,078	1,581	1,867
Combined NPLs (\$000s)	--	128,331	188,107	222,398

Financial data may reflect analytical adjustments and are sourced from issuer audit reports or other annual disclosures. Economic data is generally sourced from S&P Global Market Intelligence, the Bureau of Labor Statistics, Claritas, and issuer audits and other disclosures. Local population is sourced from Claritas. Claritas estimates are point in time and not meant to show year-over-year trends. GCP--Gross county product. PCPI--Per capita personal income. EBI--Effective buying income. OPEB--Other postemployment benefits. NPLs--Net pension liabilities.

**Ratings List**

**New Issue Ratings**

US\$162.81 mil mun purp loan of 2026 bnds due 02/15/2036

Long Term Rating AAA/Stable

**Ratings Affirmed**

**Local Government**

Cambridge, MA Limited Tax General Operating Pledge AAA/Stable

The ratings appearing below the new issues represent an aggregation of debt issues (ASID) associated with related maturities. The maturities similarly reflect our opinion about the creditworthiness of the U.S. Public Finance obligor's legal pledge for payment of the financial obligation. Nevertheless, these maturities may have

## Cambridge, MA \$162.8 Million Series 2026 GO Municipal-Purpose Loan Bonds Assigned 'AAA' Rating

different credit ratings than the rating presented next to the ASID depending on whether or not additional legal pledge(s) support the specific maturity's payment obligation, such as credit enhancement, as a result of defeasance, or other factors.

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