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Annapolis, Maryland: Fitch New Issuance Report

Key Rating Drivers Revenue Framework: ‘aaa’: The city derives the bulk of its revenues from property taxes and there is no legal limit on the tax rate or levy. General fund revenues have generally exceeded CPI levels over the last decade, reflective of tax base growth and periodic increases in tax rates and charges. Changes in tax base values continue to reflect moderate 3%-4% annual growth and additional new development is occurring, supporting Fitch’s expectations for continued solid levels of natural revenue growth. Expenditure Framework: ‘aa’: Fitch expects expenditure growth to be in line with, to slightly above, natural revenue growth in the absence of policy action. Total carrying costs for debt service, required pension payments and other post-employment benefits pay-as-you-go were close to 20% of fiscal 2021 total governmental spending and are expected to remain close to this level based on projected increases in debt service and pension contribution costs. Annual pay-go spending for capital and a reasonably flexible workforce environment support a solid level of expenditure flexibility. Long-Term Liability Burden: ‘aa’: The combined burden of long-term debt and Fitch-adjusted net pension liabilities is a moderate 11% of personal income. Fitch expects the liability burden to remain fairly stable even with potential new direct city and county overlapping debt to be issued over time based on expectations for continued growth in economic resources. The city’s tax-supported debt amortization is rapid.

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