

RatingsDirect®

Summary:

Andover, Massachusetts; General Obligation; Note

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Summary:

Andover, Massachusetts; General Obligation; Note

Credit Profile

US\$55.54 mil GO mun purp loan bnds ser 2023 due 12/01/2053		
<i>Long Term Rating</i>	AAA/Stable	New
US\$13.35 mil GO BANs dtd 12/15/2023 due 12/13/2024		
<i>Short Term Rating</i>	SP-1+	New
Andover GO		
<i>Long Term Rating</i>	AAA/Stable	Affirmed
Andover GO BANs dtd 12/15/2023 due 12/13/2024		
<i>Short Term Rating</i>	SP-1+	Affirmed

Credit Highlights

- S&P Global Ratings assigned its 'AAA' long-term rating to Andover, Mass.' \$55.54 million series 2023 general obligation (GO) bonds.
- We also assigned our 'SP-1+' short-term rating to the town's \$13.35 million GO bond anticipation notes (BANs).
- At the same time, S&P Global Ratings affirmed its 'AAA' rating on the town's existing GO debt and its 'SP-1+' short-term rating on existing BANs.
- The outlook, where applicable, is stable.

Security

The town's full-faith-and-credit pledge, subject to Proposition 2 1/2 limitations, secures the bonds and BANs. We rate this issuance based on the application of our criteria "Issue Credit Ratings Linked To U.S. Public Finance Obligors' Creditworthiness," published Nov. 20, 2019. Despite limitations imposed by the commonwealth's levy limit law, we did not make a rating distinction between the town's limited- and unlimited-tax GO pledges.

The short-term rating reflects our opinion of Andover's general creditworthiness and low market risk profile, reflecting our view of the town's strong legal authority to issue long-term debt to take out the BANs and its ongoing disclosure to the market.

Bond and note proceeds will finance various general capital, the West Elementary school project, and water/sewer projects.

Credit overview

Andover's overall credit profile is very stable, supported by its robust and predominantly residential local economy further characterized by very high wealth levels. The town has historically posted breakeven to surplus financial results, which continued in fiscal 2023 as revenues outperformed the budget by about \$7 million on a budgetary basis and available reserves increased to about \$27.3 million, or 12.5% of budgeted general fund expenditures; while the

town is expecting to add to reserves over upcoming fiscal years, we note current levels are slightly below-average compared with 'AAA' state-peers. We expect Andover will maintain positive operations and reserve levels while also funding its comprehensive capital improvement plan, largely on a pay-go basis. The town's well-embedded financial management policies and practices continue to support its positive operations.

Andover has about \$395.4 million in total direct debt outstanding after this issuance, much of which consists of the town's \$165 million pension obligation debt which was issued in November 2021 and partially excluded from the debt limit by voters. While we view the town's debt as weak, we believe the town currently has sufficient financial flexibility to leverage should the budget be pressured. Officials anticipate one more issuance to close out the West Elementary school project, although it is expected to be less than anticipated due to higher MSBA reimbursement. The town is still in community discussions for a potential high school project; in the November 2023 special town meeting, voters approved about \$50 million in design funding for an interim plan while a new high school construction project failed to gain voter approval. We believe the town's credit rating could be negatively pressured if future debt issuances resulted in debt metrics deteriorating to very weak.

The rating also reflects our opinion of the town's:

- Primarily residential economy with a commercial component slated for long-term growth as Procter and Gamble intends to move manufacturing over a three-year period, resulting in further tax base and revenue growth;
- Formalized and comprehensive financial management policies--consisting of formal debt management, investment and reserve policies and forward-looking planning--providing a predictable operating environment;
- Consistent positive financial performance and expectation that reserve levels will be maintained above 10% of expenses; and
- Weak debt profile given the town's elevated debt burden following the 2021 issuance of its pension obligation bonds (POBs) and potential future debt issuances, although debt service costs (about 4% of expenditures) remain manageable.

Environmental, social, and governance

We analyzed Andover's social, environmental, and governance risks relative to its economy, management, financial measures, and debt and liability profile and determined that all are neutral in our credit analysis. Despite its location along the Merrimack River, Andover does not experience material flooding.

Outlook

The stable outlook reflects our view that the town's very strong economic indicators and prudent financial management practices will continue to support consistent financial results and management of fixed costs.

Downside scenario

We could consider a negative rating action should Andover's financial performance and flexibility experience significant and sustained deterioration, or if future debt issuances materially pressure its debt profile and deteriorate metrics to very weak levels.

Andover, Massachusetts--key credit metrics	Most recent	Historical information		
		2022	2021	2020
Very strong economy				
Projected per capita EBI % of U.S.	203	200	197	196
Market value per capita (\$)	294,862	260,311	250,122	243,187
Population		37,104	36,093	36,182
County unemployment rate(%)		3.9		
Market value (\$000)	10,940,571	9,658,565	9,027,671	8,799,099
Ten largest taxpayers % of taxable value	6.7			
Strong budgetary performance				
Operating fund result % of expenditures		0.4	-1.6	2.2
Total governmental fund result % of expenditures		1.6	0.0	0.9
Strong budgetary flexibility				
Available reserves % of operating expenditures		10.5	9.6	12.0
Total available reserves (\$000)		21,889	20,831	24,213
Very strong liquidity				
Total government cash % of governmental fund expenditures		33	28	31
Total government cash % of governmental fund debt service		760	638	656
Very strong management				
Financial Management Assessment	Strong			
Weak debt & long-term liabilities				
Debt service % of governmental fund expenditures		4.3	4.4	4.7
Net direct debt % of governmental fund revenue	161			
Overall net debt % of market value	3.4			
Direct debt 10-year amortization (%)	48			
Required pension contribution % of governmental fund expenditures		5.6		
OPEB actual contribution % of governmental fund expenditures		2.9		
Strong institutional framework				

EBI--Effective buying income. OPEB--Other postemployment benefits. Data points and ratios may reflect analytical adjustments.

Related Research

Through The ESG Lens 3.0: The Intersection Of ESG Credit Factors And U.S. Public Finance Credit Factors, March 2, 2022

Ratings Detail (As Of November 30, 2023)

Andover GO mun purp In		
Long Term Rating	AAA/Stable	Affirmed
Andover GO mun purp loan of 2022 bnds ser 2022 due 07/15/2052		
Long Term Rating	AAA/Stable	Affirmed

Ratings Detail (As Of November 30, 2023) (cont.)

Andover GO BANs

Short Term Rating

SP-1+

Affirmed

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at www.spglobal.com/ratings for further information. Complete ratings information is available to RatingsDirect subscribers at www.capitaliq.com. All ratings affected by this rating action can be found on S&P Global Ratings' public website at www.spglobal.com/ratings.

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