

Research Update:

Andover, MA Series 2025 GO Bonds Assigned 'AAA' Rating; Existing GO Debt Affirmed; Outlook Stable

November 14, 2025

Overview

- S&P Global Ratings assigned its 'AAA' long-term rating to the Town of [Andover](#), Mass.' \$40.3 million series 2025 general obligation (GO) bonds.
- At the same time, we affirmed our 'AAA' rating on the town's existing GO debt.
- The outlook is stable.

Rationale

Security

The town's full-faith-and-credit pledge, subject to Proposition 2 1/2 limitations, secures the bonds and debt outstanding. We rate the limited-tax GO bonds on par with our view of Andover's general creditworthiness because the ad valorem tax is not from a measurably narrower property tax base and there are no limitations on the fungibility of resources, supporting our view of the town's overall ability and willingness to pay debt service.

Bond proceeds will be used to permanently finance existing bond anticipation notes (BANs) and finance various general capital, water/sewer, and school projects.

Credit highlights

The rating reflects Andover's above-average economic base with strong incomes, a comprehensive and forward-looking management framework, and consistently balanced financial results within a predictable revenue environment. Although the town's available reserves compared with the budget remain somewhat below those of peers despite nominal fund balance growth, and Andover's net debt burden is somewhat elevated given previous issuances to fund its pension obligation and major school projects, we believe liabilities are relatively affordable and thoughtfully supported by management.

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The town is an affluent residential community about 20 miles north of Boston, providing residents with access to high-income employment throughout the greater Boston regional economy. Housing is still in high demand, resulting in increasing home values and town approval for mixed-use redevelopment and multifamily developments to meet the demand. We anticipate the town's economic base and stronger incomes will continue providing credit uplift given overall stability and opportunities for growth.

The town has maintained consistent positive financial operations over the past three years, which it attributes to conservative and prudent budgeting. We understand positive performance in fiscal 2024 was due primarily to revenue exceeding the budget, including investment income, motor-vehicle-excise taxes, building permits, and other local receipts. The town experienced savings in several areas of the budget including general government, education, and public safety. It estimates to have ended fiscal 2025 with another general fund surplus of about \$7 million also due to similar factors as fiscal 2024.

For fiscal 2026, the town adopted a \$251.5 million budget, which represents a 4.3% increase over the prior year and with no fund balance appropriation. We understand most of the increases are geared toward public works, health insurance, and education. Management reports budget-to-actual results are tracking the budget favorably so far in fiscal 2026. Going forward, the town does not expect negative financial operations and there are no plans to reduce reserve levels.

Although Andover's \$427 million net direct debt burden results in elevated debt per-capita metrics compared with those of 'AAA' peers, this includes \$142 million of remaining pension obligation bonds (POBs) that would otherwise be captured in our pension liability per-capita metric. However, debt service costs only comprise about 10% of the general fund and we believe they will remain manageable in the budget. Going forward, the town plans to issue about \$20 million-\$30 million in additional debt for water related projects.

Andover's pension plan funding level improved significantly following the 2021 POB issuance; the Andover Contribution Retirement System is now about 94% funded, with a \$24 million net pension liability as of June 30, 2024. This also results in a relatively low pension liability on a per-capita basis. At the same time, we believe the town's approximately \$87 million net other postemployment benefit liability will remain a long-term budgetary consideration.

Credit fundamentals supporting the 'AAA' GO rating include:

- Andover's substantially higher income metrics compared with those of Essex County and U.S. levels, which offset the county's average economic output metrics. The town's wealthy economic base provides rating stability despite elevated debt metrics.
- A forward-looking and comprehensive management environment. Budgeting assumptions are supported by multiyear financial and capital planning that is incorporated into the annual budget process. The formalized reserve, investment, and debt management policies also guide operations.
- Positive financial trends over the past few years with another general fund surplus estimated for fiscal 2025, which will further increase available fund balance levels. While the town budgets a portion of the fund balance (known as free cash) annually for pay-as-you-go capital, we anticipate balanced results will likely sustain reserves near current levels.
- Affordable fixed costs from debt and retirement liabilities despite higher debt per-capita metrics; however, since the town issued debt to fund its pension obligation, the debt metric incorporates the liability that would otherwise be calculated in our net pension liability per-capita metric.

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- 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 analyzed Andover's environmental, social, and governance risks relative to the town's 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.

Rating above the sovereign

Andover's GO bonds are eligible to be rated above the sovereign based on our criteria "[Ratings Above The Sovereign--Corporate And Government Ratings: Methodology And Assumptions](#)," Nov. 19, 2013, because we think the town can maintain better credit characteristics than the nation in a stress scenario. Property taxes are the primary general fund revenue source, comprising 75% of general fund revenue, and the town also has independent taxing authority and treasury management from the federal government.

Outlook

The stable outlook reflects our opinion that growth in Andover's already-robust tax base will result in continuous healthy financial performance, thereby sustaining reserves around current levels despite the town's regular practice of using a portion toward pay-as-you-go capital.

Downside scenario

We could consider a negative rating action if Andover's financial performance materially weakens, leading to significant and sustained draws on reserves, or if it issues significant debt that materially weakens debt metrics.

Andover, Massachusetts--credit summary

Institutional framework (IF)	2
Individual credit profile (ICP)	1.70
Economy	1.0
Financial performance	2
Reserves and liquidity	2
Management	1.00
Debt and liabilities	2.50

Andover, Massachusetts--key credit metrics

	Most recent	2024	2023	2022
Economy				
Real GDP per capita % of U.S.	--	--	88	89
County PCPI % of U.S.	--	--	119	120
Market value (\$000s)	--	12,150,783	10,940,571	9,658,565
Market value per capita (\$)	--	329,504	295,947	260,311

Andover, Massachusetts--key credit metrics

	Most recent	2024	2023	2022
Top 10 taxpayers % of taxable value	--	7.0	6.6	6.3
County unemployment rate (%)	--	4.1	3.5	3.7
Local median household EBI % of U.S.	--	183	203	203
Local per capita EBI % of U.S.	--	176	194	200
Local population	--	36,876	36,968	37,104
Financial performance				
Operating fund revenues (\$000s)	--	240,152	226,801	208,438
Operating fund expenditures (\$000s)	--	226,569	212,580	201,196
Net transfers and other adjustments (\$000s)	--	(7,052)	(8,296)	(6,325)
Operating result (\$000s)	--	6,531	5,925	917
Operating result % of revenues	--	2.7	2.6	0.4
Operating result three-year average %	--	1.9	0.5	0.3
Reserves and liquidity				
Available reserves % of operating revenues	--	14.0	12.1	10.5
Available reserves (\$000s)	--	33,518	27,413	21,889
Debt and liabilities				
Debt service cost % of revenues	--	8.6	7.9	4.2
Net direct debt per capita (\$)	11,764	9,883	8,845	7,857
Net direct debt (\$000s)	433,811	364,448	326,974	291,543
Direct debt 10-year amortization (%)	48	51	--	--
Pension and OPEB cost % of revenues	--	5.0	5.0	79.0
NPLs per capita (\$)	--	663	1,114	--
Combined NPLs (\$000s)	--	24,454	41,200	--

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\$40.28 mil GO mun purp loan bnds ser 2025 due 10/01/2055

Long Term Rating AAA/Stable

Ratings Affirmed

Local Government

Andover, 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

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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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