

RatingsDirect®

Summary:

Andover, Massachusetts; General Obligation; Note

Primary Credit Analyst:

Krystal Tena, New York + 1 (212) 438-1628; krystal.tena@spglobal.com

Secondary Contact:

Melissa Stoloff, Boston (1) 617-530-8030; melissa.stoloff@spglobal.com

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Summary:

Andover, Massachusetts; General Obligation; Note

Credit Profile

US\$10.82 mil GO BANs dtd 12/15/2022 due 12/14/2023

<i>Short Term Rating</i>	SP-1+	New
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Andover GO

<i>Long Term Rating</i>	AAA/Stable	Affirmed
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Andover GO BANs dtd 12/15/2022 due 12/14/2023

<i>Short Term Rating</i>	SP-1+	Affirmed
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Credit Highlights

- S&P Global Ratings assigned its 'SP-1+' short-term rating to Andover, Mass.' \$10.820 million general obligation (GO) bond anticipation notes (BANs).
- At the same time, S&P Global Ratings affirmed its 'AAA' rating on the town's existing GO debt.
- The outlook, where applicable, is stable.

Security

The town's full-faith-and-credit pledge, subject to Proposition 2 1/2 limitations, secures the BANs and the town's outstanding GO debt. 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 high investment-grade long-term rating on the town and Andover's low market-risk profile. In our view, and pursuant to our BAN criteria, we have assessed the town's market risk as low, due to Andover's strong market access, information availability, and takeout authorization. Officials plan to use BAN proceeds to fund various town-wide capital items.

Credit overview

The rating reflects Andover's local economy, which is characterized by very high wealth levels, with a large residential base and a strong commercial presence. The town has historically maintained its available reserve levels hovering at about 10% while also adhering to a comprehensive capital improvement plan, funded largely on a pay-go basis. We expect management, with well-embedded financial management policies and practices, will likely continue to produce at least break-even results through the medium term. In November 2021, the town issued \$165 million in POBs to fund its outstanding pension liability; however, town voters additionally approved the exemption of \$87.5 million of the bonds from the limitations of Proposition 2 1/2, which we view as positive as it provides the town with levying capacity should it be needed. In 2019, town employees also agreed to either a 1% deduction from pay to contribute to the unfunded liability or forego a cost-of-living adjustment, which is expected to yield \$250,000 to be allocated to the pension reserve. 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. However, the town's rating could be pressured should our view of its debt metrics deteriorate to what we view as very weak as a result of material new money debt issuances.

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

- Extremely wealthy, residential economy, with access to a broad and diverse metropolitan statistical area (MSA);
- Formalized and comprehensive financial management policies support consistent operational results;
- Financial performance and fund balance levels diligently managed to balance operating needs; and
- Weak debt profile, though a low discount rate (5.75%) and increased taxing capacity somewhat mitigates risk.

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

Should the town's budgetary performance and flexibility experience significant and sustained deterioration, or should the town's debt profile deteriorate to what we view as very weak, we could lower the rating.

Andover, Massachusetts Key Credit Metrics				
	Most recent	Historical information		
		2021	2020	2019
Very strong economy				
Projected per capita EBI % of U.S.	192			
Market value per capita (\$)	267,602			
Population		36,093	36,182	35,782
County unemployment rate(%)		6.4		
Market value (\$000)	9,658,565	9,027,671	8,799,009	
Ten largest taxpayers % of taxable value	6.3			
Strong budgetary performance				
Operating fund result % of expenditures		(1.6)	2.2	(0.2)
Total governmental fund result % of expenditures		0.0	0.9	1.1
Strong budgetary flexibility				
Available reserves % of operating expenditures		9.6	12.0	10.2
Total available reserves (\$000)		20,831	24,213	19,690
Very strong liquidity				
Total government cash % of governmental fund expenditures		28	31	30

Andover, Massachusetts Key Credit Metrics (cont.)

	Most recent	Historical information		
		2021	2020	2019
Total government cash % of governmental fund debt service		638	656	643
Very strong management				
Financial Management Assessment	Strong			
Weak debt & long-term liabilities				
Debt service % of governmental fund expenditures		4.4	4.7	4.7
Net direct debt % of governmental fund revenue	165			
Overall net debt % of market value	4.1			
Direct debt 10-year amortization (%)	44			
Required pension contribution % of governmental fund expenditures		5.1		
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 December 2, 2022)

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

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