

RatingsDirect®

Summary:

Andover, Massachusetts; Note

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Credit Profile

US\$13.3 mil GO BANs dtd 06/21/2023 due 12/15/2023

Short Term Rating

SP-1+

New

Andover GO BANs dtd 06/21/2023 due 12/15/2023

Short Term Rating

SP-1+

Affirmed

Credit Highlights

- S&P Global Ratings assigned its 'SP-1+' short-term rating to Andover, Mass.' \$13.3 million general obligation (GO) bond anticipation notes (BANs).

Security

The town's full-faith-and-credit pledge, subject to Proposition 2 1/2 limitations, secures the BANs. 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 renew about \$9.3 million in outstanding BANs and issue roughly \$4 million in new money debt to fund a variety of town-wide projects, including water main replacements, school capital improvement projects, town and school energy initiatives, and a sewer construction project, among other projects.

Credit overview

The 'AAA' long-term rating reflects Andover's local economy, which is characterized by very high wealth levels, with a large residential base and a strong commercial presence, including Pfizer and Raytheon as top taxpayers; in addition, further adding to the town's taxbase, town officials recently received authorization to enter into an agreement with Flagship Pioneering, a firm that develops biotech companies, which is expected to invest a minimum of \$325 million in real property and \$78 million in personal property at a vacant commercial lot in Andover.

The town's fiscal 2023 budget-to-actuals show strong operating performance, with revenues outperforming budgeted forecasts and expenditures in line with estimates; local revenues were 125% collected through March and property tax collections on target. The town has historically maintained its available reserve levels hovering at about 10%, which we expect to be maintained at least at this level through the medium-term, while also adhering to a comprehensive capital improvement plan, funded largely on a pay-go basis. The town's fiscal 2024 budget is balanced and totals \$234.8 million, a 3.6% increase over previous year, including a 2.75% increase for town operations and 3.75% increase for school operations. Furthermore, management is proactively managing inflationary pressures, including by entering into longer term purchasing agreements and making cost of living adjustments to retain and recruit staff. For more information on the long-term rating, refer to our recent rating report on Andover, Mass., published Dec. 2, 2022, on

CapIQ.

- Extremely wealthy, residential economy, with access to a broad and diverse metropolitan statistical area (MSA);
- Formalized and comprehensive financial management policies that facilitate consistent operational results and a strong financial profile;
- 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.

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
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	175			
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		

Andover, Massachusetts, key credit metrics (cont.)

	Most recent	Historical information		
		2021	2020	2019

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

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