

Research Update:

# Kingman, AZ Series 2026 Excise Tax Revenue Obligations Rated 'AA'; Outlook Stable

April 7, 2026

## Overview

- S&P Global Ratings assigned its 'AA' long-term rating to the City of [Kingman](#), Ariz.'s anticipated \$25 million series 2026 excise tax revenue obligations.
- At the same time, we affirmed our 'AA' long-term rating on the city's excise tax obligations outstanding.
- The outlook is stable.

## Rationale

### Security

Installment payments under an agreement between the city and the trustee secures the series 2026 excise tax revenue obligations. Payments are secured by a first-lien pledge of excise tax revenues, which include transaction privilege (sales), state-shared sales and income taxes, franchise fees, fees for licenses and permits; and fines and forfeitures.

Officials intend to use the proceeds to finance various road improvements.

### Credit highlights

The rating reflects our view of Kingman's weak, albeit growing, economic base; performance of its sales tax revenues that have withstood cyclical; and very strong pro forma maximum annual debt service (MADS) coverage at 8.4x, a level we view as very strong and above the covenanted 2x additional bonds test (ABT).

Kingman's economy continues to experience developments within the city's commercial and industrial markets as Kingman serves as a regional trade hub and is home to one of the largest industrial parks in northern Arizona. In addition, the city sees a healthy stream of tourism given its location on Route 66 and proximity to outdoor recreation in Hualapai Mountain Park. Consistent with the growth, pledged revenues have increased 11% in the past two years.

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Although pledged revenues are projected to remain relatively flat in the coming years given recent state legislative actions, we expect MADS coverage will remain very strong, even with the inclusion for the potential of \$10 million in additional debt plans in our analysis. We understand that the city will not be using a debt service reserve fund; however, we do not anticipate pledged revenues to cause any liquidity pressure given our forward-looking view of coverage and the stability of the tax base.

The rating further reflects our view of the following:

- Weak economic fundamentals, reflecting Kingman's smaller service area that is just above 34,000 within the city and has an additional 15,000 residing in unincorporated communities, along with below-average incomes compared with those of the nation. However, city's strategic location increases Kingman's access to a broader regional consumer base and pass-through traffic, supporting retail, lodging, and restaurant activity. Furthermore, Kingman's economic base is growing due to the expansion of its industrial footprint with favorable growth prospects that will further develop the city's retail and commercial markets that will likely bolster its pledged revenue trajectory.
- Very strong coverage and liquidity assessment supported by a covenanted 2.0x ABT. Kingman has an established track record of sustaining very strong coverage and we believe this will be maintained throughout the life of the bonds.
- Low volatility of the pledged revenue stream is supported by our view of the revenue stream's diversity and historical performance through economic cycles that further benefits from generally supportive factors including population growth and continued economic development. We expect continued economic growth will lift revenues despite recent legislative decisions that eliminated the collection of residential rental taxes and reduced state-shared revenues.
- Close linkage between the priority-lien pledge and the obligor's creditworthiness, and the rating is not constrained by our view of the obligor's creditworthiness. In our view, Kingman does not benefit from a limited scope of operations and there is exposure to operating risk given that the pledged revenues are in the city's control because they are remitted monthly.
- Underlying creditworthiness is characterized by the city's stable financial performance, maintenance of a healthy fund balance, and manageable long-term liabilities and does not constrain the rating on its excise tax obligations.

## Environmental, social, and governance

Similar to other Arizona communities, Kingman is exposed to natural capital risks from water supply stress and physical risks, such as wildfires. The city relies entirely on groundwater from the Hualapai Valley Basin, where declining groundwater levels over time could lead to higher water extraction and infrastructure costs. In addition, wildfire exposure could increase public safety and infrastructure costs or cause temporary economic disruption. However, the Hualapai Valley Basin carries a designated assured water supply status. Kingman is also implementing mitigation efforts, including aquifer recharge through treated effluent injection and ongoing groundwater monitoring and modeling. Wildfire risk is being offset through participation in county and state wildfire mitigating planning, including fuel reduction projects, emergency response planning, and a community wildfire protection plan. Social and governance factors are neutral in our analysis.

## Outlook

## Kingman, AZ Series 2026 Excise Tax Revenue Obligations Rated 'AA'; Outlook Stable

The stable outlook reflects our view that pledged revenues will continue to provide very strong MADS coverage over the outlook horizon, supported by continued economic growth.

### Downside scenario

We could lower the rating if pledged revenue performance were to deteriorate, leading to coverage levels are comparable with those of similarly rated peers.

### Upside scenario

We could raise the rating if Kingman's economy continues to grow resulting in material improvement in key economic drivers affecting the pledged revenue stream, coupled with an improvement in Kingman's creditworthiness.

### Kingman, Arizona--key credit metrics

	Metric
<b>Economic data</b>	
Economy	Weak
EBI level per capita % of U.S.	76
Statewide revenue base	No
Population (obligor)	34,843
Population (MSA)	226,479
<b>Financial data</b>	
Revenue volatility	Low
Coverage and liquidity	Very strong
Baseline coverage assessment	ABT
MADS coverage (x)	8.40
MADS year	2030
Annual debt service coverage (x)	17.33
2-year pledged revenue change (%)	11.21
<b>Bond provisions</b>	
ABT (x)	2.00
ABT type	MADS
ABT period	Historical
DSRF type	None
<b>Obligor relationship</b>	
Obligor linkage	Close
PL rating limit (number of notches above OC)	1

Data points and ratios may reflect analytical adjustments. EBI--Effective buying income. MSA--Metropolitan statistical area. MADS--Maximum annual debt service. ABT--Additional bonds test. DSRF--Debt service reserve fund. PL--Priority lien. OC--Obligor creditworthiness. N3-pronged test--MADS, 10% of principal, or 125% of average annual debt service. /A--Not available.

#### Ratings List

##### New Issue Ratings

US\$25.000 mil exc tax rev oblig ser 2026 due 07/15/2046

Long Term Rating

AA/Stable

## Kingman, AZ Series 2026 Excise Tax Revenue Obligations Rated 'AA'; Outlook Stable

### Ratings List

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#### Ratings Affirmed

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#### Local Government

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Kingman, AZ City Franchise and Income Taxes, City Sale taxes, State Shared Income Tax, and State Shared Sales Taxes	AA/Stable
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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 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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