Summary:

Kingston, Massachusetts; General Obligation

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Credit Profile

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Rationale

Standard & Poor's Ratings Services has raised its rating on the Town of Kingston, Mass.' general obligation (GO) bonds to 'AA+' from 'AA' based on our local GO criteria released Sept. 12, 2013. The outlook is stable.

A pledge of the town’s full faith and credit secures the bonds.

The rating reflects our assessment of the following factors for the town:

- Kingston, with a population of approximately 12,700, has a very strong economy, in our view, with projected per capita effective buying income at 118.8% of that of the U.S. and a per capita market value of $128,573. The town also benefits from the broad and diverse economy of the Boston metropolitan statistical area.
- In our opinion, Kingston's budgetary flexibility is strong, with available reserves at 15.2% in fiscal 2013. The town did not appropriate any free cash for fiscal 2014.
- The town's budgetary performance has been strong overall, in our view, with a surplus in both the general fund and total governmental funds of 2.6% and 4.4%, respectively, in fiscal 2013. Property taxes remain Kingston's primary revenue source, accounting for almost 67% of general fund revenues, followed by intergovernmental receipts at 20%.
- Supporting Kingston's finances is liquidity we consider very strong, with total governmental cash as a percent of governmental funds expenditures at 28.4% and as a percent of total governmental funds debt service at 452.4%.
- We view the town's management conditions as strong, with good policies that exist in most key areas although not all might be formalized or regularly monitored by governance officials.
- In our opinion, Kingston's debt and contingent liability profile is very strong. Total governmental fund debt service as a percent of total governmental fund expenditures is 6.3%, and net direct debt as a percent of total governmental fund revenue is 36.2%. We consider overall net debt to be low, at 1.5% of market value with approximately 67% of all debt retired in 10 years. The town does not have any plan to issue debt in the next two years.
- Kingston participates in the Plymouth County Retirement System and contributed $1.6 million in fiscal 2013, which equaled its annual required contribution (ARC). The system is funded at 56%. The pension contribution represented 3.7% of total government expenditures.
- The town also provides other postemployment benefits (OPEB) in the form of health insurance. It contributed $758,547 on a pay-as-you-go basis in fiscal 2013, or 17% of its ARC. As of its most recent valuation, July 1, 2012, the plan's unfunded liability was about $39.4 million with a 0% funded ratio. Combined pension cost and OPEB pay-as-you-go contributions were 5.4% of total governmental funds expenditures in fiscal 2013.
- We consider the Institutional Framework score for Massachusetts municipalities as strong. See Institutional Framework score for Massachusetts, published Sept. 12, 2013.
Outlook

The stable outlook reflects Standard & Poor's opinion of Kingston's very strong economy and liquidity profiles supported by good financial management policies, as well as strong budgetary flexibility. Furthermore, the town's very strong debt and contingent liability profile provide further rating stability. Credit improvements depend on the improvement in the town's per capita wealth and effective buying income indicators, holding all else constant. For these reasons, we do not expect to change the rating within the outlook's two-year time frame.

Related Criteria And Research

Related Criteria
• USPF Criteria: Local Government GO Ratings Methodology And Assumptions, Sept. 12, 2013

Related Research
• S&P Public Finance Local GO Criteria: How We Adjust Data For Analytic Consistency, Sept. 12, 2013
• Institutional Framework Overview: Massachusetts Local Governments, Sept. 12, 2013

Complete ratings information is available to subscribers of RatingsDirect at www.globalcreditportal.com. All ratings affected by this rating action can be found on Standard & Poor's public Web site at www.standardandpoors.com. Use the Ratings search box located in the left column.