

Borough of Doylestown, PA

Issuer: Borough of Doylestown, PA

Affirmed	Rating	Outlook
General Obligation Notes	AA	Stable

Methodology:

[U.S. Local Government GO Methodology](#)

[ESG Global Rating Methodology](#)

Analytical Contacts:

Mallory Yu, Analyst
 +1 (646) 731-1380
mallory.yu@kbra.com

Peter Scherer, Director
 +1 (646) 731-2325
peter.scherer@kbra.com

Rating Summary: The long-term rating reflects the inherent strength of the Borough’s full faith and credit pledge; effective management structure and policies; low debt burden; healthy reserves and cash position; and strong wealth and income levels. Under Pennsylvania statute, the Borough has the power to levy ad valorem property taxes, without limitation as to rate or amount, to pay debt service on its general obligation borrowings.

The Borough leverages established, comprehensive and conservative budget practices to achieve satisfactory operating results. Budget-to-actual financial results are monitored on a monthly basis and the Borough may implement midyear expenditure adjustments. The Borough utilizes a rolling five-year capital improvement plan and maintains a formal reserve policy with an emergency reserve targeting 10% of general fund operating revenues.

The Borough’s debt and continuing obligations profile is strong. Direct borrowings at FYE 2022 totaled \$6.5 million and overlapping

debt, which represents the Borough’s allocable portion of debt from the Central Bucks School District and Bucks County, totaled \$3.9 million. The Borough’s total direct and overlapping debt at FYE 2022 remained low at only 0.68% of full market value (FMV) and \$1,247 on a per capita basis. Debt service accounted for a low 5.9% of FY 2022 governmental expenditures. The Borough’s fixed costs include debt service on direct borrowing, contributions to the non-uniform employees’ pension fund, and contributions for the Central Bucks Regional Police Department (CBRPD) pension fund. The Borough has historically contributed to its pension funds at the actuarially determined level. State aid covers a portion of the minimum municipal obligation (MMO) of the non-uniformed pension fund and the CBRPD police pension fund, whose costs are shared among the Boroughs of Doylestown, New Britain, and Chalfont. Fixed costs have increased in the past two years due to increased pension contribution requirements tied to revised actuarial assumptions and increased debt service costs, but remain manageable, representing 11.5% of governmental expenditures in FY 2022.

In KBRA’s view, Doylestown’s financial profile is moderately strong. Ending General Fund (GF) balance has trended upward over the last five years. Increased charges for services and earned income tax receipts have supported structural balance in recent years. Available GF reserves in FY 2022 (11.3% from unassigned fund balance and 10.1% from the emergency reserve) remained robust at 21.4% of expenditures. Governmental funds liquidity in FY 2022 rebounded to 248 days cash on hand, the highest level in five years, following a decline in FY 2021 due to the spenddown of monies designated for capital purposes. GF revenues are diverse, with 33.1% derived from earned income taxes, 19.1% from charges for services, and 17.8% from property taxes in FY 2022.

Year-end projections included in the approved FY 2024 budget estimate FY 2023 GF revenues (excluding transfers and the sale of fixed assets) 9.3% above budget, and GF expenditures (excluding transfers) 0.9% below budget. The general purpose ad valorem tax levy for FY 2024 is 13.915 mills, which represents a three-mill increase from FY 2023, but remains well below the 30 mill statutory limit (35 mills with permission of the Court of Common Pleas for the County). The additional revenues generated will be utilized to fund the hiring of two new fulltime police officers to the CBRPD, for which the Borough’s proportionate share in FY 2024 is budgeted at \$272,000 or 3.5% of projected FY 2023 GF expenditures (excluding transfers). Doylestown has received \$868,561 of American Rescue Plan Act (ARPA) funds, of which none have been spent to date. Management plans to utilize the funds for stormwater improvements and water infrastructure.

KBRA continues to view the Borough’s municipal resource base as strong. Situated within Bucks County, the Borough is approximately 30 miles north of Philadelphia and 80 miles southwest of New York City and benefits from proximity to the diverse employment base of the greater Philadelphia area and southern New Jersey. In 2022, Doylestown’s per capita income was 151% of the Commonwealth average and the poverty rate of 4.1% was below that of the Commonwealth at 11.8%. The Borough’s population of 8,305 as of 2022 has exhibited small declines, recording a compound annual growth rate (CAGR) of -0.09% since 2012, reflecting the mature economy. The County’s unemployment rate has been consistently below the Commonwealth’s, and as of November 2023 stood at 2.6% compared to 2.9% for the Commonwealth. FMV has grown at a moderate 2.8% CAGR between 2012 and 2022. Estimated FMV per capita in 2022 remained robust at \$183,099 and is expected to be bolstered by the addition of several large parcels to the tax roll in 2024/2025.



The Stable Outlook reflects KBRA’s expectation that the Borough will continue to effectively manage its financial operations and maintain strong liquidity and reserve levels. The Stable Outlook also considers the availability of additional capacity under the Borough’s tax levy limit which could be tapped to support future operating needs.

Key Credit Considerations

The rating was affirmed because of the following key credit considerations:

Credit Positives

- Strong wealth and income levels coupled with stable employment base with proximity to large regional employment centers.
- Strong available reserves relative to operations and ample liquidity.
- Low debt burden.

Credit Challenges

- General fund revenue base is somewhat dependent on earned income taxes which can be cyclically sensitive.

Rating Sensitivities

▪ Sustained improvement of the Borough’s financial position.	+
▪ Trend of structural imbalance in operations.	-
▪ Significant deterioration in level of reserves or adverse developments in tax base.	-

Key Ratios

Overall Direct and Overlapping Debt Per Capita	\$	1,247
Overall Direct and Overlapping Debt as a % of Full Market Value		0.7%
Direct Debt Service as a % of Governmental Expenditures		5.9%
Fixed Costs as a % of Governmental Expenditures		11.5%
Unassigned General Fund Balance + Emergency Reserve as a % of Expenditures		21.4%



Rating Determinants (RD)

1. Management Structure and Policies	AA
2. Debt and Additional Continuing Obligations	AA+
3. Financial Performance and Liquidity Position	AA
4. Municipal Resource Base	AA

A detailed review of each rating determinant and the Bankruptcy Assessment can be found in prior KBRA reports, the most [recent](#) of which is dated January 20, 2023.

Financial and Liquidity Summary

Borough of Doylestown, PA					
General Fund Summary Statement of Income, Unassigned Fund Balance, and Liquidity (Modified Accrual Basis in \$000s)					
FYE Dec. 31	2018	2019	2020	2021	2022
Summary General Fund Statement of Income					
Revenues	\$ 6,009	\$ 6,430	\$ 5,880	\$ 7,290	\$ 7,309
Expenditures	6,264	6,432	6,622	6,905	7,254
Excess (Deficiency) of Operating Revenues Over Expenditures	(256)	(1)	(742)	384	55
Other Financing Sources (Uses)	347	372	374	158	(7)
Net Change in Fund Balance	92	370	(369)	542	48
Beginning Fund Balance*	1,012	1,104	1,474	1,105	1,812
Ending Fund Balance	\$ 1,104	\$ 1,474	\$ 1,105	\$ 1,648	\$ 1,860
General Fund Balances					
Nonspendable: Leases					208
Restricted Fund Balance	111	125	139	123	99
Emergency Reserve	601	643	588	729	731
Unassigned Fund Balance	392	706	379	795	822
as a % of Expenditures	6.3%	11.0%	5.7%	11.5%	11.3%
Unassigned Fund Balance + Emergency Reserve	993	1,349	967	1,524	1,553
as a % of Expenditures	15.9%	21.0%	14.6%	22.1%	21.4%
Liquidity					
General Fund Cash and Cash Equivalents	665	1,205	706	1,241	1,361
as a % of Expenditures	10.6%	18.7%	10.7%	18.0%	18.8%
General Fund Days Cash on Hand	39	68	39	66	68
Governmental Funds Cash and Cash Equivalents	2,449	3,461	7,488	3,530	6,581
Governmental Funds Expenditures	7,289	7,282	11,566	16,446	9,704
Cash and Cash Equivalents as a % of Expenditures	33.6%	47.5%	64.7%	21.5%	67.8%
Governmental Funds Days Cash on Hand	123	173	236	78	248

Source: Audited Financial Statements

* The implementation of GASB Statement No. 87 in FY 2022 resulted in the restatement of 2021 fund balance

ESG Management

KBRA typically analyzes Environmental, Social, and Governance (ESG) factors through the lens of how issuers plan for and manage relevant ESG risks and opportunities. More information on KBRA's approach to ESG risk management in public finance ratings can be found [here](#). Over the medium-term, public finance issuers will likely need to prioritize ESG risk management and disclosure with the likelihood of expansions in ESG-related regulation and rising investor focus on ESG issues.

KBRA analyzes many sector- and issuer-specific ESG issues but our analysis is often anchored around three core topics: climate change, with particular focus on greenhouse gas emissions; stakeholder preferences; and cybersecurity. Under environmental, as the effects of climate change evolve and become more severe, issuers are increasingly facing an emerging array of challenges and potential opportunities that can influence financial assets, operations, and capital planning. Under social, the effects of stakeholder preferences on ESG issues can impact the demand for an issuer's product and services, the strength of its global reputation and branding, its relationship with employees, consumers, regulators, and lawmakers, and, importantly, its cost of and access to capital. Under governance, as issuers continue to become more reliant on technology, cybersecurity planning and information management are necessary for most issuers, regardless of size and industry.

 **Environmental Factors**

The Borough established the Environmental Advisory Council in 2008 which is responsible for identifying, advising, promoting, and executing initiatives pertaining to environmental issues. The Council spearheaded a resolution to reduce the distribution of single-use plastic in the Borough.

The Borough's Department of Zoning and Planning implemented the 2017 Green Building Incentive Program which offers permit fee reductions for construction that utilizes cost-effective and sustainable building methods and materials.

 **Social Factors**

The Borough established the Human Relations Commission in 2010 which works towards the elimination of discrimination and unlawful harassment for those who live, work, and visit the Borough. Subsequently, ordinances were passed to protect the right to breastfeed in public accommodations and define gay conversion therapy as a form of discrimination.

 **Governance Factors**

The Borough currently holds scheduled monthly meetings, open to the public, for its various councils and committees that address concerns of constituents and other stakeholders.

Annual cybersecurity training is provided for Borough employees. Management has also retained an information technology vendor to evaluate the Borough's systems and policies.

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