

Borough of Doylestown, PA – G.O.

Issuer: Borough of Doylestown, PA

Affirmed Rating Outlook

Affirmed	Rating	Outlook
General Obligation Notes	AA	Stable

Methodology:

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

Analytical Contacts:

Mallory Yu, Senior Analyst

+1 (646) 731-1380

mallory.yu@kbra.com

Peter Scherer, Senior Director

+1 (646) 731-2325

peter.scherer@kbra.com

Rating Summary: The long-term rating for the Borough of Doylestown's (the "Borough") General Obligation Notes (the "Notes") 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 monthly 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 GF operating revenues.

The Borough's debt and continuing obligations profile is strong. Direct borrowings at FYE 2023 totaled \$6.1 million and overlapping debt,

which represents the Borough's allocable portion of debt from the Central Bucks School District and Bucks County, totaled \$3.2 million. The Borough's total direct and overlapping debt at FYE 2023 remained low at only 0.6% of full market value ("FMV") and \$1,118 on a per capita basis. Debt service expenditures have increased somewhat in recent years to account for a manageable 6.4% of FY 2023 total 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. Pension contributions have historically been at the actuarially determined level, with Act 205 receipts covering 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 12.4% of total governmental expenditures at FYE 2023.

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 at FYE 2023 (10.8% from unassigned fund balance and 11.1% from the emergency reserve) remained robust at 21.9% of expenditures. Governmental funds liquidity at FYE 2023 of 256 days cash on hand was the highest level in five years. The primary sources of GF revenues were earned income taxes (28.8% of FY 2023 GF revenues), charges for services (27.5%), and property taxes (15.4%).

Year-end projections for FY 2024 are largely in line with budgeted amounts, with GF revenues (excluding transfers and the sale of fixed assets) projected at 0.5% below budget and GF expenditures (excluding transfers) 1.0% below budget, resulting in a projected \$202,059 decline in fund balance. The general purpose ad valorem tax levy was increased by three mills in FY 2024 to 13.915 mills with increased collections used for purposes including increased CBRPD staffing. The mill rate was held steady in FY 2025 and remains well below the 30 mill statutory limit (35 mills with permission of the Court of Common Pleas for the County). Doylestown received \$868,561 of American Rescue Plan Act ("ARPA") funds, which management has obligated for stormwater improvements and water infrastructure, and of which approximately \$453,756 was spent down in FY 2024.

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 benefits from proximity to the diverse employment base of the greater Philadelphia area and southern New Jersey. In 2023, Doylestown's per capita income was 146% of the Commonwealth average and the poverty rate of 6.0% was below that of the Commonwealth at 11.8%. The Borough's population of 8,322 as of 2023 has exhibited small declines, recording a compound annual growth rate ("CAGR") of -0.06% since 2013, reflecting the mature economy. The County level unemployment rate has been consistently below the Commonwealth's, and as of November 2024 stood at 3.0% compared to 3.3% for the Commonwealth. FMV has grown at a moderate 2.85% CAGR between 2013 and 2023. Estimated FMV per capita in 2023 remained robust at \$184,789.

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 FY 2023

Overall Direct and Overlapping Debt Per Capita	\$	1,118
Overall Direct and Overlapping Debt as a % of Full Market Value		0.6%
Direct Debt Service as a % of Governmental Expenditures		6.4%
Fixed Costs as a % of Governmental Expenditures		12.4%
Unassigned General Fund Balance + Emergency Reserve as a % of Expenditures		21.9%



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 review of each Rating Determinant and the Bankruptcy Assessment can be found in prior KBRA reports, the most [recent](#) of which is dated January 19, 2024.

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	2019	2020	2021	2022	2023
Summary General Fund Statement of Income					
Revenues	\$ 6,430	\$ 5,880	\$ 7,290	\$ 7,309	\$ 8,448
Expenditures	6,432	6,622	6,905	7,254	7,665
Excess (Deficiency) of Operating Revenues Over Expenditures	(1)	(742)	384	55	783
Other Financing Sources (Uses)	372	374	158	(7)	(454)
Net Change in Fund Balance	370	(369)	542	48	329
Beginning Fund Balance*	1,104	1,474	1,105	1,812	1,860
Ending Fund Balance	\$ 1,474	\$ 1,105	\$ 1,648	\$ 1,860	\$ 2,189
General Fund Balances					
Nonspendable: Leases				208	196
Restricted Fund Balance	125	139	123	99	316
Emergency Reserve	643	588	729	731	845
Unassigned Fund Balance	706	379	795	822	831
as a % of Expenditures	11.0%	5.7%	11.5%	11.3%	10.8%
Unassigned Fund Balance + Emergency Reserve	1,349	967	1,524	1,553	1,676
as a % of Expenditures	21.0%	14.6%	22.1%	21.4%	21.9%
Liquidity					
General Fund Cash and Cash Equivalents	1,205	706	1,241	1,361	1,685
as a % of Expenditures	18.7%	10.7%	18.0%	18.8%	22.0%
General Fund Days Cash on Hand	68	39	66	68	80
Governmental Funds Cash and Cash Equivalents	3,461	7,488	3,530	6,581	6,858
Governmental Funds Expenditures	7,282	11,566	16,446	9,704	9,770
Cash and Cash Equivalents as a % of Expenditures	47.5%	64.7%	21.5%	67.8%	70.2%
Governmental Funds Days Cash on Hand	173	236	78	248	256

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.

A review of ESG Management can be found in prior KBRA reports, the most [recent](#) of which is dated January 19, 2024.



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