

Township of East Goshen, PA – G.O.

**Issuer: East Goshen Municipal Authority
Township of East Goshen, PA**

Affirmed Rating Outlook

Guaranteed Sewer Revenue Notes AAA Stable

Methodology:

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

[ESG Global Rating Methodology](#)

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Rating Summary: The long-term rating for the East Goshen Municipal Authority's (the "Authority") Guaranteed Sewer Revenue Notes (the "Guaranteed Notes") reflects the strengths inherent to the Township's general obligation pledge, as well as the Township's effective management structure, very affordable debt and continuing obligations profile, strong underlying tax base, and ample reserves which provide considerable financial flexibility. While the General Fund ("GF") is somewhat dependent on earned income taxes, such concentration is manageable at the current rating level.

The Guaranteed Notes are payable from lease payments received by the Authority from the Township pursuant to a lease agreement requiring monthly payments equal to monthly debt service on outstanding Guaranteed Notes. Lease payments are payable first from revenues of the Township's Sewer Fund, supported by a guarantee of the Township's full faith, credit, and unlimited tax pledge. Under the guarantee agreement, if Sewer Fund revenues are insufficient to fully pay debt service, the Township is required to make up the deficiency. As a result, KBRA's rating on the Guaranteed Notes is based solely on the Township's general obligation credit.

The Authority is a self-supporting component unit of the Township created for the purpose of constructing, expanding, and upgrading

sewer plants and other facilities. Sewer Fund resources are a reliable, primary source of payment for the Guaranteed Notes, evidenced by their history of sufficiently covering lease payments without Township tax support. Between FY 2019 and FY 2024, KBRA calculates that Sewer Fund cash flows solidly covered lease rental payments in a range between 2.38x to 2.93x. Coverage at or near this level is expected to continue.

The Township's management structure and policies are strong. Procedures pertaining to budget processes are formal and the Township has a history of accurate revenue forecasting and effective expenditure controls. Year-over-year planning is informed by the Township's 10-year projections. Financial reports are monitored and presented monthly to the Board of Supervisors. The Township continues to maintain a formal, written reserve policy requiring the maintenance of both: (i) an operating reserve balance up to the equivalent of 25% of annual GF revenues and (ii) GF balance equivalent to at least 20% of annual revenues. The Township continues to annually update its five-year capital improvement plan.

The Township's debt and continuing obligations profile is favorable, with FYE 2024 direct debt of \$12.6 million including \$5.5 million of Guaranteed Notes and \$7.0 million in General Obligation Bonds. Overlapping debt, which includes the Township's allocable portion of debt from Chester County and West Chester School District, totaled approximately \$59.0 million. Overall direct and overlapping debt represented an affordable 2.3% of full market value ("FMV"). The Township has a history of pension contributions, inclusive of Act 205 contributions, at or in excess of the actuarially determined contribution level. As a result, defined benefit pension plans remain well- or over-funded. The Township's fixed costs burden was affordable at 8.1% of governmental expenditures in FY 2024, reflecting direct debt service costs of \$461,400, pension costs of \$623,397, and OPEB costs of \$111,896.¹ A decline in direct debt service requirements kept the fixed costs burden approximately flat in FY 2024 over the previous year, offsetting an increase of 81.5% in the Township's proportional share² of the Minimum Municipal Obligation ("MMO"), net of Act 205 receipts, to the Westtown-East Goshen Regional Police Department ("WEGO") pension. The increase in the Township's share of pension contribution reflects an overall increase in MMO per actuary recommendation, but KBRA continues to view the Township's pension contributions as manageable.

The Township maintains considerable financial flexibility, underpinned by consistently large unassigned fund balances and ample liquidity. Operating results have been favorable, and in FY 2024 the GF generated a surplus of \$687,105, despite a 19.7% increase in public safety expenditures. This increase reflects the previously mentioned increase in the WEGO pension MMO and the Township's anticipated larger share of WEGO expenditures resulting from Thornbury Township³ electing not to renew their service contract. The increase in expenditures was offset by continued strong performance in earned income taxes and

¹ Pension costs include direct costs for fire and non-uniform as well as allocable costs for non-uniform and police associated with the Westtown-East Goshen Regional Police Department ("WEGO"), net in each case of Act 205 receipts. OPEB costs are the allocable share arising from WEGO.

² WEGO operates on a PPU based model which splits the cost 44.5%/55.5% Westtown/East Goshen.

³ The Township reports that Thornbury Township represented approximately 10% of calls for service and that the termination of its service contract reduces the coverage area needed by 4 square miles.



higher than anticipated real estate transfer tax collections. The resultant unassigned fund balance at FYE 2024 of \$4.9 million represented a solid 41.8% of GF expenditures and FYE 2024 GF cash and cash equivalents represented a strong 254 days cash on hand, both of which provide the Township with a strong level of financial flexibility.

FY 2025 budgeted expenditures represent a 0.8% decline from the FY 2024 budget, reflecting favorable cost containment. To manage the increased WEGO costs, the Township and Westtown hired a management consulting firm to examine WEGO's processes and staffing levels, are discussing a 50% reduction in new vehicles, and the Township continues to consider the implementation of an EMS tax. KBRA notes that the property tax levy of 1.75 mills for 2025, which has been held flat over the last two years, is well below the statutory tax levy limit of 14 mills (19 mills with permission of the Court of Common Pleas for the County) and could be tapped to support future operating needs.

The Township's municipal resource base is strong as evidenced by CY 2023 per capita income at 155% of the Commonwealth level and FMV per capita of \$169,542 in CY 2024. FMV has grown at a 3.2% compound annual growth rate ("CAGR") between 2004 and 2024, outpacing growth in the consumer price index (CPI, 2.6%) over the same period. The Township's proximity to major employment hubs in Philadelphia, Wilmington, and the surrounding Chester County supports strong earning power as well as low poverty and unemployment levels. The poverty level in CY 2023 was 6.0%, well below the Commonwealth at 11.8% and Nation at 12.4%. Township level unemployment is not available, though the surrounding Chester County unemployment rate of 3.3% (June 2025) was below that of the Commonwealth and Nation at 4.6% and 4.4%, respectively.

The Stable Outlook reflects KBRA's expectation that the Township will continue to achieve structurally balanced operations while preserving solid unassigned General Fund reserves and liquidity. The outlook also assumes that the Authority will continue to pay debt service on the Guaranteed Notes without assistance from the Township.

Key Credit Considerations

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

Credit Positives

- Strong financial management policies and procedures, which include monthly financial reporting.
- Stable underlying tax base with good commuter access to large, diverse employment centers, supporting high income and wealth levels.
- High level of financial flexibility afforded by ample reserve levels.

Credit Challenges

- General Fund revenue base is somewhat dependent on earned income taxes.

Rating Sensitivities

▪ Not applicable	+
▪ Trend of GF operating deficits leading to sustained deterioration in reserve levels.	-
▪ Increase in debt burden or significant changes to the Township's tax base.	-

Key Ratios

Overall Direct and Indirect Debt Per Capita	\$3,889
Overall Debt as a % of Full Market Value	2.3%
Direct Debt Service as a % of Governmental Expenditures	3.1%
Fixed Costs as a % of Governmental Expenditures	8.1%
Unassigned General Fund Balance as a % of Expenditures	41.8%
Debt Amortization Within 10 Years (as of FYE 2024)	85.2%

**Rating Determinants (RD)**

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

A review of each Rating Determinant, the Bankruptcy Assessment, and ESG Management can be found in prior KBRA reports, the most [recent](#) of which is dated September 18, 2024.

Financial and Liquidity Summary**East Goshen Township, PA - Summary Statement of Income, Unassigned Fund Balance, and Liquidity**

FYE December 31 (Modified Accrual Basis)

	2020	2021	2022	2023	2024
<u>Summary General Fund Statement of Income</u>					
Revenues	\$ 9,872,602	\$ 10,843,750	\$ 11,189,389	\$ 12,300,774	\$ 12,859,097
Expenditures	9,281,392	9,532,960	10,160,990	10,689,188	11,664,906
Excess (Deficiency) of Operating Revenue Over Expenditures	591,210	1,310,790	1,028,399	1,611,586	1,194,191
Other Financing Sources (Uses)	(414,008)	(872,468)	(2,436,642)	(813,209)	(507,086)
Net Change in Fund Balance	177,202	438,322	(1,408,243)	798,377	687,105
Beginning Fund Balance	8,131,774	8,308,976	8,747,298	7,339,055	8,137,432
Ending Fund Balance	8,308,976	8,747,298	7,339,055	8,137,432	8,824,537
<u>Unassigned General Fund Balance</u>					
Unassigned General Fund Balance	5,768,227	5,855,875	4,403,147	4,886,658	4,875,947
as a % of Expenditures	62.1%	61.4%	43.3%	45.7%	41.8%
<u>Liquidity</u>					
General Fund Cash and Cash Equivalents	8,307,060	8,525,039	7,375,275	7,973,639	8,107,183
as a % of Expenditures	89.5%	89.4%	72.6%	74.6%	69.5%
General Funds Days Cash on Hand	327	326	265	272	254
Governmental Funds Cash and Cash Equivalents	17,120,979	18,050,436	18,192,144	17,732,871	16,450,719
as a % of Expenditures	125.0%	149.2%	138.2%	128.4%	110.7%
Governmental Funds Days Cash on Hand	456	545	505	469	404

Source: Audited Financial Statements and KBRA Calculations

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