

Township of West Orange

Debt & Finance Presentation

Presented by:

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Phoenix Advisors

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The State of the Township's Debt!

- The Township's net debt as of 2024 is over \$171 million!
- Net debt has increased by 56% over the last five years!
- Payment of debt is 12.5% of the budget!
- The Township, recognizing that allowing the debt to increase exponentially places a financial burden on the residents, has developed a long-term debt management plan that will guide this and future councils' capital planning.



Debt Management Plan Goals:

- Continue to pay down outstanding debt thereby reducing the related debt services over time
- Look to take advantage of lower interest rates, when possible, to permanently finance outstanding notes, thereby reducing interest rate risk
- Over time, replace borrowing with “pay-as-you-go” funding using cash rather than credit for capital investment
- Carefully manage capital spending with strategic planning to build “pay-go” capability
- Achieve strategic success by freeing up millions of debt service dollars annually to support operations, capital investment, and when possible, return value to the taxpayers through increased usage of surplus rather than taxation.

What is Municipal Debt?

- The Township has both Operating Expenses and Capital Expenses:
 - Operating Expenses include the salaries and wages of employees, utility expenses, garbage and community programming - just to name a few. Operating Expenses are broadly defined as the ongoing expenses to run the day-to-day Township services.
 - Capital Expenses are individual purchases for land, infrastructure improvements, equipment, vehicles and major renovation/construction projects. Capital Expenses are typical high value purchases. For that reason, the cost is too great to include the full amount of the purchase in one budget year.
- For example, let's say the Township wants to construct a new public works building. The cost of the construction could be \$30M. The Township will go out into the capital markets and issue bonds for \$30M so that we have the funds to pay for the project. The bonds will then be repaid, with interest, via annual appropriations in the budget. The repayment schedule follows the useful life of the asset that was purchased to spread the cost over the generations of residents who benefit from the project. In this example, the repayment would be over 25 years.

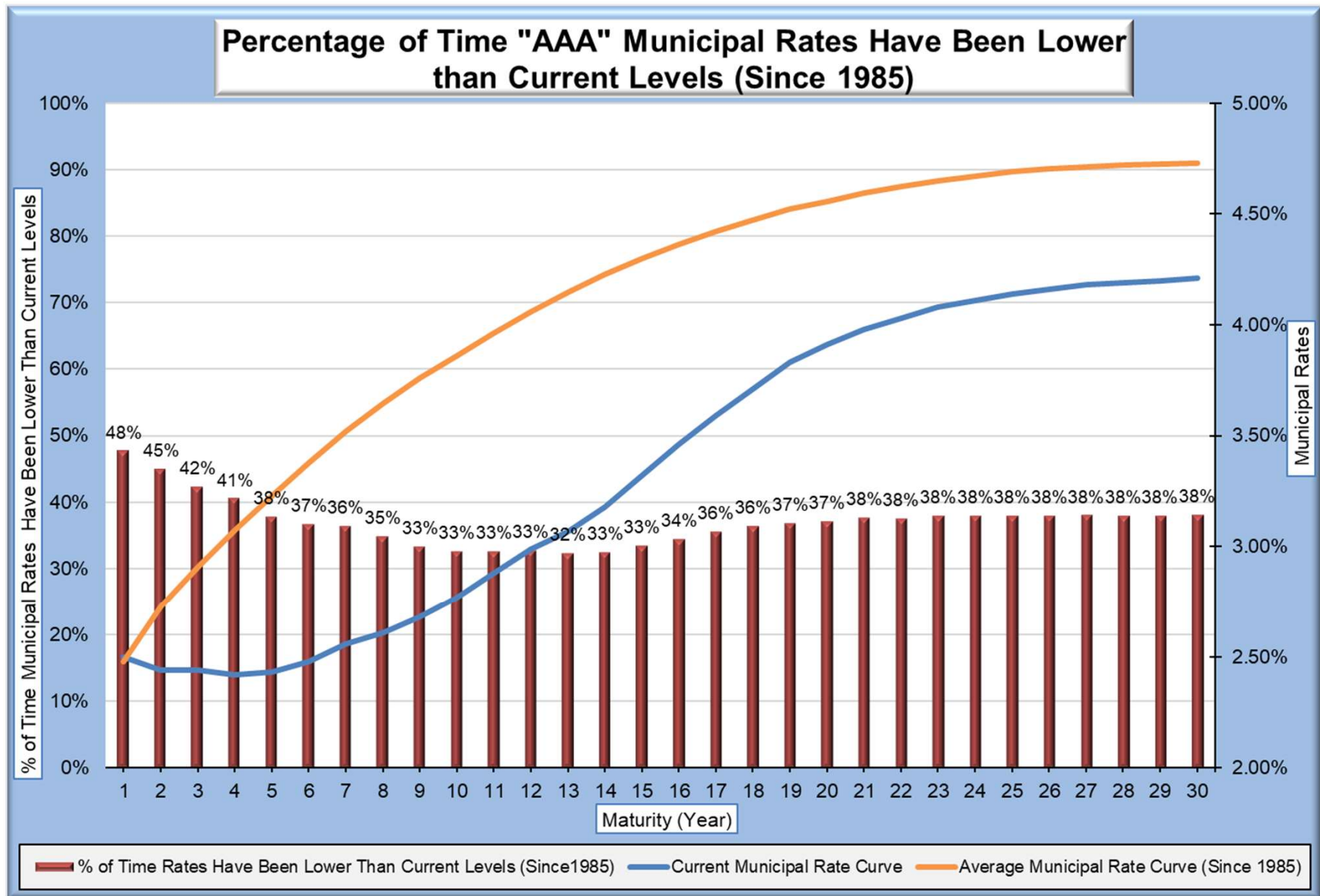


What is Municipal Debt? (cont.)

- Municipal debt can best be compared to a resident's mortgage. Most homeowners do not have the funds to pay cash for their home, so they go to a bank and get a long-term loan (i.e. a mortgage). The homeowner pays principal and interest every month until the loan is repaid.
- The interest rate on the loan determines the amount of interest the homeowner will pay over the life of the loan. For example, a 30-year mortgage for \$500,000 at 5% will cost the homeowner \$465,000 in interest. If the rate moves up 1%, then the homeowner will pay \$580,000 in interest over the life of the loan.
- Just as market conditions can raise or reduce interest rates for homeowners, the Township's short and long-term debt is impacted by changes in the municipal bond market. As rates climb, the Township's debt service expense will increase and will generally be passed along to the taxpayer.
- Due to the size and credit rating of municipal entities, municipal bond rates are generally lower than those of a resident. For example, a 30-year mortgage rate is currently 6.25% and a 30-year tax-exempt municipal bond rate is currently 4.25%.



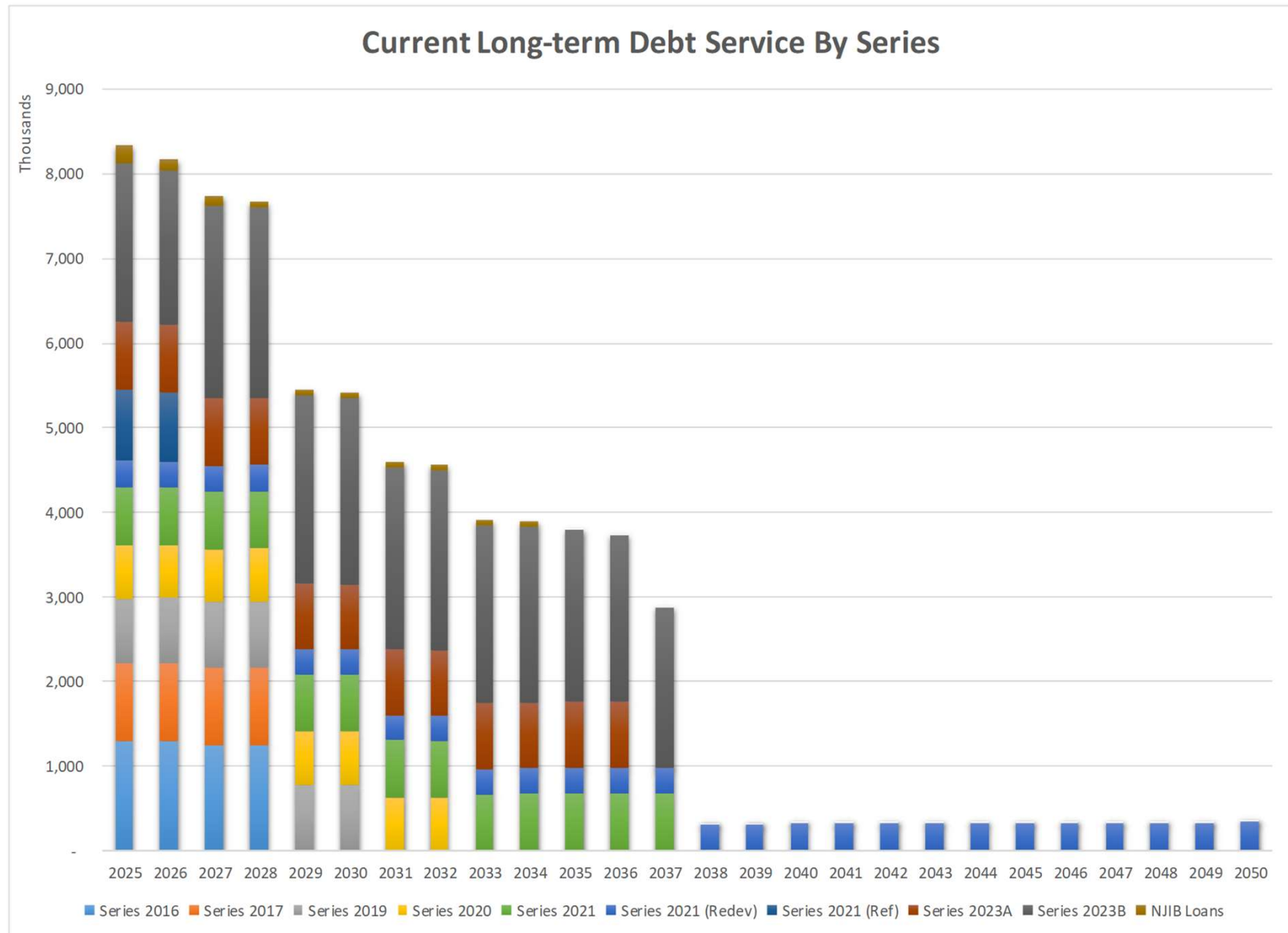
Historical Municipal Bond Rates



Current Debt Profile

- The Township's Statutory Net Debt is approximately \$170 million. This includes:
 - \$54 million of long-term, fixed rate bonds
 - \$11.4 million of bond anticipation notes ("BANs") coming due in March 2026
 - \$62.7 million of BANs coming due in November 2026
 - \$3.3 million of special emergency notes ("SENs") coming due in November 2026
 - \$38 million of authorized but not issued debt (includes JMEU authorizations)
 - \$700k of NJIB loans (JMEU)
- For 2025, debt service and deferred charges (SENs) combined for \$13.5 million, or 12.5% of the total budget.
- There are large drops in aggregate debt service in 2029 and 2038.
- The Township's current bond rating is "AA" (3rd highest) by S&P Global and was last affirmed in October 2025. A bond rating is similar to a resident's credit score, as it impacts their cost to borrow.
- The CFO and Phoenix review the outstanding debt annually to make sure the debt is managed in the most cost-effective way possible given market conditions, future debt authorizations, budgetary concerns and current capital needs.

Outstanding Bonded Debt Service by Series



- (1) Excludes special assessment bonds, authorized but not issued debt, short-term debt (BANs) and deferred charges (SENs).
 (2) Long-term bonds may be refinanced from time-to-time based on market conditions and redemption provisions.

Future Debt & Capital Discussion

- The Township Council and CFO have expressed a desire to begin to transition to an annual pay-go capital plan funded by the budget in lieu of borrowing short and long-term debt.
- The Township expects to receive \$6.3 million in green acres grants (Rock Spring) and \$10.8 million from the sale of land (55 Lakeside). These funds will be used towards the repayment of debt.
- The CFO has identified approximately \$22.8 million of authorized but not issued bond ordinances that will also need to be funded over the next two (2) years, as the projects are ongoing and will require cash to fund them.
 - This excludes approximately \$15 million of JMEU authorizations that may not need to be funded by the Township.
- Based on the Township's outstanding long-term debt, a bond issuance between 2026-2028 would be the best time to permanently finance the debt, assuming favorable market conditions.



Proposed Debt & Capital Plan

- The proposed debt plan targets an annual pay-go capital program of \$5.5 million per year (\$5 million capital and \$500k special emergencies), which is expected to be 100% funded by the budget by 2038 with 2% annual increases to debt service in the interim.
- For 2025, we included \$6.7 million of new debt authorization (ordinance 2915-25) and \$800,000 of special emergencies.
- From 2026 to 2036, new annual capital needs of \$5.5 million would be funded by a mix of debt authorizations, special emergencies and pay-go capital.
- In addition, approximately \$22.8 million of authorized but not issued bond ordinances will be funded over the next two (2) years by debt issuance.
- The proposed future debt issuances include:
 - Roll existing notes to 2028
 - Issue new notes in 2025-2036 to finance "Expected New Debt"
 - Issue \$81.4 million bonds between 2026-2028 to finance all outstanding notes
 - Roll new notes to 2037
 - Issue \$14.6 million bonds in 2037 to finance all outstanding notes
 - Roll SENs with mandatory pay downs and annual new money as shown above
 - Full migration to pay-go capital funding beginning 2038

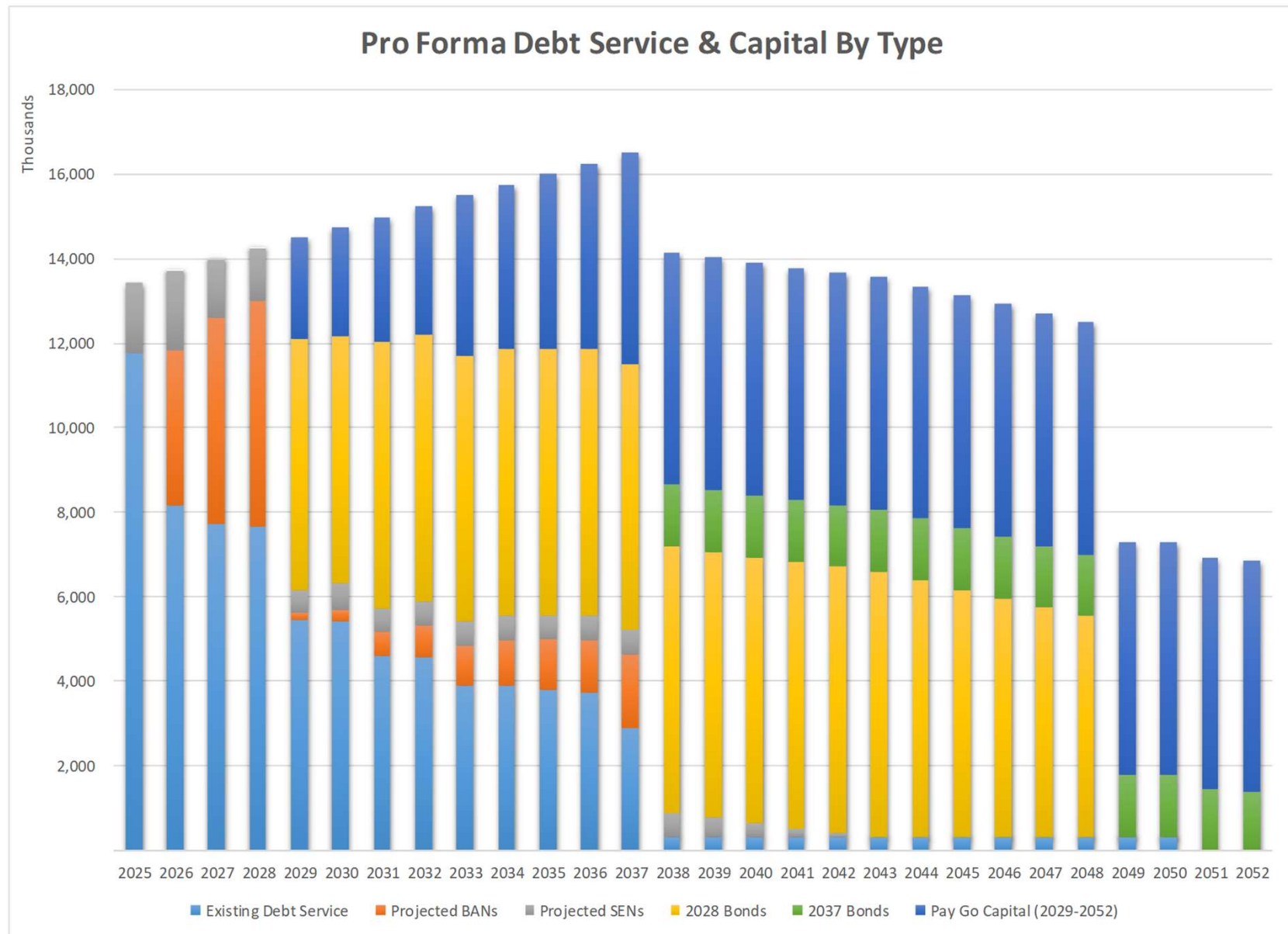


Aggregate Debt & Capital Projections

PROJECTED AGGREGATE DEBT SERVICE & CAPITAL									
INCLUDES EXISTING BONDS, LOANS & NOTES AND \$5.5M ANNUAL CAPITAL PROGRAM									
FY Ending 12/31	Existing Debt Service	New Bonds, Notes & Deferred Charges			Aggregate Debt Service	Outstanding Principal Amount	Annual Pay-Go Capital	Pay-go Capital + Annual Debt Service	Percentage Increase
		Principal	Interest	Total Debt Service					
2025	13,450,810				13,450,810	139,022,466		13,450,810	
2026	8,169,835	3,517,226	2,018,554	5,535,780	13,705,615	149,540,083		13,705,615	1.9%
2027	7,736,739	3,589,000	2,649,660	6,238,660	13,975,399	145,300,174		13,975,399	2.0%
2028	7,668,173	3,455,500	3,122,973	6,578,473	14,246,646	123,910,799		14,246,646	1.9%
2029	5,457,648	2,960,000	3,694,200	6,654,200	12,111,848	119,815,525	2,375,000	14,486,848	1.7%
2030	5,413,373	3,060,000	3,698,125	6,758,125	12,171,498	115,339,251	2,550,000	14,721,498	1.6%
2031	4,605,778	3,718,000	3,703,563	7,421,563	12,027,341	110,460,977	2,950,000	14,977,341	1.7%
2032	4,569,078	3,939,000	3,678,168	7,617,168	12,186,246	105,160,702	3,050,000	15,236,246	1.7%
2033	3,906,417	4,159,000	3,648,515	7,807,515	11,713,932	99,436,351	3,775,000	15,488,932	1.7%
2034	3,896,292	4,370,000	3,585,105	7,955,105	11,851,397	93,261,000	3,900,000	15,751,397	1.7%
2035	3,803,254	4,583,000	3,469,080	8,052,080	11,855,334	86,598,000	4,150,000	16,005,334	1.6%
2036	3,738,032	4,781,000	3,332,583	8,113,583	11,851,614	79,437,000	4,400,000	16,251,614	1.5%
2037	2,879,335	5,450,000	3,176,313	8,626,313	11,505,648	71,760,000	5,000,000	16,505,648	1.6%
2038	310,520	5,230,000	3,109,125	8,339,125	8,649,645	66,315,000	5,500,000	14,149,645	-14.3%
2039	315,020	5,335,000	2,869,913	8,204,913	8,519,933	60,755,000	5,500,000	14,019,933	-0.9%
2040	319,270	5,455,000	2,627,550	8,082,550	8,401,820	55,065,000	5,500,000	13,901,820	-0.8%
2041	318,273	5,585,000	2,381,338	7,966,338	8,284,610	49,240,000	5,500,000	13,784,610	-0.8%
2042	321,775	5,720,000	2,130,850	7,850,850	8,172,625	43,270,000	5,500,000	13,672,625	-0.8%
2043	324,763	5,855,000	1,875,875	7,730,875	8,055,638	37,155,000	5,500,000	13,555,638	-0.9%
2044	327,475	5,905,000	1,616,350	7,521,350	7,848,825	30,980,000	5,500,000	13,348,825	-1.5%
2045	324,981	5,955,000	1,354,075	7,309,075	7,634,056	24,750,000	5,500,000	13,134,056	-1.6%
2046	326,925	6,005,000	1,089,050	7,094,050	7,420,975	18,460,000	5,500,000	12,920,975	-1.6%
2047	328,225	6,060,000	821,275	6,881,275	7,209,500	12,105,000	5,500,000	12,709,500	-1.6%
2048	334,150	6,120,000	550,475	6,670,475	7,004,625	5,675,000	5,500,000	12,504,625	-1.6%
2049	334,700	1,180,000	276,375	1,456,375	1,791,075	4,175,000	5,500,000	7,291,075	-41.7%
2050	334,950	1,245,000	211,475	1,456,475	1,791,425	2,600,000	5,500,000	7,291,425	0.0%
2051		1,300,000	143,000	1,443,000	1,443,000	1,300,000	5,500,000	6,943,000	-4.8%
2052		1,300,000	71,500	1,371,500	1,371,500		5,500,000	6,871,500	-1.0%
Total:	\$79,515,791	\$115,831,726	\$60,905,062	\$176,736,788	\$256,252,579		\$114,650,000	\$370,902,579	
Max Annual Debt Service:					\$14,246,646				
Avg Annual Debt Service:					\$8,992,658				

- (1) Includes all Current Fund debt including: general improvement bonds, NJIB loans, debt service on BANs for 2025 and deferred charges (SENs) for 2025. Excludes special assessment bonds debt service.
- (2) Rates assumed to increase 0.25% for bonds and notes each year. Includes voluntary principal pay downs on notes that are subject to change.
- (3) Annual pay-go capital funded as a combination of debt and cash as described herein.

Aggregate Debt & Capital Projections (cont.)



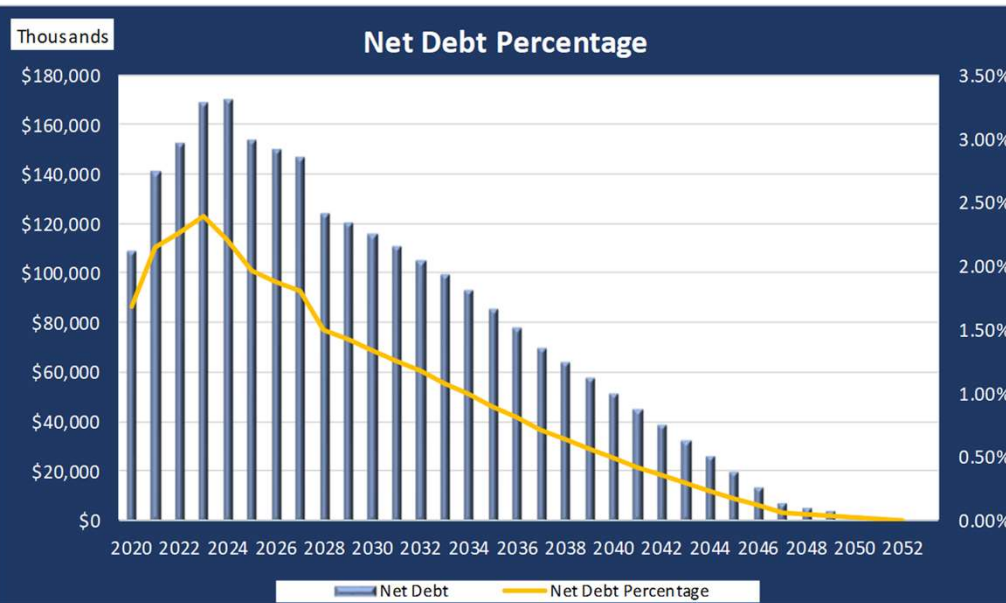
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- (3) Annual pay-go capital funded as a combination of debt and cash as described herein.

Debt & Capital Amortization Summary

DEBT & CAPITAL AMORTIZATION SUMMARY										
Year	Starting Net Debt	New BAN Authorization	New SEN Authorization	Annual Pay-Go Capital	Adjustments	Principal Amortization	Ending Net Debt	Net Debt Percentage	Debt Service + Deferred Charges	Debt Service Carrying Charge
2025	170,571,638	6,700,000	800,000	-	(15,468,335)	(8,631,838)	153,971,466	1.96%	13,450,810	12.5%
2026	153,971,466	5,000,000	500,000	-	-	(9,931,383)	149,540,083	1.87%	13,705,615	12.5%
2027	149,540,083	5,000,000	500,000	-	-	(9,739,909)	145,300,174	1.78%	13,975,399	12.5%
2028	145,300,174	5,000,000	500,000	-	(17,133,600)	(9,755,774)	123,910,799	1.49%	14,246,646	12.5%
2029	123,910,799	2,625,000	500,000	2,375,000	-	(7,220,274)	119,815,525	1.41%	12,111,848	10.4%
2030	119,815,525	2,450,000	500,000	2,550,000	-	(7,426,274)	115,339,251	1.33%	12,171,498	10.2%
2031	115,339,251	2,050,000	500,000	2,950,000	-	(7,428,274)	110,460,977	1.25%	12,027,341	9.9%
2032	110,460,977	1,950,000	500,000	3,050,000	-	(7,750,274)	105,160,702	1.16%	12,186,246	9.8%
2033	105,160,702	1,225,000	500,000	3,775,000	-	(7,449,351)	99,436,351	1.08%	11,713,932	9.3%
2034	99,436,351	1,100,000	500,000	3,900,000	-	(7,775,351)	93,261,000	0.99%	11,851,397	9.2%
2035	93,261,000	850,000	500,000	4,150,000	-	(8,013,000)	86,598,000	0.90%	11,855,334	9.0%
2036	86,598,000	600,000	500,000	4,400,000	-	(8,261,000)	79,437,000	0.81%	11,851,614	8.8%
2037	79,437,000	-	500,000	5,000,000	-	(8,177,000)	71,760,000	0.72%	11,505,648	8.4%
2038	71,760,000	-	-	5,500,000	-	(5,445,000)	66,315,000	0.65%	8,649,645	6.2%
2039	66,315,000	-	-	5,500,000	-	(5,560,000)	60,755,000	0.59%	8,519,933	6.0%
2040	60,755,000	-	-	5,500,000	-	(5,690,000)	55,065,000	0.52%	8,401,820	5.8%
2041	55,065,000	-	-	5,500,000	-	(5,825,000)	49,240,000	0.46%	8,284,610	5.6%
2042	49,240,000	-	-	5,500,000	-	(5,970,000)	43,270,000	0.39%	8,172,625	5.4%
2043	43,270,000	-	-	5,500,000	-	(6,115,000)	37,155,000	0.33%	8,055,638	5.2%
2044	37,155,000	-	-	5,500,000	-	(6,175,000)	30,980,000	0.27%	7,848,825	5.0%
2045	30,980,000	-	-	5,500,000	-	(6,230,000)	24,750,000	0.21%	7,634,056	4.8%
2046	24,750,000	-	-	5,500,000	-	(6,290,000)	18,460,000	0.15%	7,420,975	4.5%
2047	18,460,000	-	-	5,500,000	-	(6,355,000)	12,105,000	0.10%	7,209,500	4.3%
2048	12,105,000	-	-	5,500,000	-	(6,430,000)	5,675,000	0.05%	7,004,625	4.1%
2049	5,675,000	-	-	5,500,000	-	(1,500,000)	4,175,000	0.03%	1,791,075	1.0%
2050	4,175,000	-	-	5,500,000	-	(1,575,000)	2,600,000	0.02%	1,791,425	1.0%
2051	2,600,000	-	-	5,500,000	-	(1,300,000)	1,300,000	0.01%	1,443,000	0.8%
2052	1,300,000	-	-	5,500,000	-	(1,300,000)	0	0.00%	1,371,500	0.7%

(1) Adjustments include: (i) the removal of \$15.5 million of authorized but not issued debt in 2025 to better reflect the Township's actual debt profile; and (ii) assume ordinance 2651-21 is reduced by \$10.8 million from sale proceeds in 2028 (55 Lakeside) and ordinance 2564-19 is reduced by \$6.3 million from green acres grant funds in 2028 (Rock Spring).

Financial Debt Metrics



- Net debt is limited to 3.5% of the equalized valuation basis per State statute.
- As of 2024, net debt was \$171 million or 2.2%.
- Net debt has increased by 56% over the last five (5) years.

- Debt service is typically +/- 10% of the municipal budget for NJ municipalities.
- In 2025, the Township's debt service (including deferred charges/SENs) was 12.5% of budget.
- Annual debt service has increased from \$8 million in 2020 to \$13.5 million in 2025.

