



**SEWER SYSTEM EVALUATION REPORT**  
**March 31, 2026**

**SUMMARY PRESENTATION**  
**Prepared by Phoenix Advisors**

# Financial Impact of Keeping the Utility

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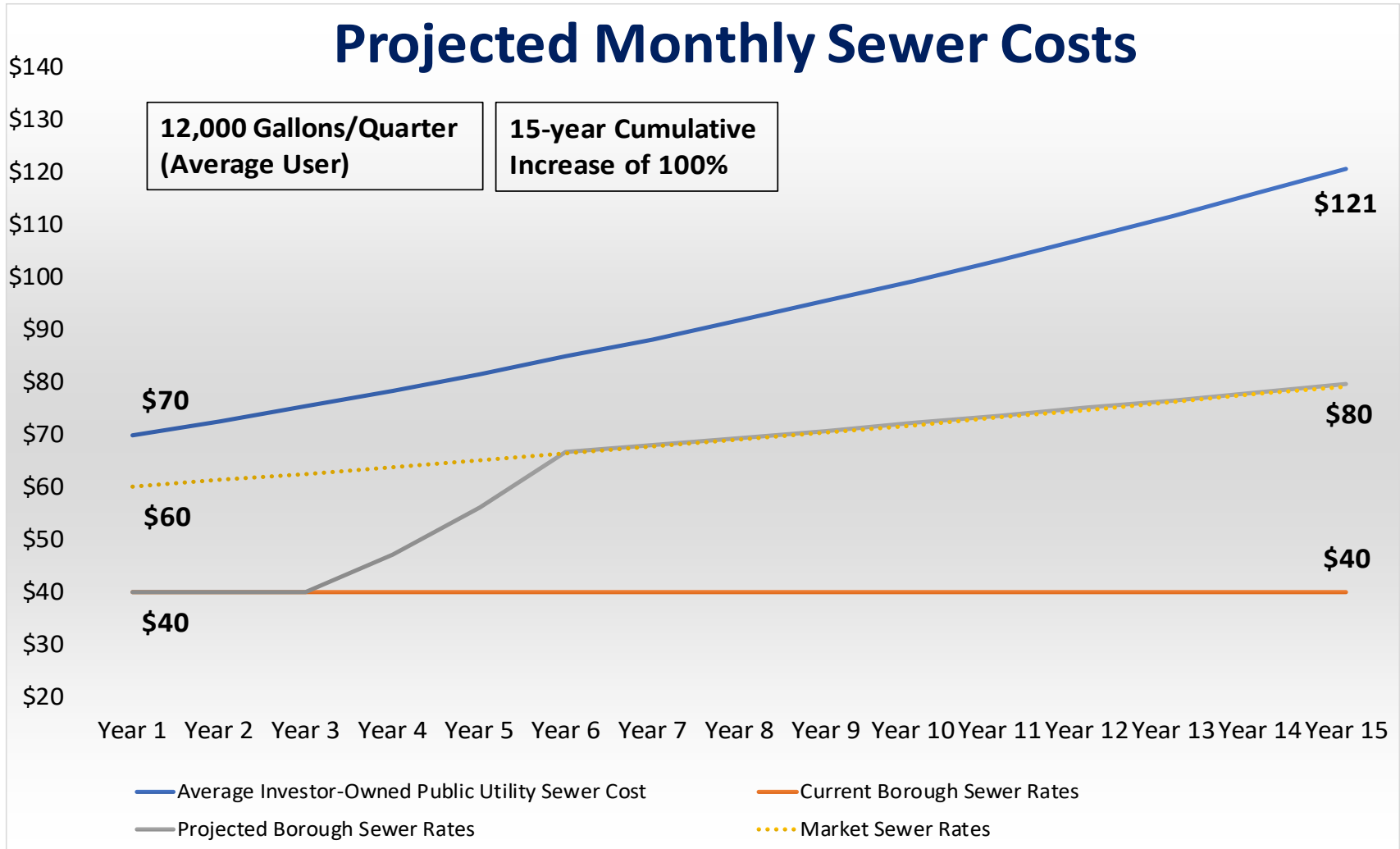
- Due to the projected capital cost to replace the balance of the System that has not been address and increasing operating costs, ***the System is facing significant rate increases.***
- The Borough has identified approximately ***\$24.8 million of capital improvements required in the next five (5) years*** to replace the remaining portion of the collection system that has not yet been addressed.
- The Borough has explored various funding options, including Federal grants/loans, NJIB grants/loans and Borough bonds, to ensure the most cost-effective financing.
- Based on current projections, ***we estimate that the Borough will need to implement a three-year rate increase plan of 18-19% annually from 2029-2031***, followed by 2-3% annual increases thereafter.
- Future DEP regulations, technical staffing concerns and ongoing capital costs will likely put further upward pressure on rates.

# Financial Impact of Selling the Utility

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- If the Borough were to sell the System, ***we estimate the sales price to be between \$5.2 million to \$7.8 million***. We utilize a three-prong valuation approach consisting of income capitalization, replacement cost and market comparable methods.
- Per State Law, the proceeds must be used to pay down existing debt. The sales price would likely be close to, or below, the amount of existing utility debt.
- \$1.95 million of utility fund balance would also become available to the Borough.
- \$275,000 of municipal costs (salaries, benefits and pension costs of Borough employees) are shared with the utility and would return to the Current Fund.
- Over time, the Borough's customers would be integrated into the publicly-regulated utility's rate base within the State.
  - Public utilities are regulated by the NJBPU, who must approve rate increases.
  - We estimate that the Borough's sewer rates will increase by approximately 50% to conform to prevailing rates in the State.

# Projected Rate Comparison



# Outstanding Debt

- Sewer Utility Debt = \$7.6 million (as of 12/31/25)
- General Capital Debt = \$5.2 million (as of 12/31/25)
- This includes both long-term bonded debt and short-term debt outstanding.
- The estimated cost to pay off the Sewer Utility Debt is \$7.5 million and the estimated cost to pay off the General Capital Debt is \$4.8 million (\$12.3 million aggregate).

TABLE IV - Defeasance of Sewer Utility Debt as of 12/31/2025				
Series	Amount Outstanding	Final Maturity	Redemption Provisions	Est. Cost of Defeasance <sup>(1)</sup>
Series 2024	\$417,000	12/01/34	Non-Callable	\$402,743
Series 2021	200,000	05/01/32	05/01/28	172,642
NJB Loans	1,915,010	12/31/50	See Loan Documents	1,835,027
BANs	<u>5,055,000</u>	03/13/26	Non-Callable	<u>5,055,000</u>
	<b>\$7,587,010</b>			<b>\$7,465,413</b>

*(1) Assumes net funded escrow using SLGS rates as of December 18, 2025. Based on January 1, 2027 settlement date for presentation purposes.*

TABLE V - Defeasance of General Improvement Debt as of 12/31/2025				
Series	Amount Outstanding	Final Maturity	Redemption Provisions	Est. Cost of Defeasance <sup>(1)</sup>
Series 2024	\$745,000	12/01/34	Non-Callable	\$673,917
Series 2021	2,325,000	05/01/33	05/01/28	2,041,698
Capital Lease	17,000	12/31/27	Non-Callable	9,000
Loans	0	n/a	n/a	0
BANs	<u>2,070,000</u>	03/13/26	Non-Callable	<u>2,070,000</u>
	<b>\$5,157,000</b>			<b>\$4,794,614</b>

*(1) Assumes net funded escrow using SLGS rates as of December 18, 2025. Based on January 1, 2027 settlement date for presentation purposes.*

\*Assumes net funded escrow using current investment rates. Based on January 1, 2027 settlement date for presentation purposes.

# Role of NJBPU and Division of Rate Counsel

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## New Jersey Board of Public Utilities (BPU):

- Regulates critical utility services: electricity, gas, water, telecommunications, and cable.
- Reviews and approves utility rate increases to ensure they are just and reasonable.
- Enforces service quality standards to protect consumers from poor performance or neglect.
- Promotes energy efficiency and clean energy programs that benefit ratepayers and the environment.

## Division of Rate Counsel:

- Independent state agency that represents the interests of utility consumers (residential, small business, etc.).
- Participates in BPU proceedings to challenge unjustified rate hikes proposed by utilities.
- Analyzes utility financials to advocate for fair pricing and cost transparency.
- Works to ensure affordable, reliable service—especially for vulnerable and low-income populations.

## Together:

- Act as a critical check on private utility companies' profit-driven proposals.
- Provide public accountability and legal expertise to protect ratepayers.
- Help ensure ratepayers are not overcharged and receive safe, reliable service.