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April 16, 2019

Honorable Mayor and Council Members
Borough of North Haledon
103 Overlook Avenue
North Haledon, NJ 07508

Dear Honorable Mayor and Council Members:

This letter is a recap of the Borough's debt position as presented at the budget introduction.

The Borough's net debt is .922% of the equalized valuation and with the proposed future capital budget of the Borough this percentage will be decreasing rapidly in future years.

Because of the strong financial position of the Borough and the projection of revenue from sewer hookups and the P.L.L.O.T. program, the Borough should be in the position to utilize pay-as-you-go funding for future capital expenditures. As of now, the Borough's 2009 bonds will be paid off in 2022 and the 2015 bonds will be paid off in 2025. Going to a pay-as-you-go policy will enable the Borough to save money by eliminating bond issuance costs, professional fees, interest expense and rating agency fees.

Very few municipalities in the State are in such a strong position. The Borough should begin this policy in 2022 when 2009 bond issue matures; and by late 2020's, should be in full pay-as-you-go mode.

The 2019 budget for debt service is \$1,787,000. By keeping this amount as the target for future combined debt service and pay as you go capital there should be no increase to the taxpayers of the Borough.

If the Borough can accomplish this move to pay-as-you-go and eliminating debt service in the future, the credit rating agencies would consider this positive and the Borough would receive a strong credit rating.

If I can be of any additional help, do not hesitate to call me.

Very truly yours,

Charles J. Ferraioli, Jr.

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