

# TOWNSHIP OF DENVILLE

DONALD KUSER  
Council President

Council Members:  
THOMAS ANDES  
GENE FITZPATRICK  
CHRISTOPHER GOLINSKI  
HOWARD SHAW  
DEBORAH SMITH  
NICHOLAS STECKY

DONNA I. COSTELLO, RMC/CMC  
Municipal Clerk  
973-625-8300 Ext. 232  
E-mail: [clerk@denvillenj.org](mailto:clerk@denvillenj.org)

Mayor Philip Ted Husa  
973-625-8300 Ext. 224  
Steven Ward  
Business Administrator  
(973) 625-8300 Ext. 222  
FAX: (973) 625-2491

E-mail: [Mayor@denvillenj.org](mailto:Mayor@denvillenj.org)  
Web site:  
<http://www.denvillenj.org>



**1 ST. MARY'S PLACE  
DENVILLE, N. J. 07834**

May 13, 2011

Dear Denville Resident:

The Township of Denville has recently become aware of a petition being circulated by a member of the public questioning the financial practices of the municipality. The petition proposes the utilization of \$1 million or more of the Township's Fund Balance (i.e. – "Surplus") for the construction of a community recreation center.

Although some of the information contained in the above referenced letter is factual, the conclusions drawn are based upon faulty principles that would have negative long-term financial ramifications for the municipality and its taxpayers.

During the past twelve years, the Township's elected officials have collectively acted as responsible stewards of public funds. The conservative financial approach taken by the elected officials has been based upon the sound financial advice of the Township Auditor, Chief Municipal Finance Officers and Business Administrators. The Township of Denville is currently in excellent financial condition as compared to so many municipalities, both locally and nationally, who are faced with severe financial stresses.

The Township of Denville's overall financial stability is related in large part to our conservative utilization of Fund Balance to finance the municipality's annual operating budget. A generally recognized financial principal is that a municipality should never utilize more Fund Balance to finance its annual operations than it can reasonably anticipate to regenerate in that budget year. It has been Denville's ardent adherence to the aforementioned principal that has greatly contributed to our financial stability.

Furthermore, a significant factor that bond rating agencies utilize to determine a municipality's credit worthiness is the amount of unutilized Fund Balance maintained by the municipality. This factor is an important determinate for whether the municipality will have adequate cash flow to pay its bills and meet all of its financial obligations, even during the cycles within the year where revenues are naturally lower due to tax payment schedules. Similar to how a good credit score facilitates cost savings and provides additional opportunities for private individuals, a high bond rating provides similar savings and opportunities for a municipality

Although inappropriate to discuss the specific merits of a community recreation center, I shall conclude with a few comments on the generally accepted parameters of how a municipality responsibly funds a capital project of this nature. As the useful life of a project, such as a community center, shall span several decades, it would be unfair for today's taxpayers to be burdened with disproportionately higher taxes to pay for an improvement that will be enjoyed by residents in the future who have not contributed towards its construction.

Through either direct capital outlay or municipal bonding, the cost of such a project could be spread out over the determined useful life of the project. This would ensure those enjoying or benefiting from the improvement over the years are fairly contributing towards the cost of the improvement.

In summary, the irresponsible use of such a large proportion of the municipality's Fund Balance would result in a significant decrease in our financial stability, a significant increase in local property taxes, a potential reduction in Denville's bond rating and an inequitable distribution of the costs related to a large capital project.

It is my sincere hope the foregoing information provided some clarity to many of the inaccuracies contained in the letter/petition being circulated. If you have any questions or require additional information, please feel free to contact Chief Municipal Finance Officer Marie Goble or myself.

Very truly yours,

A handwritten signature in black ink, appearing to read 'Steven Ward', written over a horizontal line.

Steven Ward, Business Administrator  
TOWNSHIP OF DENVILLE, NEW JERSEY

cc: P. Ted Hussa, Mayor  
Council President Donald Kuser  
Township Council Members  
Marie Goble, Chief Municipal Finance Officer  
Ray Sarinelli, Township Auditor