

# Ferraioli, Wielkotz, Cerullo & Cuva, P.A.

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March 23, 2011

Mr. Arch Liston,  
Business Administrator  
City of Hoboken  
94 Washington Street  
Hoboken, New Jersey 07030

**Re: Surplus Analysis December 31, 2010**

Dear Mr. Liston:

Pursuant to your request and as a follow-up to my letter of February 25, 2011, I would like to clarify the "25 million dollar surplus" statement. At December 31, 2010, the City of Hoboken had a total fund balance of 25.4 million dollars. Of that amount of fund balance, \$10,704,022 is legally restricted and not available for use in the 2011 Municipal Budget. The balance of \$14,718,114 is considered "cash surplus" available for budgetary purposes. Of that balance, the City has introduced a budget which utilizes \$9,585,000 as revenue in the 2011 Municipal Budget. The remaining 5.1 million dollars, while technically available for budget purposes, is less than 5% of the total proposed budget and less than the 10% of budget we have previously discussed as the optimum amount to keep in the bank for both cash flow purposes and rating agency purposes.

In a short period of time, the City has put its financial house in order by dealing with the issues on a straightforward basis and not resorting to the gimmicks of the past. The overuse of surplus as a one-time budget revenue to further reduce the tax levy would be considered just that, and would setup the 2012 budget for failure before the process even started.

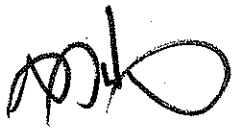
The management of your assets, particularly the surplus, is the key to promoting a solid financial infrastructure and a structurally balanced budget which will lead to future upgrades by the rating agencies and lower interest costs to the taxpayers of the City.



Mr. Arch Liston  
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If you require any further information, please do not hesitate to contact me.

Very truly yours,

A handwritten signature in black ink, appearing to read 'SDW', with a large, stylized flourish at the end.

Steven D. Wielkocz, C.P.A.  
Registered Municipal Accountant

SDW:ms

cc: Mayor Zimmer  
City Council  
Mr. Nick Trasente