In his August 22, 2013 opinion piece "Peter's Take," Peter Rousselot asks, "Is Arlington's cash surplus too large?" A fair question.

The short answer is "no."

Residents should know that our balances are higher now than they were 10 years ago for three important reasons:

1. We have **increased our reserves**. At the urging of the rating agencies that review our finances we increased our reserves from 2% to 5% of the General Fund balance. This fiscally prudent step provides us a bigger cushion (but still at the low end of what our neighbors do) in case of emergency and shows our commitment to smart budget planning. It also ensures that we maintain our AAA rating from the three national rating agencies. Arlington is one of only 39 counties out of over 3,000 that enjoy this prestigious rating, attesting to our sensible practices.

2. We have many more **capital projects** and needs in the community. A review of the County's most recently adopted Capital Improvement Plan (CIP) for FY 2013 – FY 2022 http://www.arlingtonva.us/departments/ManagementAndFinance/CapitalImprovementProgram/file88080.pdf includes considerable investments in building new schools, transportation, water and sewer projects, recreation, fleet, and government services. Each of these investments will maintain and improve the quality of our residential neighborhoods and urban corridors.   Prudent budgeting calls for us to build up balances to fund these important projects from pay-as-you go capital (in combination with the sale of bonds). Capital projects require large investments for projects that will last many years and it is typical for cash balances to grow prior to execution of the projects.

3. There are several sources of funds that simply **didn't exist 10 years ago**. These are:

    a. **Transportation Capital Fund** (12.5-cents of our tax rate paid by commercial property owners) dedicated to invest in our streets, sidewalks, Metro, streetcar, and busses.

    b. **Stormwater Fund** (1.3-cents of our tax rate paid by all taxpayers) dedicated to revitalize our aging infrastructure and to help improve the Chesapeake Bay.

    c. **Dedicated Development Fund** (fees paid by developers and residents who improve their homes) to speed up permit processing and construction services.

    d. **Business Improvement Districts (BIDs)** – in Rosslyn, Crystal City, and Ballston, commercial property owners pay a dedicated tax and the cash is set aside to meet work plans to enhance services in each of these areas.

The Transportation Capital Fund, much of the Development Fund, and BID programs are all commitments made by our business community and not paid for by our residential taxpayers.

A close reading of the details (as posted on the County's website at http://www.arlingtonva.us/departments/ManagementAndFinance/file90330.pdf) shows that the maintenance of operating reserves and a strong liquidity position is critical to the County's strong bond ratings. Every penny of our cash balances is accounted for, and reviewed annually -- not only by our audit staff in the Department of Management and Finance, but also independently assessed by outside auditors.

The statements in our annual review of finances – Comprehensive Annual Financial Report (CAFR) http://www.arlingtonva.us/departments/ManagementAndFinance/file87962.pdf and countless other documents including Official Statements accompanying bond offers, our annual operating budget and our CIP provide a detailed map to where the money is. These documents are there for all to see, and, as always, we appreciate residents' interest in County financials and operations. These funds are collected and maintained to support the programs adopted each year in our annual operating budgets, and over the longer term in our CIP.

Mark Schwartz

Deputy County Manager