City of Alexandria, Virginia
FY 2026 Proposed Operating Budget & CIP
Budget Questions & Answers

March 31, 2025

Question:
Can we estimate the impact on our CIP borrowing capacity over the next five years if our real estate valuations grow at a rate that is 10% slower than we currently project?

Response:
The CIP Overview section of the Proposed FY 2026 – 2035 CIP document (Page 2.22) explains an important indicator of the City's ability to repay debt, which is a ratio calculating debt as a percentage of fair market real property value. The City's adopted limit for this ratio is that debt applicable to the ratio will not exceed 2.5% of the total valuation of the City's real property. The growth rate assumption for real property in the Proposed CIP is 2.5%. If that assumption were to decrease by 10%, the new growth rate assumption would be 2.25%.

Attachment 1 shows the ratio percentages for FY 2026 – 2030, based on the 10% slowdown (2.25% growth rate) scenario. While the City would not exceed its debt capacity, it would get closer to meeting it. In FY 2029, debt as a percentage of real property value would go from a projected 2.31% to 2.33%. A small ratio is an indication that the City will be better able to withstand possible future economic downturns, continue to meet its debt obligations and respond to emergencies as they arise.