

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

April 1, 2025

Question:

Can you provide a breakdown of the contingency funds added to the budget to provide a buffer against possible impacts to grants or other revenue streams by Federal actions?

Response:

The FY 2026 proposed budget identifies fund balance assignments of \$3 million to assist with emergencies and \$1 million for the potential loss of federal grant revenue. These fund balance assignments are part of the City's Spendable General Fund Balance. They are not included in the proposed budget, but they would be available for appropriation in an emergency if revenues were to fall short and/or expenditures were to exceed the budget. If so, they would only be used as a one-time stopgap measure. They could not be used to replace lost ongoing revenue or fund ongoing operations.

Spendable General Fund Balance are resources that City Council and the City Manager can use to fund unforeseen, unbudgeted, one-time needs. Within Spendable Fund Balance, Committed and Assigned funds have been designated for a specific intended purpose, such as natural disasters, loss of grant revenue or future capital budgets. Although these are the stated intentions, Committed and Assigned fund balance can be used for other purposes, should circumstances change.

The City of Alexandria holds the highest bond rating (AAA/Aaa) and one of the contributing factors to this rating is the Spendable General Fund Balance as a percentage of General Fund Revenues, or more simply - how able is the city to withstand a sudden change in economic condition through reliance on reserves. The larger the Spendable General Fund Balance, the greater the City's ability to cope with financial emergencies and fluctuations in revenue cycles. The City's financial policies strongly suggest maintaining a Spendable General Fund Balance target of at least 15 percent.

It should be noted that City Council has several policies in place to ensure an appropriate level of fund balance, including limitations on the number of years that fund balance can be used to offset spending and the number of votes required to use fund balance (a super majority).