

**City of Alexandria, Virginia**  
**FY 2027 Proposed Operating Budget & CIP**  
**Budget Questions & Answers**

**April 6, 2026**

**Question:**

Should the City's spendable fund balance limits be adjusted given bond rating agency expectations?

**Response:**

The City's current financial policy related to general fund balance is as follows:

- Spendable Fund Balance as a Percentage of General Fund Revenue - 15% target

As of June 30, 2025, the City's Spendable Fund Balance as a Percentage of General Fund Revenue stands at 23.68%.

This ratio helps to show how much the City has available in Fund Balance compared to how much is needed annually to fund the budget. Spendable Fund Balance represents all of the Fund Balance that is available for use, including those funds that may have been committed or assigned for a future purpose. Spendable Fund Balance does not include funds that have been reserved for another purpose and cannot be reprogrammed. These could be already restricted through encumbrances for contractual purposes or non-spendable resources, such as inventory.

In recent years the rating agencies have indicated strong agreement with the City's overall availability of reserves, relative to revenues. This support in part lies in City's ability to demonstrate to rating agencies an overall strong financial position, and continued application of prudent and conservative fiscal management policies, of which fund balance levels are one component.

It should be noted that not all AAA/Aaa jurisdictions have the same revenue structure and most of which are much smaller governments which need larger percentage fund balances. Also, Alexandria receives the majority of its revenue from the Real Estate tax base, which is extremely stable, while other jurisdictions receive revenue from a local income tax which is much more susceptible to economic volatility.

Staff does not recommend making any changes to this policy at this time. Currently the financial position reflects ratios that are sufficiently above the target. It would be staff's recommendation to keep the current ratios but increase the dollar amounts as the City's overall budget grows.