
A L O N G I T U D I N A L D I A G N O S T I C

| The Quiet Option

City of Radford, Virginia

How Radford Drifted Into Fiscal Distress, FY2004–FY2024

The drift was a habit, not an event.

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June 16, 2026 • Version 1.0

Companion to Fiscal Crossroads: An Options Analysis

doi.org/10.5281/zenodo.20722596

Summary of findings

Radford did not decide to become a fiscally distressed city. It arrived there by making the same small decision fourteen times.

Every budget year for which an audited record exists, the City of Radford faced a version of one choice. It could raise taxes, which has a face and a public hearing and a council vote that voters remember. Or it could move money out of the municipal electric utility into the general fund, which has none of those things. The transfer never appears on a tax bill, never triggers a rate notice that residents connect to their government, and never asks a council member to defend an increase by name. Radford chose the transfer. It chose it in good years and bad, under different mayors and different city managers, in surplus and in deficit, until the asset that had been absorbing the choice was gone.

This paper traces that drift through the City's audited financial statements from fiscal year 2011 through fiscal year 2024, with the origin of the practice established by testimony for the years before the audited record begins. Five findings carry the analysis.

First, the utility transfer is the one constant in the record. The electric fund moved money into the general fund in every audited year, never less than about \$1.8 million, peaking at \$5.73 million in FY2017. Across FY2011 through FY2024 the cumulative draw reached \$52.04 million. No other line in Radford's finances shows that kind of persistence. Reserves rose and fell; the transfer only continued.

Second, the reserve cushion that the transfer was quietly spending collapsed on schedule. Unassigned general-fund balance peaked at \$3.33 million in FY2013, the year before the city's foundry closed, and fell to \$88,460 by FY2021 and to negative \$4.55 million by FY2024. A city that held roughly a two-month operating cushion at the start of the series held a deficit at the end of it.

Third, the wholesale-power shock that is usually offered as the explanation arrived late and explains the timing of the break, not the drift. Purchased power sat in the low 60s as a share of the electric fund's operating revenue for most of the decade. It spiked only in FY2023 (75.3%) and FY2024 (80.8%). The squeeze did not cause the long erosion. It broke a fund the transfers had already hollowed out.

Fourth, the books were clean until they were not, and the timing lines up with everything else. Radford's audits reported no findings from FY2011 through FY2018. The first finding in the city's recorded history, 2019-001, lands in the FY2019 audit and then recurs every year through FY2024. It is the same standalone financial-system weakness the Auditor of Public Accounts names in its 2025 distress letter.

Fifth, public accountability for the structure never arrived at the dais. When residents finally appear in the record in force, in the spring 2026 budget hearings, they appear at the electric bill, describing \$700 monthly charges and choices between power and food. The structural question, why the bill carries a general-fund subsidy at all, surfaced from the public a few times and was met by the

council as a procedural matter of state paperwork. The reckoning happened in the audience, not on the council.

A control case anchors the central claim. Martinsville runs an almost identical municipal electric utility at almost identical scale, with the same 80.8% wholesale burden in FY2024. Martinsville transferred nothing from that utility to its general fund and ended FY2024 with \$18.6 million in utility net position and a \$5.26 million general-fund cushion. It is not designated distressed. Two cities ran the same machine on opposite terms and ended in opposite places. That is the evidence that Radford's transfer was a policy lever a council pulled, not a fate that being a small city with a power company imposed.

The motive behind the lever, that the transfer functioned as a deliberate substitute for politically costly tax increases, is the one part of this analysis that the documents support but do not prove. It is labeled as inference throughout, and the reasons for and against it are set out plainly.

Scope, sources, and how to read the provenance

This is a diagnostic of cause and sequence, not a menu of remedies. The companion Options Analysis prices Radford's choices going forward. This paper asks the prior question: how a solvent small city walked into a state fiscal-distress designation without ever appearing to decide to.

The evidence falls into three tiers, and the paper tags them rather than blending them.

The audited spine runs FY2011 through FY2024 and carries the quantitative argument. Every dollar figure in the findings above comes from the City's audited Annual Comprehensive Financial Reports, cross-checked against the electric-fund and general-fund line series built from those reports.¹ The FY2014 report deserves a specific note. It was missing from the City's public archive for eleven years and was recovered as Archive document 469 on May 28, 2026 after a records request. Its electric-fund transfer of \$4,187,862 and purchased-power share of 63.6% were re-scanned and verified against the accounting identity and the FY2013 net-position tie on June 16, 2026.² The recovery matters to the totals: the cumulative transfer figure of \$52.04 million includes the recovered FY2014 draw. Earlier internal memos that predate the recovery cite roughly \$47.8 million, which is the same series with FY2014 left blank. The larger figure is the correct one.¹⁴

The years 2004 through 2010 are testimonial only. No audited report for those years exists in the record assembled for this work. What dates the origin of the practice is a single on-the-record statement by Mayor Bruce Brown at the April 17, 2017 budget hearing, read into the council minutes, which places the decision to fund the general fund from electric-enterprise income in 2004. That statement is treated as testimony, not as an audited figure, and the paper says so each time it relies on it.

One reading convention governs the electric fund's net-position figures. Two accounting-standard changes step that number down without any operating loss behind them: GASB 68, which pulled pension liabilities onto the books beginning in FY2015, and GASB 75, which did the same for retiree health benefits beginning in FY2018. The net-position series is therefore tagged by basis: pre-GASB68 for FY2011 through FY2014, GASB68 for FY2015 through FY2017, and GASB68-plus-75 for FY2018 through FY2024. These restatements touch net position only. Operating revenue, purchased power, the transfers, and the \$52.04 million cumulative draw are unaffected by them.

A final distinction runs through the whole paper. Description and inference are separated and labeled. The numbers, the sequence, and the audit record are description. The claim about why the council kept choosing the transfer is inference. Both belong in the analysis. They are not the same kind of statement and are not presented as one.

The origin, by testimony (2004–2010)

The practice is older than the audited record, and the clearest account of its beginning comes from the official who was trying to end it.

At the April 17, 2017 budget public hearing, Mayor Bruce Brown declined to support the budget he was presiding over and read a statement into the minutes. He dated the model precisely. "Former councils made what at the time was a very sound revenue decision when in 2004 it elected to supplement funding our general fund with income from the electric enterprise reserves & yearly income." He described the cost shock that followed. Deregulation of power in 2008 and 2009 raised the City's wholesale cost from Appalachian Power, "but we were still able to draw the \$2.5 million targeted for electric revenue." And he named the structural problem underneath all of it: "60% of our real property is now not taxable which is our primary source of funding."³

Read as testimony, three things in that statement matter for what follows. The decision to run the general fund on the utility's margin was made deliberately, in 2004, and understood at the time as sound. The wholesale cost pressure began nearly a decade before it became acute, and the City absorbed it by continuing to draw rather than by adjusting. And the tax base was already the binding constraint by 2017, with three-fifths of the city's real property off the rolls between Radford University, hospitals, churches, and government land.

Brown's was not a lone voice that night. Councilman Dick Harshberger, a retired Virginia Tech associate professor, also refused the budget. He "does not see this as a sustainable budget," the minutes record, "he is in favor of a tax increase. He feels that we are below what we should be in our reserves and this budget does not do anything to restore those and this is worrisome." The budget passed anyway, three votes to two.³ The two dissenters had named the mechanism and the remedy. The majority chose to continue.

What the testimony cannot supply is the audited shape of 2004 through 2010, and the paper does not invent it. The origin scene is the setup. The measurable arc begins in FY2011.

The tax base behind the slow pressure

Radford's taxable base grew over these thirteen years, and it still could not carry the cost of a full city government. That mismatch is the slow pressure underneath the story.

The City's audited statistical schedules put total taxable assessed value at \$898 million in FY2011 and \$1.21 billion in FY2024, a nominal rise of about 35%. Real estate, the largest component, rose from \$792 million to \$1.05 billion and held flat across the foundry's December 2013 closure, \$782 million in FY2013 and \$790 million in FY2015. The sharp climb after FY2020 is a reassessment rather than a building boom. Indexed to constant 2011 dollars, the base ended the period flat and slightly lower than it began, because assessments trailed inflation for most of the decade.⁴

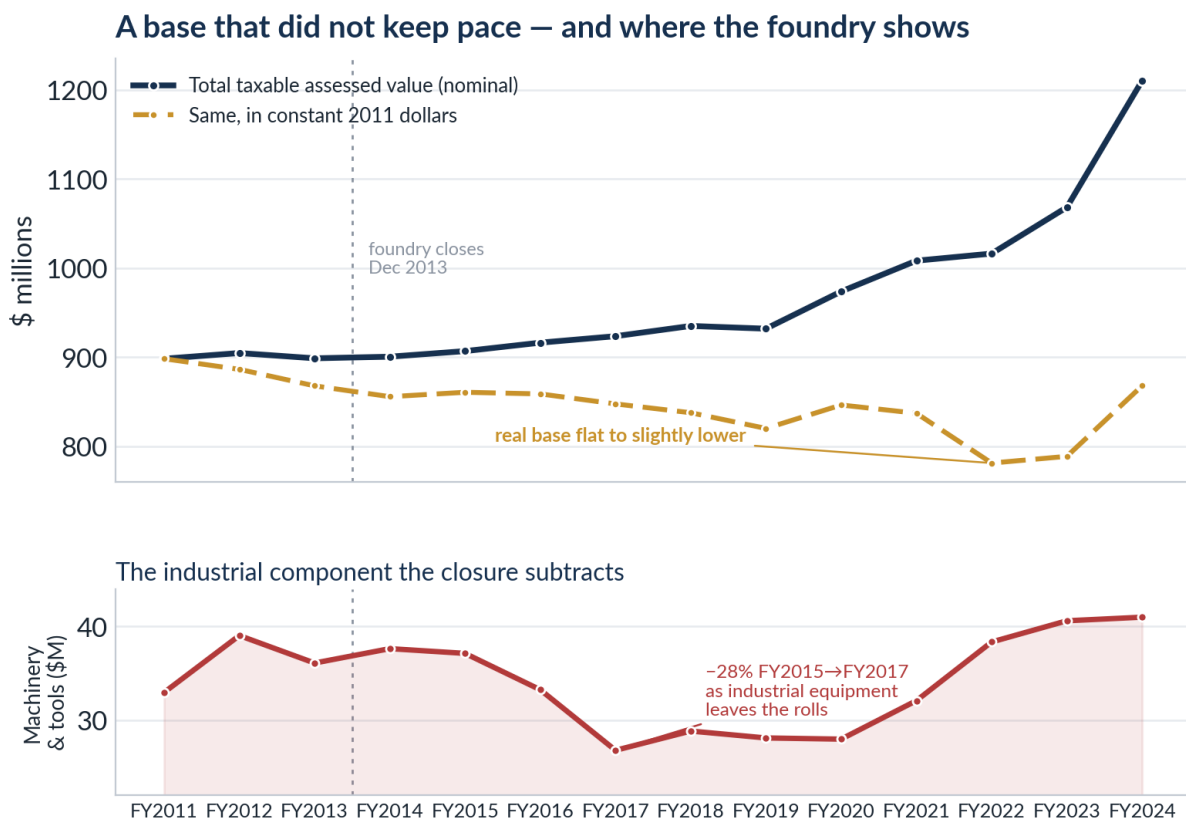


Figure 1. Total taxable assessed value (top, nominal and constant 2011 dollars) and the machinery-and-tools component (bottom), FY2011–FY2024.

The foundry left a mark in the machinery-and-tools line, where industrial equipment is assessed. Machinery and tools ran about \$39 million in FY2012 and \$37 million in FY2015, fell to \$26.8 million by FY2017 in the years after the closure, then recovered after FY2020.⁴ Real-estate reassessment more than offset that decline, which is why the total base kept rising while the industrial line dropped. The plant's loss lowered the base below what a working foundry would have sustained, and its larger fiscal hit fell on the utility, where it was the city's largest electric and water customer. The assessed schedules do not isolate the plant's own contribution, because Radford's ACFRs carry no principal-taxpayers table.

A base that is structurally small, because a university, a hospital, churches, and government land sit off the rolls, and flat in real terms, because what remains trails inflation, cannot on its own fund a city that runs its own schools, courts, and constitutional officers. Brown put the exempt share at 60% of the city's real property in 2017. That gap is the slow pressure. The transfer is what filled it.

The audited spine, FY2011–FY2024

The transfer was the constant

Start with the line that never moved in the direction the others did.

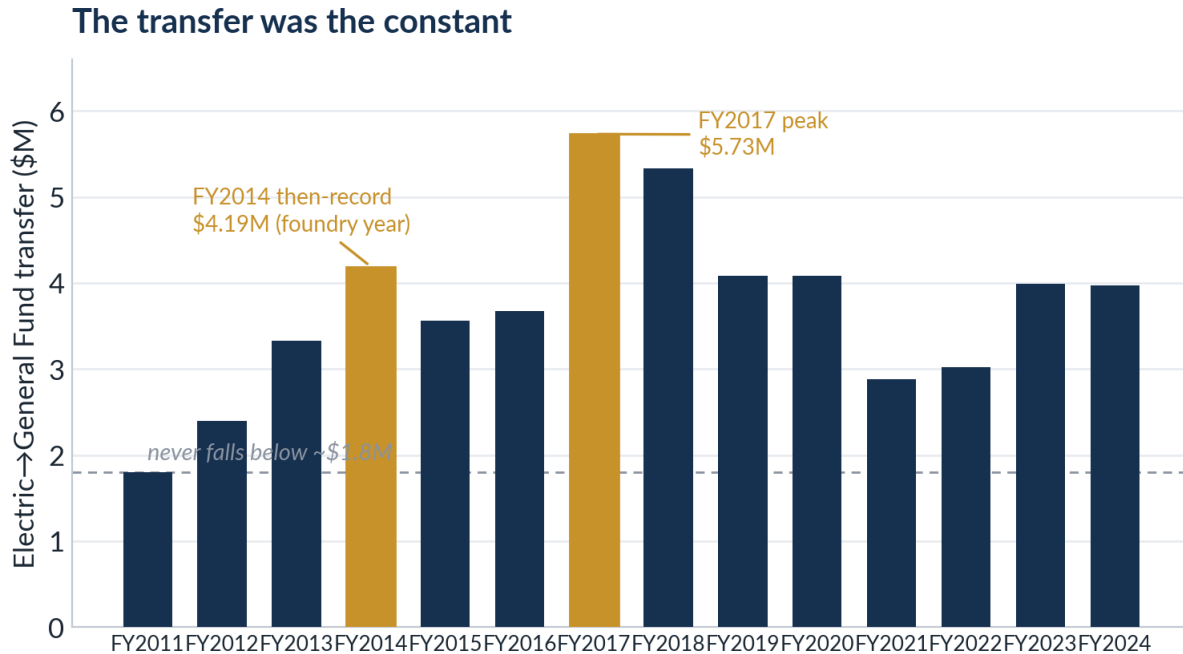


Figure 2. Electric Fund transfer into the General Fund, FY2011–FY2024. The draw never paused, and peaked in FY2017.

In every audited year, the electric fund transferred money into the general fund. The smallest such transfer in the series, in FY2011, was \$1,803,761. The largest, in FY2017, was \$5,728,844, the same year Brown warned that the trajectory was not sustainable. The FY2014 draw of \$4,187,862 was a then-record, up 26% over the prior year, and it landed in the year the foundry closed and the tax base shrank. The transfer responded to none of the warning signs around it. It rose when reserves were thinning and rose again when the council was on record calling it unsustainable.¹

A second figure shows what fourteen of those years add up to.

Fourteen years of draws, FY2011–FY2024

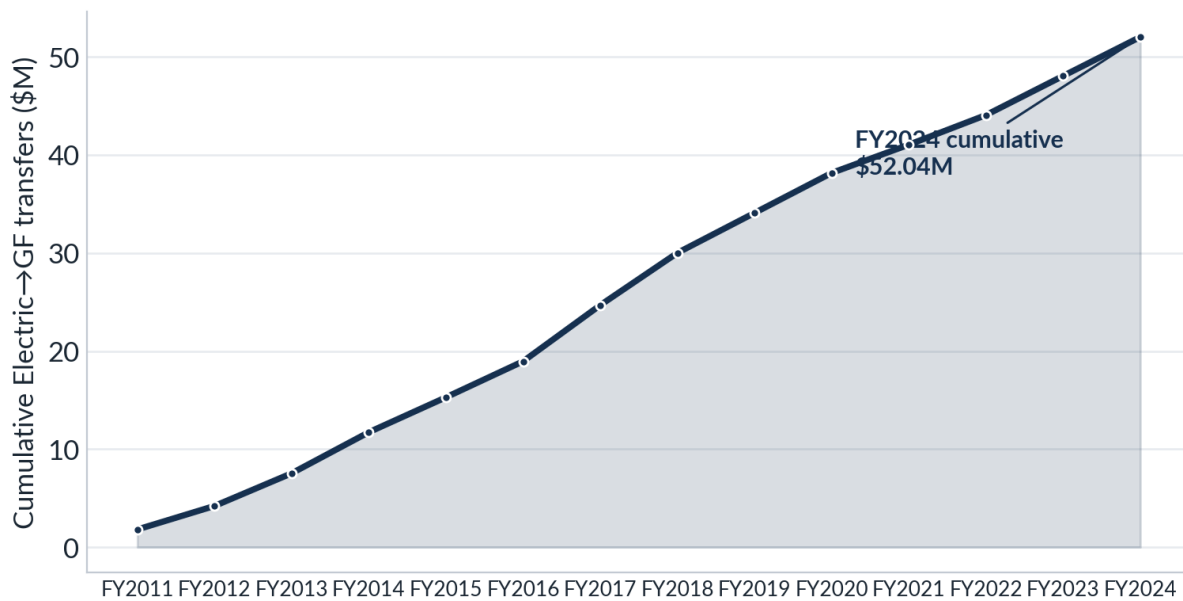


Figure 3. Cumulative Electric Fund transfers into the General Fund, FY2011–FY2024: \$52.04 million.

The cumulative draw from FY2011 through FY2024 is \$52.04 million. The 2004 through 2010 transfers are additional and unquantified in the audited record, so the true total is larger than the figure the audited series can support. For a city whose entire general fund runs in the range of five to seven million dollars of unassigned balance at its healthiest, a \$52 million cumulative draw from a single enterprise fund is not a rounding item. It is the financial spine of the period.¹

One clarification keeps the series honest. The transfer out of the electric fund is not identical to the net subsidy the general fund received, because money also moved the other way in some years. In FY2014, for instance, the electric fund transferred \$4,187,862 out, while the general fund recorded \$3,871,166 in transfers in from all sources. The series tracked here is the electric fund's outbound draw, the "utility draw," because that is the lever the council controlled and the quantity that depleted the utility. It is labeled as such rather than as a clean net subsidy.

The reserve cushion that disappeared

The transfer was spending something. The general fund's unassigned balance is where the spending shows.

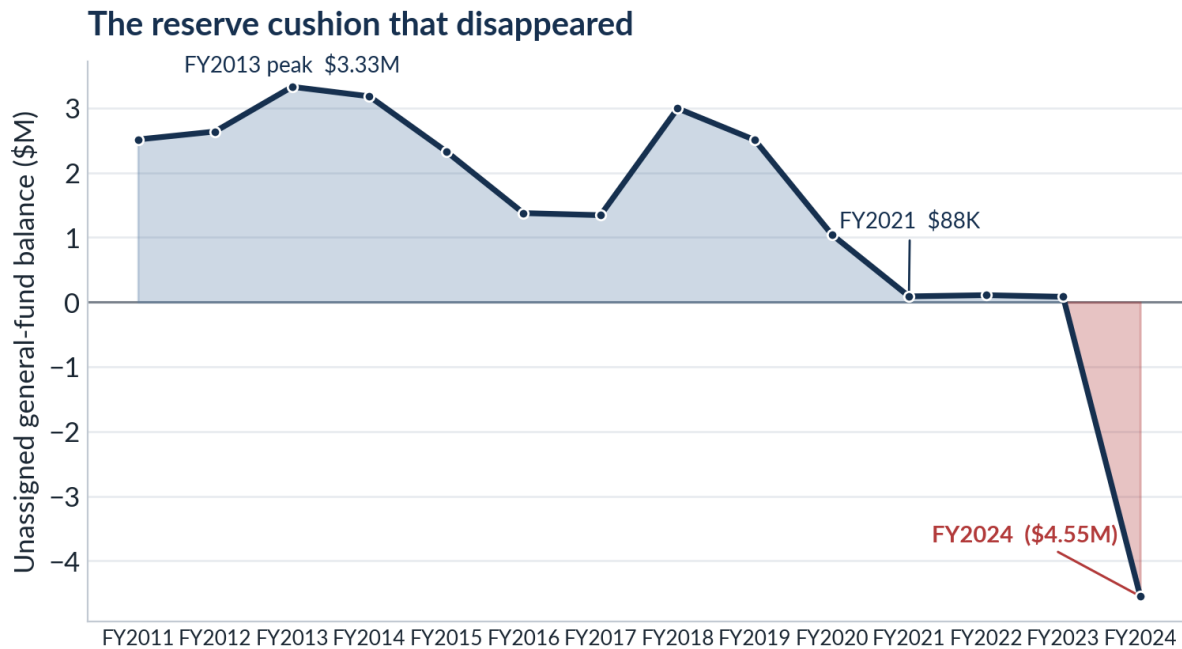


Figure 4. Unassigned general-fund balance, FY2011–FY2024.

Unassigned general-fund balance is the unrestricted reserve, the money a city can use for anything, the cushion that absorbs a bad year. Radford's peaked at \$3,326,603 in FY2013. That peak is not a coincidence of timing. FY2013 is the high-water mark of the reserve the transfer would draw down, and the last clean year before the post-2013 decline. The drawdown that followed was driven by the transfer and by spending; the foundry that closed that December hit the city mainly through its utility, as the preceding section describes.

From there the line falls in two distinct phases. The first runs FY2013 to FY2016, when the cushion drops from \$3.33 million to \$1.38 million, a 58% decline in three years, with the single worst year being FY2016 at a 41% loss. The second runs FY2019 to FY2021, when the cushion collapses from \$2.50 million to \$88,460. By the audit period ending June 2021, the unrestricted reserve had effectively vanished. Three years later, in FY2024, it was negative \$4,545,839.

One feature of FY2021 needs a flag, because the headline number misleads. Total general-fund balance appears to jump to \$9.0 million that year even as the unassigned piece falls to \$88,460. The jump is not operating health. It reflects bond proceeds for the McHarg school renovation parked at year-end and classified outside the unassigned category.⁵ The unrestricted cushion, the number that measures fiscal flexibility, was at \$88,460 while the headline total looked robust. The composition shift is the kind of thing that lets a deteriorating position read as stable to anyone watching only the top-line balance.

The wholesale squeeze arrived late

Here is where the common explanation for Radford's troubles meets the record, and the record revises it.

The wholesale squeeze arrived late

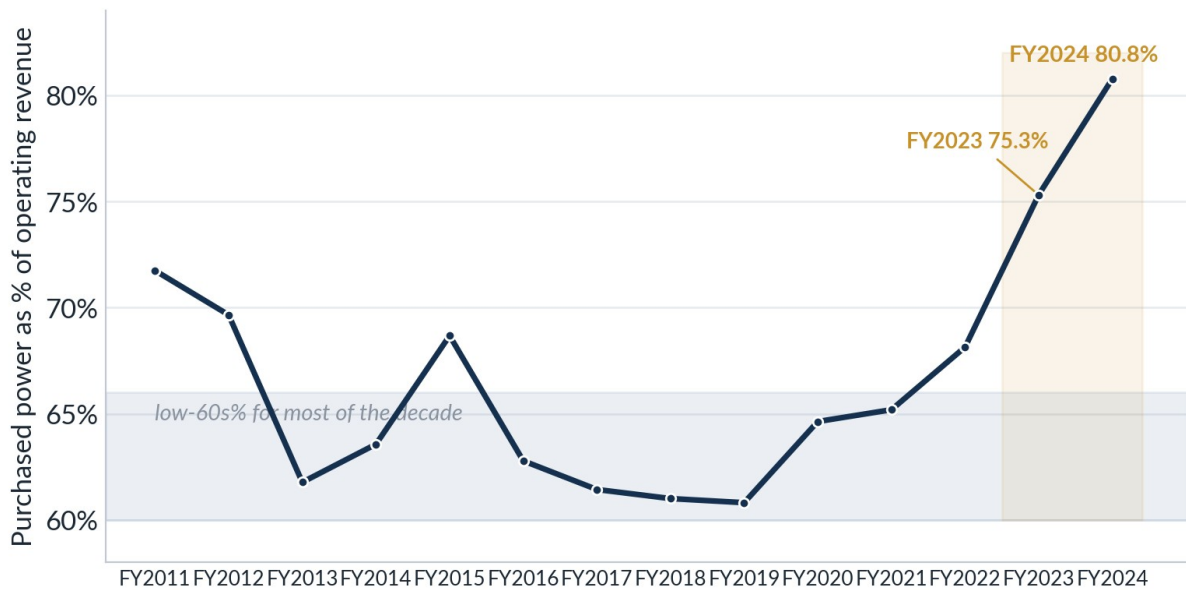


Figure 5. Purchased power as a share of Electric Fund operating revenue, FY2011–FY2024.

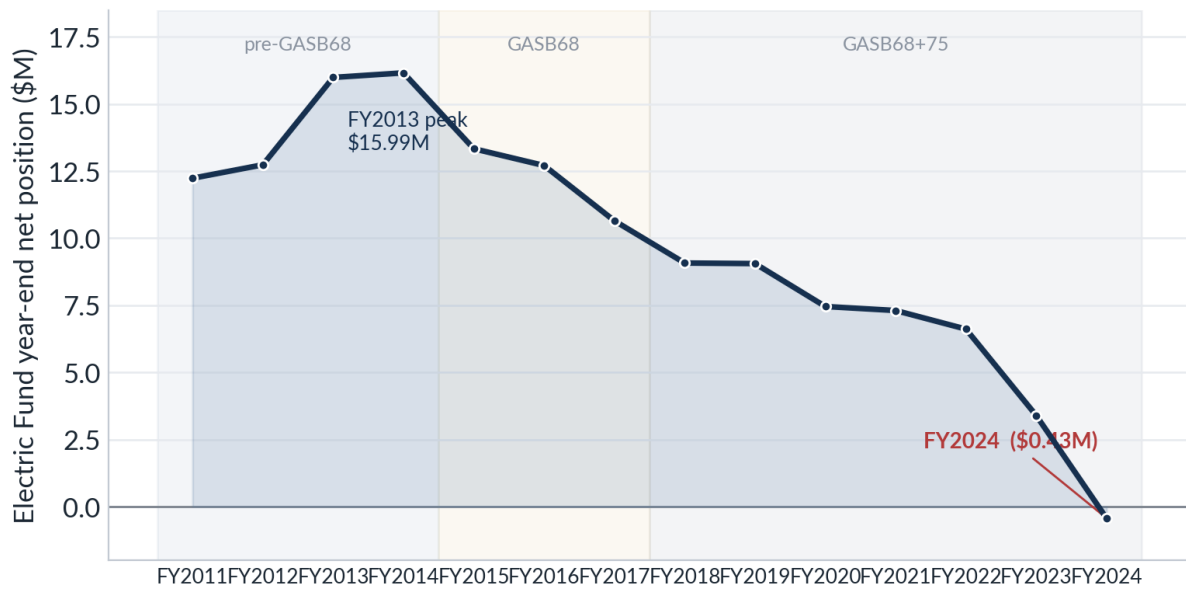
The story usually told about municipal electric cities is that wholesale power costs rose and crushed them. Wholesale power did rise, and it is a real and shared pressure across Virginia's municipal-electric systems. But in Radford's case the timing rules it out as the cause of the long drift. Purchased power as a share of the electric fund's operating revenue was 71.7% in FY2011, settled into the low-to-mid 60s for most of the decade, and reached 61.8% as recently as FY2013. It climbed to 75.3% in FY2023 and 80.8% in FY2024.¹

The squeeze is a phenomenon of the last two years of the series. The reserve drawdown, the audit findings, and the depletion of the utility's net position were all well underway before purchased power moved. The correct reading is that the wholesale shock was the final load on a structure already weakened by a decade of transfers. It explains why FY2023 and FY2024 were the years the fund finally went negative. It does not explain why the fund had so little left to give by then.

Draining the utility's net position

The transfers came out of a finite stock. That stock is the electric fund's net position, and the series tracks its exhaustion.

Draining the utility's net position



Two step-downs (FY2015 GASB 68 pensions; FY2018 GASB 75 OPEB) are accounting restatements, not operating losses.

Figure 6. Electric Fund year-end net position, FY2011–FY2024, with accounting-basis bands.

The electric fund's year-end net position peaked at \$15,989,873 in FY2013 and ended FY2024 at negative \$433,371. Read with the accounting-standard caveat above, the decline is real and steep even after setting aside the FY2015 and FY2018 restatements, which are bookkeeping steps rather than operating losses. A utility that held nearly \$16 million in net position at the start of the decline carried a deficit by its end.¹

The clearest single-year illustration of the mechanism is FY2024, and it deserves its own view.

The draw outran what the utility earned

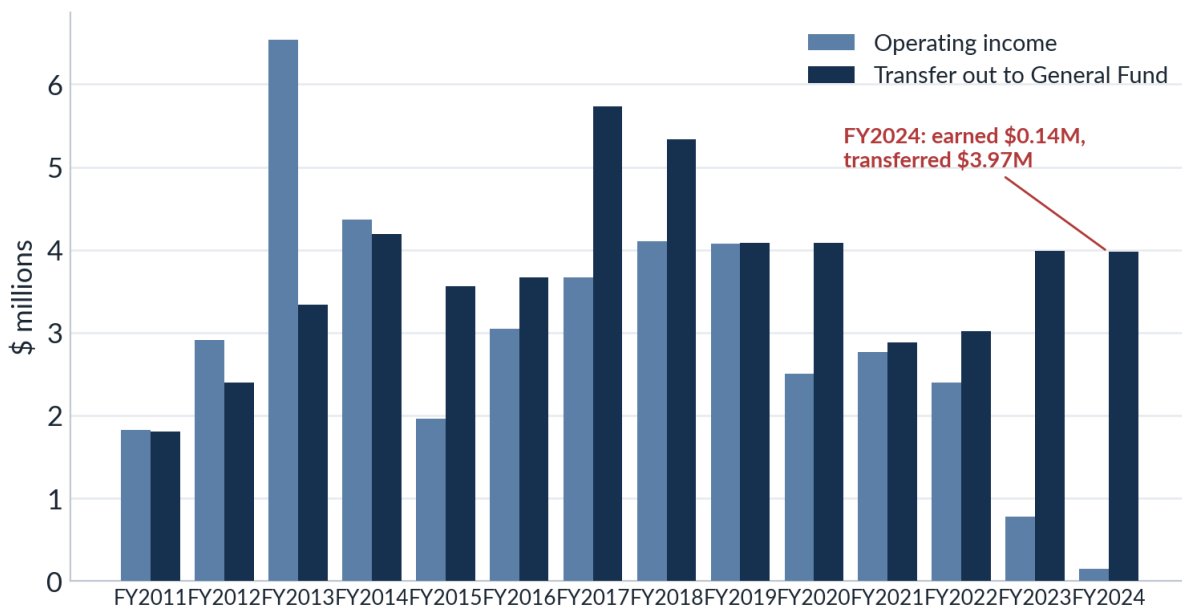


Figure 7. Electric Fund operating income compared with the transfer out, FY2011–FY2024.

In FY2024 the electric fund earned \$144,096 in operating income. It then transferred \$3,974,796 to the general fund. The draw exceeded what the utility earned that year by a factor of roughly twenty-seven. A transfer policy calibrated to the utility's actual margin would have moved a fraction of that amount. At the 5% to 7% of operating revenue that is typical among peer municipal-electric cities, Radford's FY2024 transfer would have been near \$1.5 million, and the fund ' The gap between what the fund could afford and what the general fund took is the drift, captured in a single year.

The audit-finding drumbeat

The independent record of when the wheels came off is the audit opinion, and it tells the same story on the same schedule.

The audit-finding drumbeat

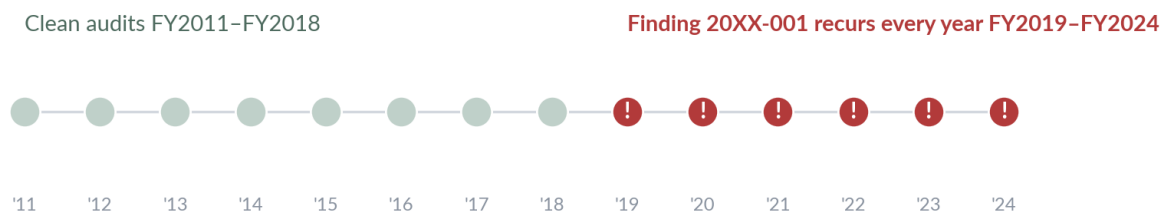


Figure 8. Audit findings, FY2011–FY2024: clean through FY2018, then a recurring material weakness.

Radford's audits reported no financial-statement findings from FY2011 through FY2018. The first finding in the city's recorded history is 2019-001, a material weakness, filed with the FY2019 report in March 2020. It reads, in part: the City "maintains accounting systems in the Treasurer's

Office, the City Offices, and the School System that are not integrated," requiring manual reconciliations, with "variances noted during the audit between the three systems." That finding recurs every single year afterward, as 2020-001, 2021-001, 2022-001, 2023-001, and 2024-001. It is the same standalone financial-system weakness the Auditor of Public Accounts cites in its 2025 distress determination.⁶

The audit record also drifted in a smaller way worth noting. The FY2019 report, the one carrying the first finding, filed roughly three months late, in March 2020, against a statutory deadline of December 15. The connection between the late filing and the first finding cannot be established from the documents alone, and the FY2020 report filed on time despite carrying three findings, so lateness is not a clean signal. But the broader pattern is unambiguous. The books were clean while the reserve was being spent, and the findings began at the point the reserve ran out.

Description and inference: the mechanism

Everything to this point is description. The numbers, the sequence, the audit record, and the council testimony are all in the documents. What the documents do not contain is a council resolution stating that the transfer was chosen to avoid raising taxes. That claim is inference, and this section sets out the case for it and the case against it so a reader can weigh both.

The case for the inference is the shape of the record. The transfer is the one practice that never paused while every other indicator deteriorated. It continued through the reserve drawdown, through the foundry closure, through Brown's on-the-record warning in 2017, and through the first audit findings. A council acting to protect the reserve would have throttled the transfer; the transfer instead spiked to its all-time high in FY2017, the year of the warning. The transfer has the political profile of the path of least resistance: it carries no public hearing that voters connect to a tax increase, no rate notice attributable to the council, and no individual vote a member must defend. Brown's own framing supports the reading. He described the 2004 decision as a substitute for other revenue, made because it was easier than the alternative, and he was trying to end it precisely because he saw it as a choice. The mechanism is consistent with every data point in the series.

The case against treating it as proven is that motive is not in the record. No member is quoted saying the transfer was chosen to dodge a tax increase. Budgets are built under many pressures at once, and a council can sustain a transfer for reasons other than tax avoidance: a genuine belief that the utility margin was surplus, institutional inertia, or a misreading of how much cushion remained. The FY2018 data complicate any simple every-year-worse story, because unassigned balance actually rose by about \$1.65 million that year before resuming its decline, which points to at least one offsetting event the motive narrative does not explain on its own.

The honest statement is the conditional one. The series is fully consistent with the reading that the transfer served as the politically painless substitute for a tax increase, and that reading is supported by the dissenting mayor's own words. The causal claim about council intent remains inference rather than documented decision. The Martinsville comparison is what keeps the inference from being merely plausible, because it removes the alternative that the transfer was structurally unavoidable.

The control case: Martinsville

The strongest test of whether Radford's drift was a choice is a city that ran the same machine and chose differently.

Same machine, opposite policy: Radford vs. Martinsville, FY2024

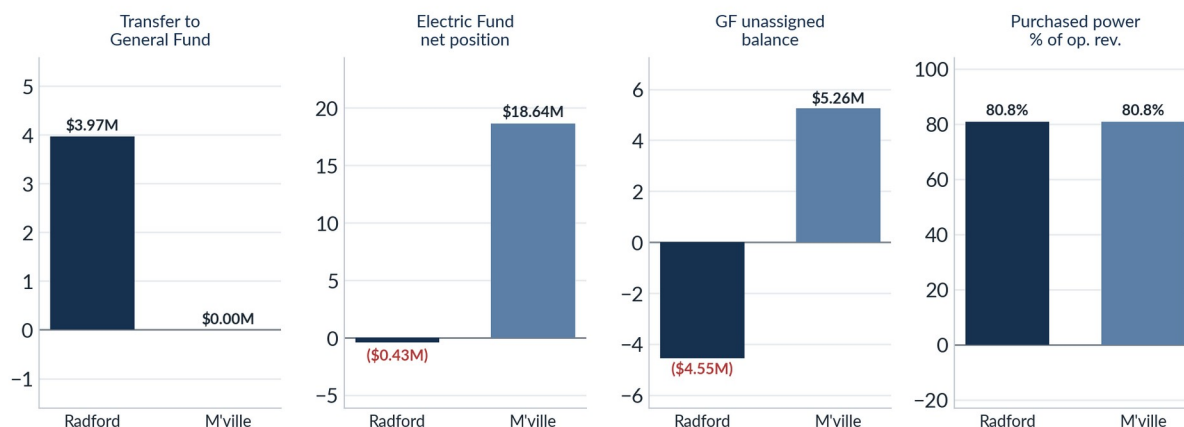


Figure 9. Radford and Martinsville, FY2024: same model, opposite transfer policy, opposite balance sheet.

Radford and Martinsville are the closest structural match in Virginia's independent-city set. Both are small, post-industrial independent cities that own and operate a municipal electric utility, buy nearly all their power wholesale, and resell it at retail. In FY2024 the two electric funds were within \$30,000 of each other in operating revenue, \$21.49 million in Radford and \$21.52 million in Martinsville. Purchased power consumed 80.8% of operating revenue in each. The shared pressure both cities feel is genuine and is the muni-electric model in the current rate environment, not a Radford-specific failure.

On the policy lever, the two cities diverge completely. Radford's electric fund transferred \$3,974,796 to its general fund in FY2024, about 18.5% of the utility's operating revenue. Martinsville's transferred zero. The balance sheets are the accumulated record of that single difference. Radford's electric fund ended FY2024 at negative \$433,371; Martinsville's ended at \$18,638,728 in net position, an increase over the prior year. Radford's general fund held negative \$4.55 million in unassigned balance, below the 10% reserve floor the city set in its own 2011 policy and has not met since FY2019. Martinsville's held a positive \$5,255,868, about 12.7% of general-fund spending, near the conventional two-month minimum.⁷ Radford is the only one of Virginia's municipal-electric cities currently designated fiscally distressed by the Auditor of Public Accounts. Martinsville is not.

Martinsville is not a story of fiscal comfort, and reading it that way would overstate the case. The city closed a roughly \$4 million budget gap for FY2026-27, opened when federal pandemic aid expired, by raising its real estate rate nine cents to about \$0.84, raising its trash fee, and raising electric rates roughly 6%. Its budget passed June 11, 2026.¹³ The deeper pressure that Radford feels, a small post-industrial tax base funding a full city government with its own schools, courts, and constitutional officers, operates in Martinsville too. Martinsville's industrial loss in furniture and

textiles ran deeper than Radford's foundry loss, and Martinsville lacks Radford's university anchor. Utility discipline bought Martinsville solvency and time. It did not exempt the city from the structural mismatch.

That is the precise lesson. The structural mismatch is shared and was always going to require hard revenue choices. What Martinsville did not do was convert its utility into a recurring subsidy until the utility broke. Radford did. The comparison refines the structural thesis rather than overturning it: the slow pressure is the tax-base problem visible in both cities, and Radford's distinguishing error was the transfer.

The comparison also prices Radford's forward options, because Martinsville has tested both of them. The path of staying a city and raising revenue is the path Martinsville is on now, and it is survivable when the utility is preserved as a reserve rather than spent, though it does not end the annual squeeze. The path of reverting to town status inside a county is one Martinsville actually pursued. It initiated reversion in December 2019, spent about three years in the state process and, by council members' accounts, more than \$1 million, then reversed course in January 2023 on a 3-2 vote after a new majority took office, and afterward amended its charter to require a voter referendum before any future reversion.⁹ Reversion is real, slow, expensive, and politically reversible. No audited reconciliation of Martinsville's reversion cost exists, and no modeled reversion outcome for Radford exists, so the dollar result of that path for Radford is not characterizable from current data.

The peer field: Radford is the outlier

Martinsville is the cleanest control because it matches Radford on size and model. It is not the only comparison available. Virginia has a small set of cities that own municipal electric utilities, and their audited statements show what a normal transfer looks like.

The transfer, expressed as a share of the electric utility's operating revenue, is the comparison that travels across cities of different sizes. Radford moved 18.5% of its electric revenue into the general fund in FY2024. Salem moved 6.8%, Harrisonburg 6.9% (FY2023), and Franklin 4.4%. Manassas and Martinsville moved nothing from their electric operations into the general fund.⁸ The peer field clusters between zero and about 7%. Radford sits at nearly three times the top of that range.

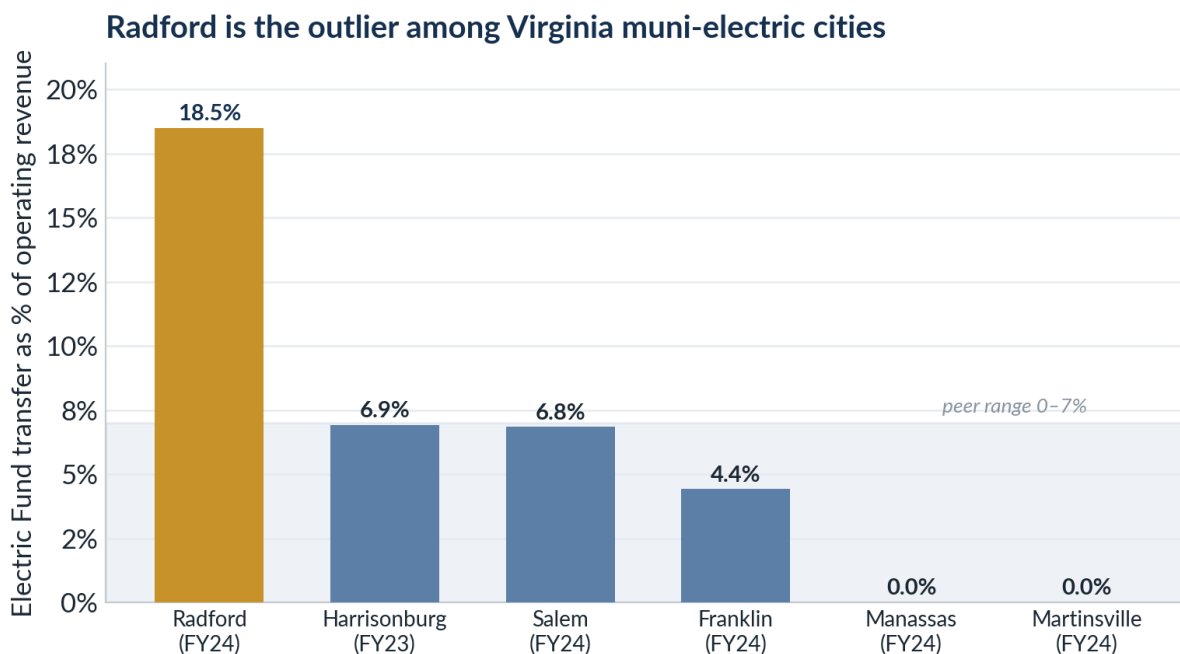


Figure 10. Electric Fund transfer as a share of operating revenue: Radford vs. Virginia municipal-electric peers.

The comparison has to be read with its seams showing. The cities differ in how they structure and report interfund transfers: Franklin's payment is a PILOT-style arrangement, Harrisonburg's figure is FY2023 and bundles purchased power differently, and Manassas records no transfer in its operating section. Those caveats move the peer numbers by a point or two. They do not move Radford, and they do not close a gap of eleven or more percentage points between Radford and the nearest peer. The Martinsville comparison established that one matched city chose differently. The peer field establishes that the choice Radford made is not what cities running this model normally do. A transfer at the peer norm of 5 to 7% would have been roughly \$1.1 to \$1.5 million in FY2024, well within what the utility earned in its better years and far from the \$3.97 million that pushed the fund into deficit.

Where accountability surfaced, and where it did not

The drift ran for two decades with almost no public friction attached to its actual mechanism. When friction finally arrived, in the spring of 2026, it arrived in volume and it arrived at the bill. The 2026 budget cycle is the one stretch of the record where residents appear in numbers, and by then the city was already designated distressed and was raising rates to close the gap.

The complaints about the bill were specific and grim. At the April 21, 2026 hearing on the rate increases, Beth Barber spoke against the electric fee increase, told the council that "people are already making difficult decisions between food and other bills," warned that the increases would fall hardest on the elderly and those on fixed incomes, and submitted a petition from residents. She came back on April 27 to speak again on the electricity bills. At the May 11, 2026 hearing, Melissa Mitchell described a \$702 electric bill in a home where "they have turned everything off," said she "can't afford this and takes away food to pay for it," and asked whether anyone was going to address the wholesale charge. Tina Lindsey, in a three-bedroom home she said she barely used, called the bills "extremely stressful and not fair" and predicted they would push residents toward crime. Amanda Winter raised the interaction with HUD rent allotments. Doug Knipe warned that rate increases never reverse and that cutting should come before raising: "raising rates should be our last resort and making cuts should be our top."¹⁰

What separates the 2026 record from an ordinary ratepayer revolt is that several residents reached past the bill to the structure this paper documents. Steve Fry asked the council directly "to take steps to decrease dependency on transfers," tied the rates to residents on fixed income, and pressed for an economic-recovery plan with firm goals. David Shelor read Section 6 of the City Charter aloud, questioned the taxing authority the city was invoking, and noted that increases had come "every year" under the current council. Regina Meredith observed that roughly 30% of residents live at the poverty line, that the burden was concentrating on the shrinking pool who pay real estate taxes with "no end in sight," and argued the city needed a robust economic-development plan. Alyssa Archer submitted that she favored raising property taxes over electric rates, with relief for residents in poverty, because property taxes "shift the burden to residents who can afford it." These are not complaints about a high bill. They are diagnoses of the mechanism, offered from the public-comment podium.

The structure was stated plainly from the city's side of the rail as well. Asked to explain the wholesale charge, city staffer Tim Logwood told the May 11 hearing that the residential rate had roughly doubled over about twenty years of buying from Appalachian Power, from about \$0.06 to \$0.11 or \$0.12 per kilowatt-hour, that recent capacity costs were driven up by Northern Virginia data centers, and that the rate "covers the wholesale cost and the rest of the cost for electricity is based on operations and transfers to the general fund."¹⁰ The subsidy was acknowledged on the record as a component of the residential bill, by the city, in the same meeting where residents were describing what that bill cost them.

What did not happen is engagement with the diagnosis as a structural matter. The distress designation itself was handled as procedure. Mr. Meredith, presenting for the city, noted that if the Auditor of Public Accounts designated Radford fiscally distressed, the city "will ask for assistance

for reimbursement," and that the matter "still needs to go through a few committees and the governor's office for approval." The forensic audit then underway appears in the same budget materials as a line item, with \$21,000 set aside to complete it and legal fees raised \$50,000 for ongoing litigation. The state's finding that the city had run itself into distress was processed as a question of which committee handles the paperwork and what compliance would cost.¹⁰

The June 8, 2026 regular council meeting followed, its agenda packet posted June 5. Minutes were not available as of this writing, so its deliberations are not characterized here. The audited record and the spring hearings carry the point without it.

What the spring 2026 record establishes is the shape of the accountability gap. Residents named the bill, and several named the structure. The council met the bill with rate increases and met the structure with a reference to state process. The reckoning that twenty years of drift might have forced at the dais happened instead in the audience.

What state designation does, and does not, do

The endpoint of the drift is a label with specific and limited content, and it is worth stating plainly to avoid both false alarm and false comfort.

The Auditor of Public Accounts issued a preliminary fiscal-distress determination for Radford on November 12, 2025 and recommended state assistance on March 26, 2026, under the framework of Virginia Code section 15.2-2512.1.¹¹ What that produces is advisory and financial support: state consulting, technical assistance, and the possibility of refinancing help through the Virginia Resources Authority. What it does not produce is a write-down of the city's obligations, because Virginia does not provide for municipal bankruptcy. The emergency-manager tool that exists in some states does not fit Radford's situation, which is not a case of an entity that has stopped filing or stopped functioning. Radford's audits are current and its government operates. The distress here is a balance sheet that has run out of cushion, not an administrative collapse.

Fiscal distress of this kind is rare in Virginia. The Auditor's early-warning system flagged only a handful of localities for follow-up review in its last published cycle, and Radford is the one to reach a formal determination and a recommendation for state assistance.¹²

The practical meaning is that the state can advise and can help refinance, but it cannot make the structural problem go away, and it will not absorb the obligations. The choices that produced the drift remain the city's to unwind, which returns the question to the menu the companion Options Analysis lays out.

Conclusion: the silence at the dais

The drift was a habit, not an event. There is no single decision in the record that explains how Radford crossed from a \$3.3 million reserve cushion to a \$4.55 million general-fund deficit and from a \$16 million utility net position to a deficit there too. There is instead a decision repeated every budget year, to take the quiet option, and a structure that let the consequences accumulate off the public's radar until the utility could no longer absorb them.

The two officials who named the problem out loud, Brown and Harshberger in 2017, were outvoted by the council they sat on. The residents who named it in 2026 were speaking to a council that treated the state's distress finding as a matter of committee routing. In between, for the better part of a decade, the transfer continued because nothing in the structure required anyone to defend it. The most consequential fiscal decision the City of Radford made, over and over, was the one that never had to be argued in public. That is the finding, and it is why the reckoning, when it finally came, came from the state and from the audience rather than from the dais.

A note on method and sources

The quantitative series in this paper is built from the City of Radford's audited Annual Comprehensive Financial Reports for FY2011 through FY2024, including the FY2014 report recovered as Archive document 469 on May 28, 2026 and re-scanned on June 16, 2026. Electric-fund line items, general-fund balances, and transfer figures are drawn from those reports and verified against the accounting identity where re-scanning was required. The 2004 origin is established by the April 17, 2017 council minutes recording Mayor Brown's statement. The FY2026 public-hearing record is drawn from the City's April 21 and May 11, 2026 council documents. Martinsville figures are from that city's FY2024 audited report and its FY2026-27 budget actions. The fiscal-distress determination is from the Auditor of Public Accounts under Virginia Code section 15.2-2512.1.

Description and inference are tagged throughout. Where the record is insufficient to characterize a question, the paper says so rather than filling the gap. The net-position series should be read with the GASB 68 and GASB 75 basis tags noted in the scope section, which mark two accounting restatements that are not operating losses.

This report is archived at <https://doi.org/10.5281/zenodo.20722596>; the concept DOI <https://doi.org/10.5281/zenodo.20722595> always resolves to the latest version.

Notes

1. City of Radford, audited Annual Comprehensive Financial Reports, FY2011–FY2024. Electric-fund and general-fund line series (operating revenue, purchased power, operating income, interfund transfers, year-end net position, unassigned balance) compiled from these reports.
2. City of Radford FY2014 Annual Comprehensive Financial Report, recovered as Archive document 469 (posted May 28, 2026); financial-statement pages re-scanned at 300 dpi on June 16, 2026 and verified against the FY2013 net-position tie and the accounting identity.
3. City of Radford, City Council minutes, April 17, 2017 (budget public hearing): statement of Mayor Bruce Brown read into the record; FY2017–18 budget adopted three votes to two; dissent of Councilman Dick Harshberger quoted from the same minutes.
4. City of Radford ACFR statistical sections, Table 7 (Assessed Value and Estimated Actual Value of Taxable Property), FY2018 and FY2024 reports. Constant-dollar figures deflated by U.S. Bureau of Labor Statistics CPI-U annual averages.
5. City of Radford FY2021 Annual Comprehensive Financial Report: general-fund balance composition, including bond proceeds for the McHarg school renovation classified outside the unassigned category.
6. City of Radford ACFRs, FY2019–FY2024: audit findings 2019-001 through 2024-001 (recurring material weakness in the standalone financial system); FY2019 report transmitted March 9, 2020.
7. City of Martinsville FY2024 Annual Comprehensive Financial Report: electric-fund and enterprise net position, interfund transfers, general-fund balance, and purchased-power share.
8. Peer municipal-electric cities' FY2024 ACFRs (Salem, Franklin, Manassas, Martinsville) and the Harrisonburg Electric Commission FY2023 report; peer transfer ratios compiled in the project's FY2024 peer comparison.
9. City of Martinsville reversion record: council actions December 10, 2019 through January 10, 2023 (terminated three votes to two); cost of "more than \$1 million" per city statements and contemporaneous reporting (WSET-TV, January 11, 2023); subsequent charter amendment requiring a voter referendum.
10. City of Radford, City Council documents (agenda packets and minutes) for the April 21 and May 11, 2026 budget public hearings: resident and staff testimony.
11. Virginia Auditor of Public Accounts: preliminary fiscal-distress determination for the City of Radford (November 12, 2025) and recommendation for state assistance (March 26, 2026), under Va. Code § 15.2-2512.1.
12. Virginia Auditor of Public Accounts, Local Government Fiscal Distress Monitoring 2022 and 2023 Report (June 2024).
13. Rate and budget actions: City of Radford real estate rate (about \$0.84, effective January 1, 2026) and personal property rate (\$2.55); City of Martinsville FY2026–27 budget adopted June 11, 2026.
14. The cumulative Electric Fund transfer of \$52.04 million (FY2011–FY2024) includes the recovered FY2014 draw and supersedes the earlier figure of about \$47.8 million, which was computed before the FY2014 report was recovered.

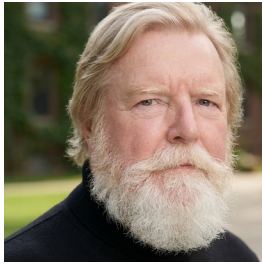
Exhibit: the audited spine, FY2011–FY2024

Figures are from the City's audited Annual Comprehensive Financial Reports. Transfer is the Electric Fund draw into the General Fund (magnitude). Net position is the Electric Fund year-end figure; read with the GASB 68 (FY2015) and GASB 75 (FY2018) basis steps noted in the text. Parentheses denote negative balances.

FY	GF unassigned	Electric→GF transfer	Electric net position	PP %	Audit finding
2011	\$2,512,517	\$1,803,761	\$12,234,152	71.7%	none
2012	\$2,635,777	\$2,395,454	\$12,735,890	69.7%	none
2013	\$3,326,603	\$3,332,947	\$15,989,873	61.8%	none
2014	\$3,180,070	\$4,187,862	\$16,160,210	63.6%	none
2015	\$2,326,761	\$3,560,447	\$13,333,200	68.7%	none
2016	\$1,375,315	\$3,670,732	\$12,707,703	62.8%	none
2017	\$1,343,002	\$5,728,844	\$10,648,304	61.4%	none
2018	≈\$2,992,813	\$5,329,932	\$9,075,462	61.0%	none
2019	\$2,504,752	\$4,079,599	\$9,054,559	60.8%	2019-001
2020	≈\$1,043,651	\$4,079,599	\$7,455,786	64.6%	2020-001
2021	\$88,460	\$2,879,599	\$7,306,297	65.2%	2021-001
2022	\$107,184	\$3,021,322	\$6,613,621	68.1%	2022-001
2023	\$82,242	\$3,991,014	\$3,394,294	75.3%	2023-001
2024	(\$4,545,839)	\$3,974,796	(\$433,371)	80.8%	2024-001

Cumulative Electric→GF transfers, FY2011–FY2024: \$52.04 million (includes the recovered FY2014 draw).

About the author



Tommy Turner is an independent fiscal researcher based in Virginia. His work examines the financial trajectories of local governments through systematic review of audited financial statements, public meeting records, and direct conversations with subject-matter experts.

His op-ed “Early warning signs of Radford’s fiscal distress” appeared in the Roanoke Times on May 24, 2026, drawing on the same corpus of audited financial statements and council records that underlies this analysis. His continuing coverage of Radford’s finances runs in the Roanoke Times and Cardinal News.

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DOI: <https://doi.org/10.5281/zenodo.20722596>

Cite all versions: <https://doi.org/10.5281/zenodo.20722595>

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