
A COMPARATIVE FISCAL ANALYSIS

Two Cities, One Machine

Radford & Martinsville, Virginia

The Transfer That Separated Two Fiscal Outcomes

Same machine. Opposite outcome.

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Companion to "The Quiet Option"

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Summary of findings

Two small Virginia cities ninety miles apart run the same unusual business, at almost the same size, under the same market pressure. One is now formally broke. The other is not. The difference is a choice one city made every budget year and the other declined to make.

Radford and Martinsville both own municipal electric utilities. Both buy nearly all their power wholesale and resell it to residents. In the fiscal year that ended June 30, 2024, the two electric systems were within \$30,000 of each other in operating revenue, and each spent the same 80.8 cents of every revenue dollar on purchased power.¹ The wholesale-cost pressure both cities feel is real, shared, and not of their making. It is also not where they diverge.

Where they diverge is the transfer. In FY2024 Radford moved \$3,974,796 out of its electric utility and into its general fund, about 18.5% of the utility's operating revenue. Martinsville moved nothing from its electric operations into its general fund. Run that difference across more than a decade and it becomes the whole story. From FY2011 through FY2024 Radford drew \$52.04 million out of its electric fund to support the rest of city government.² Martinsville left its utility's margin in the utility.

The balance sheets are the accumulated record of that one difference. Radford's electric fund ended FY2024 with a negative net position of \$433,371. Martinsville's electric fund held \$18.6 million. Across all of each city's utilities, the gap is starker still: Martinsville's enterprise net position climbed from about \$29 million in FY2017 to \$41 million in FY2024, while Radford's fell from about \$20 million to under \$7 million over the same span.³ One city used its utility as a reserve. The other used it as a checking account until the account was empty.

The general funds tell the same story from the other side. At June 30, 2024 Martinsville held about \$5.26 million in unassigned general-fund balance, roughly 13% of its spending and near the conventional two-month operating minimum. Radford held a negative unassigned balance of about \$4.55 million, and has been below its own 2011 reserve-floor policy since FY2019. Radford is the only one of Virginia's municipal-electric cities the state Auditor of Public Accounts has designated fiscally distressed. Martinsville is not designated.⁷

Four findings carry the analysis. The transfer, not the wholesale environment, separates the two outcomes, because the environment is identical and the outcomes are opposite. Radford is an outlier not only against Martinsville but against the whole muni-electric peer field, where transfers run between zero and about 7% of utility revenue and Radford runs at 18.5%. The structural pressure underneath both cities is genuine and unresolved, so Martinsville's discipline bought solvency and time rather than escape. And Martinsville is the rare comparable city that has actually walked both of the roads Radford is weighing, which lets the menu be priced rather than guessed.

This is a comparative diagnostic, not a recommendation. It does not tell Radford which road to take. It establishes that a meaningful share of Radford's distress was a decision, and it reads the consequences of each forward path through the one city that has tested them.

Why these two cities

Radford and Martinsville are the closest structural match Virginia's independent-city set offers, which is what makes the comparison worth the work rather than a coincidence of geography.

Both are small, post-industrial independent cities. Radford has roughly 16,070 residents, Martinsville about 13,476. Both watched their industrial base hollow out, a foundry in one and furniture and textiles in the other. Both kept something most Virginians never think about, because most Virginians buy electricity from a regulated company rather than from their own city hall: a municipal electric utility that buys power on the wholesale market and resells it at retail. Their electric systems are nearly the same size. Their wholesale burden is identical. One is fiscally distressed and one is not.

That last fact is the puzzle. Two cities running the same machine at the same scale under the same market pressure ended in opposite financial places. A comparison built on a tight structural match can isolate what differs, and here almost everything is held constant except one policy lever. The cities are not identical in every respect, and the places they differ matter and are taken up below. But on the dimensions that drive a municipal electric utility's finances, they are about as close to a controlled pair as real cities come.

The same machine

The shared part of the story is the part that is usually told, and it is accurate as far as it goes.

In FY2024 the two electric funds were almost the same size. Radford's took in \$21,493,066 in operating revenue; Martinsville's took in \$21,521,371. Purchased power consumed 80.8% of operating revenue in each. Both buy through wholesale arrangements, Radford through the Blue Ridge Power Agency and Martinsville through American Municipal Power, and both run a small legacy hydro plant that covers a sliver of load. Radford's purchased-power share climbed from about 62% of operating revenue in FY2013 to 81% in FY2024, so the wholesale squeeze is recent and steep. It is also not unique to Radford. A peer review of Virginia's other municipal-electric cities finds the same 78% to 81% burden across the group.

The wholesale-cost pressure these residents feel is the municipal-electric model in the current rate environment, not a Radford-specific failure of management and not a hidden local markup. A resident's bill is not where Radford parts from its peers. That shared pressure is usually where the public conversation stops. The audits show it is not where the two cities' outcomes are decided.

The opposite choice

The decision that separates them is a transfer from the utility to the general fund, and it is the one practice that ran in one city and not the other.

In FY2024 Radford's electric fund earned \$144,096 in operating income and then transferred \$3,974,796 to the general fund, roughly 18.5% of the utility's operating revenue and about twenty-seven times what the fund earned that year. Martinsville's electric fund earned just over \$1 million in operating income and transferred nothing to its general fund. The single-year contrast is the visible tip of a much longer pattern.

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

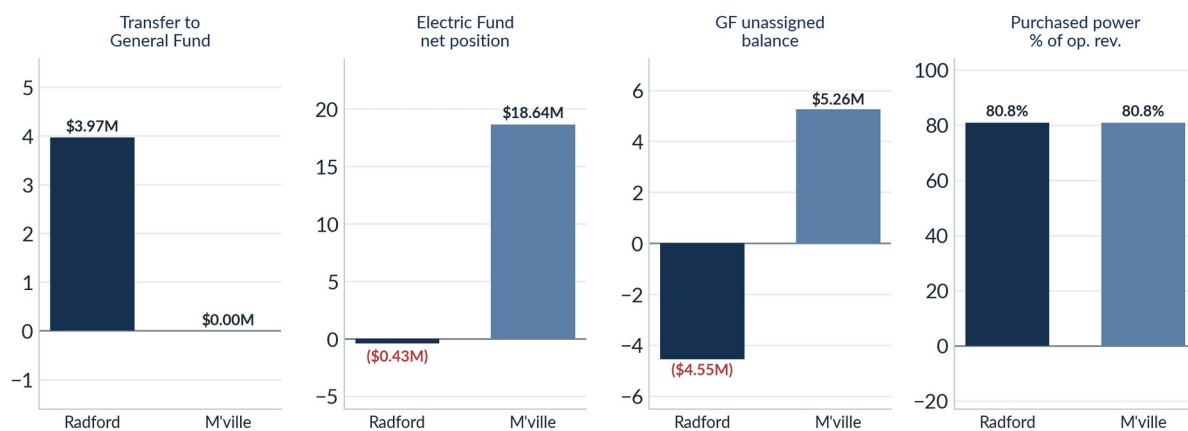


Figure 1. Radford and Martinsville, FY2024: same electric utility, opposite transfer policy, opposite balance sheet.

Across FY2011 through FY2024, Radford's electric fund transferred \$52.04 million into the general fund. The figure includes the recovered FY2014 draw of \$4.19 million, from an audit that was missing from the city's public archive for eleven years before it was located in 2026. Martinsville's cumulative draw from its electric operations into its general fund over the comparable period is zero. The chart of the two paths is not a gentle divergence. It is one line climbing steadily to fifty-two million dollars and another lying flat on the axis.

INFERENCE The motive behind Radford's transfer, that it functioned as a politically painless substitute for a tax increase, is an inference rather than a documented council decision, and "The Quiet Option" develops the case for and against it at length. What the comparison with Martinsville settles is the narrower and more important point. The transfer was a lever a council controlled and renewed each year, not a fixed feature of owning a power company, because a city of the same size running the same system chose not to pull it.

The diverging balance sheets

A transfer comes out of something. Run it for a decade and the something is gone, and the place it shows is the utility's net position and the general fund's reserve.

What one city drew, and the other kept, FY2011–FY2024

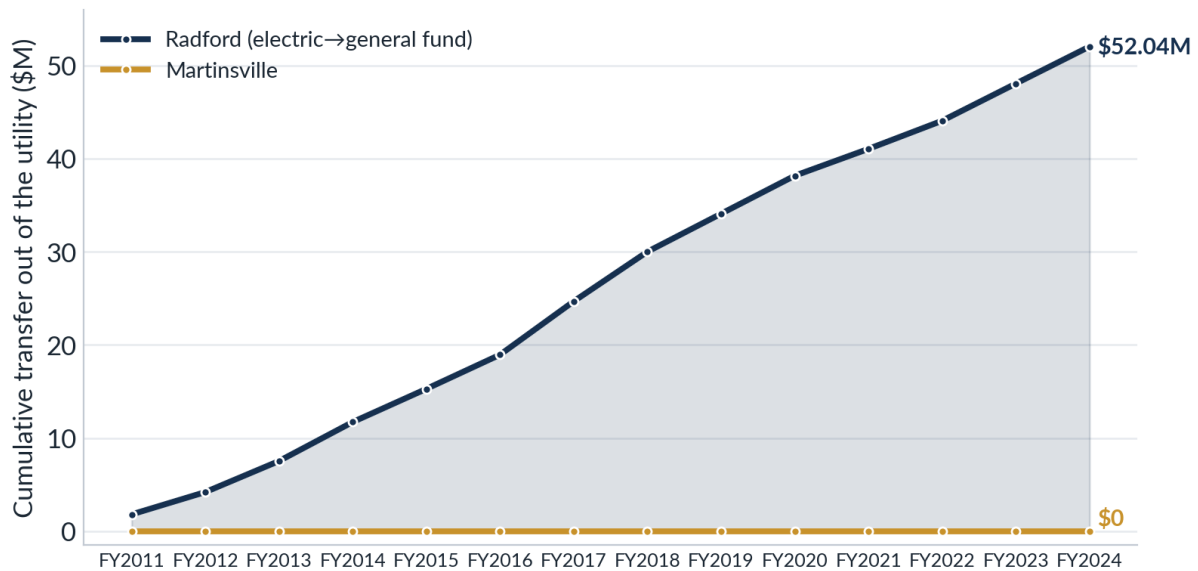
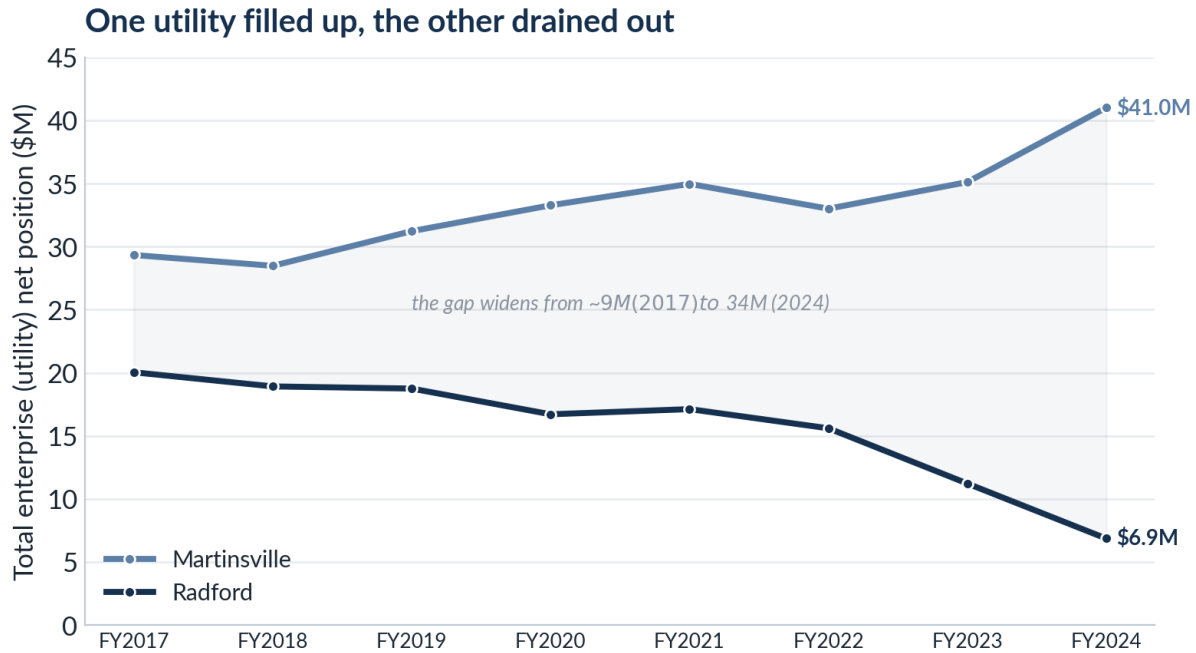


Figure 2. Cumulative transfer out of the electric utility into the general fund, FY2011–FY2024.

Across all of each city's utilities, the divergence is clean and wide. Martinsville's total enterprise net position rose from about \$29.3 million in FY2017 to \$41.0 million in FY2024, an increase of roughly forty percent. Radford's fell from about \$20.0 million to \$6.9 million over the same years, a decline of roughly two-thirds.³ A gap of about \$9 million in 2017 became a gap of about \$34 million by 2024. Read at the level of the electric fund alone, the FY2024 endpoints are sharper yet: Martinsville's electric net position stood at \$18.6 million and Radford's at negative \$433,371.



Business-type activities = each city's municipal utilities (Radford: electric, water, sewer, transit; Martinsville: electric, water, sewer, refuse).

Figure 3. Total enterprise (utility) net position, Radford vs. Martinsville, FY2017–FY2024.

The general funds record the same policy from the reserve side. At June 30, 2024 Martinsville held \$5,255,868 in unassigned general-fund balance, about 13% of general-fund spending. Radford held negative \$4.55 million, below the 10% floor its own 2011 fund-balance policy set and has not met since FY2019. Radford is the only one of Virginia's municipal-electric cities currently designated fiscally distressed by the Auditor of Public Accounts; Martinsville carries no such label.

INFERENCE These two balance sheets are the accumulated ledger of the single policy difference. Martinsville's discipline on the utility left it with both a utility reserve and a general-fund cushion. Radford spent both. The wholesale environment that pressed on each was the same; the reserve that absorbed the pressure existed in one city and had been transferred away in the other.

One caution keeps the net-position comparison honest. Each city's "business-type" total bundles several utilities, electric, water, and sewer in both, plus transit in Radford and refuse in Martinsville, so the enterprise series compares each city's full utility operation rather than electric alone. The direction and magnitude of the divergence hold at both the enterprise level and, in FY2024, at the electric-fund level specifically.

The peer field

Martinsville is the cleanest single control because it matches Radford so closely. It is not the only comparison available, and the wider field shows Martinsville is not an outlier on the low side. Radford is an outlier on the high side.

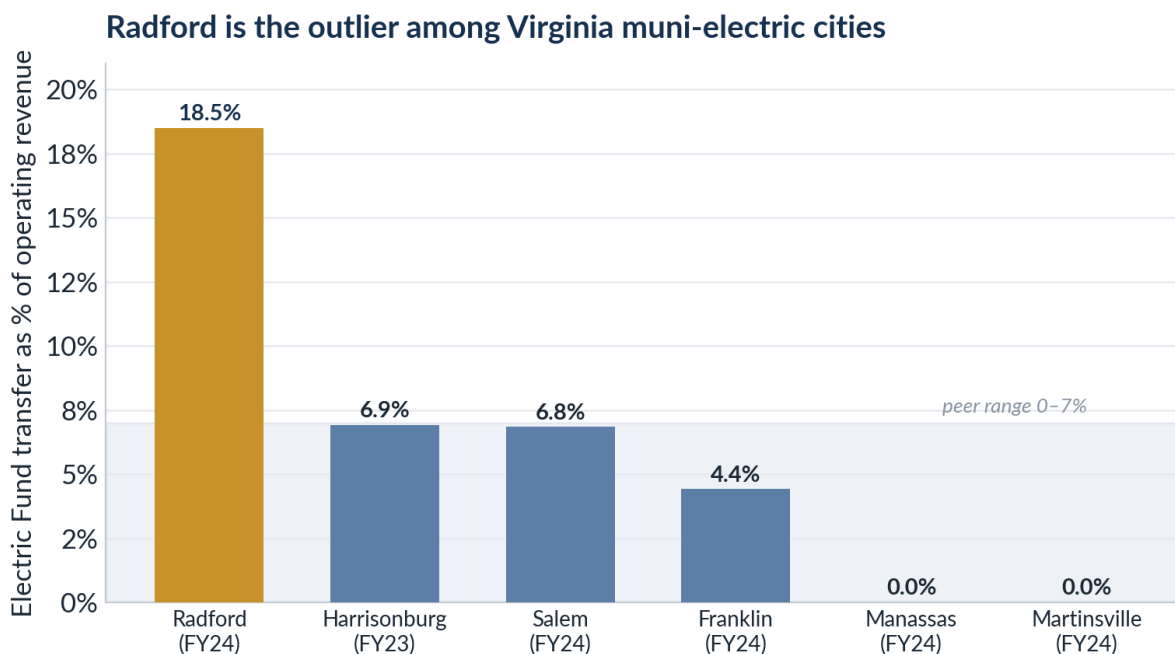


Figure 4. Electric Fund transfer as a share of operating revenue: Radford vs. Virginia municipal-electric peers, FY2024.

Expressed as a share of the electric utility's operating revenue, the FY2024 transfer was 18.5% in Radford. Among the other Virginia municipal-electric cities, Salem moved 6.8%, Harrisonburg 6.9% in FY2023, and Franklin 4.4%. Manassas and Martinsville moved nothing from their electric operations into the general fund. The peer field clusters between zero and about 7%. Radford sits at nearly three times the top of that range.⁴

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 from FY2023 and bundles purchased power differently, and Manassas records no transfer in its operating section. Those differences 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.

INFERENCE Martinsville establishes 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 Radford's utility earned in its better years and far from the \$3.97 million that pushed the fund into deficit.

The pressure both cities still carry

Reading Martinsville as the city that simply did it right would overstate the case, and the numbers will not support it.

DESCRIPTION Martinsville is not comfortable. For FY2026-27 it closed a roughly \$4 million budget gap, 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 about 6%. Its budget passed June 11, 2026.⁸ Radford raised its own real estate rate to about \$0.84 effective January 1, 2026 and its personal property rate to \$2.55, and still carries the structural gap its FY2024 statements document. The two cities are converging on roughly the same tax rate while each manages a recurring gap.

INFERENCE Utility discipline bought Martinsville solvency and time. It did not buy escape. The deeper pressure operates in both cities and has nothing to do with a power company: a small, post-industrial tax base trying to fund a full city government, with its own schools, courts, and constitutional officers, on the revenue of a town. Martinsville also lacks the stabilizer Radford has. It has no university anchoring population and payroll, and its industrial loss in furniture and textiles ran deeper and longer than Radford's loss of a single foundry. The structural mismatch is the slow pressure in both places. Radford's distinct error was converting the utility into a subsidy until it broke. The comparison refines the structural account rather than replacing it.

The menu, priced next door

Radford's situation is usually framed as a choice between two roads. Martinsville is the rare comparable city that has driven both, which lets the menu be priced from experience rather than argued in the abstract.

The first road: stay a city and raise revenue.

DESCRIPTION This is the road Martinsville is on now, and residents there are living what it costs: rate and fee increases year over year to close recurring gaps, while the independent-city structure stays in place.

INFERENCE Martinsville shows the road is survivable when the utility is preserved as a reserve rather than spent. It does not end the annual squeeze. The same residents are asked for more each cycle, and the structural gap persists underneath.

The second road: revert to a town inside the county.

DESCRIPTION Martinsville tried it. On December 10, 2019 its council voted to file for reversion, hoping town status would shift major obligations to Henry County and relieve the city's burden. The effort ran about three years. In December 2021 the Henry County Board of Supervisors rejected the negotiated Voluntary Settlement Agreement, and the process stalled. On January 10, 2023 a council majority voted three to two to end it. The mayor who moved to terminate said the city had been "dumping money into a pit." A council member who opposed termination warned that abandoning the effort wasted the money already spent and predicted the city was heading toward "a Petersburg situation." The city then amended its charter to require a voter referendum before any future reversion attempt.⁵



Virginia precedents (all driven by fiscal stress): South Boston → town 1995 · Clifton Forge → town 2001 · Bedford → town 2013

Figure 5. Martinsville's 2019–2023 reversion attempt, with Virginia city-to-town precedents.

DESCRIPTION Reversion is not novel in Virginia. Three cities have done it, all under fiscal stress: South Boston became a town in Halifax County in 1995, Clifton Forge became a town in Alleghany County in 2001, and Bedford became a town in Bedford County in 2013.⁶ The path exists and has been completed. It is also slow, contested by the receiving county, and reversible mid-process after large sunk costs, as Martinsville's abandoned attempt shows.

COVERAGE GAP The cost of Martinsville's reversion attempt is documented only by the city's own statements and contemporaneous reporting, which put it at "more than \$1 million" in legal and court fees, not an audited reconciliation. ****Insufficient coverage to state the precise figure.**** No independent valuation of Radford's electric system and no modeled reversion outcome for Radford exist, so the dollar result of either road for Radford is ****not characterizable**** from current data. What the Martinsville record supplies is not a number for Radford but a price range and a set of hazards: years of process, seven-figure legal costs, a receiving county with its own veto, and a high chance of political reversal.

What the comparison proves, and what it does not

A two-city comparison invites an obvious objection, that two cities are not a sample, and the objection deserves a direct answer.

The matched pair carries the causal claim because the match is unusually tight: same model, same scale, same wholesale burden, opposite transfer policy, opposite outcome. The peer field carries the generalization, by showing Radford's transfer is an outlier against six comparable cities, not just against one. Together they support a finding that neither alone would: the unguarded transfer of utility margin into the general fund is a policy lever that produces fiscal distress when run to exhaustion, and it is the lever that separates Radford from cities that run the same system without ending up distressed.

INFERENCE The comparison also refines a claim that has appeared in published commentary on Radford, including this author's, that residents "were never the ones carrying" the budget because the utility margin was the prop, not resident taxes.⁹ Held against Martinsville, that claim is accurate as a description of Radford's actual history and incomplete as a general lesson. A city the same size, same model, and same wholesale burden kept its residents' direct tax burden lower for years precisely by not spending the utility margin, and is now raising resident taxes and rates to cover the gap the transfer would otherwise have hidden. The transfer was a policy lever, not a fixed feature of the city form. The honest reading is that Radford's residents did not pay a posted premium and the utility did carry the budget, and that this was a choice with a cost, now coming due.

What the comparison does not do is decide Radford's future. Whether to keep raising revenue as a city or to revert to a town is a political question, the same political question Martinsville answered twice and then reopened. The data price the roads. They do not choose one.

Conclusion

Radford and Martinsville run the same machine. Only one is broke, and that outcome was built one budget year at a time, by a decision to treat the electric utility as a source of general revenue rather than a reserve. Martinsville made the opposite decision, kept the margin in the utility, and arrived at the present squeeze with a cushion instead of a deficit. Both cities still face the harder, slower problem underneath, a town-sized tax base funding a city-sized government, and neither a transfer nor its absence resolves it. Martinsville bought itself time and options by leaving the utility intact. Radford spent the same asset and now faces the same structural question with fewer resources and a state designation attached. The comparison cannot tell Radford which road to take. It does establish, with a city ninety miles away as the control, that the worst of Radford's wound was self-inflicted and avoidable, and that the choices ahead are real because one comparable city has already paid to learn what they cost.

Exhibit: side-by-side, FY2024 audited

The apples-to-apples comparisons are the electric fund, near-identical in scale, and the reserve and distress measures. The cities structure their general funds differently, so raw general-fund operating totals are not directly comparable and are omitted.

Measure	Radford	Martinsville
Population (2020 Census)	~16,070	13,476
Electric Fund operating revenue	\$21,493,066	\$21,521,371
Purchased power, % of operating revenue	80.8%	80.8%
Electric→General Fund transfer	\$3,974,796 (18.5%)	\$0
Electric Fund net position, year-end	(\$433,371)	\$18,638,728
Total enterprise (utility) net position	\$6,855,499	\$41,029,547
General Fund unassigned balance	(\$4,545,839)	\$5,255,868
Own reserve-floor policy	breached since FY2019	~13% of GF spending
Cumulative electric→GF transfer, FY2011-24	\$52,035,908	\$0
APA fiscal-distress designation	Yes	No
Real estate tax rate	~\$0.84 (eff. Jan 1, 2026)	~\$0.84 (FY2027)

A note on method and sources

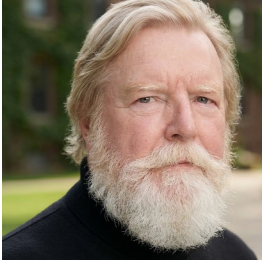
Electric-fund and general-fund figures are from the two cities' FY2024 audited Annual Comprehensive Financial Reports. Radford's cumulative transfer series and the \$52.04 million total are from its audited reports FY2011 through FY2024, including the FY2014 report recovered in 2026. The enterprise net-position series is from each city's statistical schedules, Radford's via the assembled peer panel and Martinsville's from its FY2024 ACFR ten-year tables. Tax-rate actions are from each city's FY2026 and FY2027 rate filings and budget adoptions. The Martinsville reversion record is from city council actions and contemporaneous reporting; its cost is the city's own characterization rather than an audited figure, and is flagged as such. The fiscal-distress designation is from the Auditor of Public Accounts under Virginia Code section 15.2-2512.1. Description and inference are tagged throughout. Where the record cannot support a figure, the analysis says so rather than estimating.

This report is archived at <https://doi.org/10.5281/zenodo.20725723>.

Notes

1. City of Radford and City of Martinsville, audited FY2024 Annual Comprehensive Financial Reports: electric-fund operating revenue, purchased-power share, interfund transfers, electric and enterprise net position, and general-fund balances.
2. City of Radford audited Annual Comprehensive Financial Reports, FY2011–FY2024; the cumulative Electric Fund transfer of \$52.04 million includes the FY2014 draw recovered in 2026.
3. Enterprise (business-type) net-position series: City of Radford via the project's assembled peer panel (FY2017–FY2024); City of Martinsville from its FY2024 ACFR statistical section, Table 1 (Net Position by Component, last ten fiscal years). Business-type activities comprise each city's municipal utilities.
4. Peer municipal-electric cities' FY2024 ACFRs (Salem, Franklin, Manassas, Martinsville) and the Harrisonburg Electric Commission FY2023 report.
5. 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 referendum.
6. Virginia city-to-town reversions: South Boston (Halifax County, 1995), Clifton Forge (Alleghany County, 2001), and Bedford (Bedford County, 2013); Virginia Department of Housing and Community Development, Reversion from City to Town Status.
7. 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; the City of Martinsville is not designated.
8. 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 (real estate rate raised nine cents, trash fee, and electric rate adjustment).
9. The "residents were never the ones carrying" framing refers to the author's prior commentary on Radford, including the Roanoke Times op-ed of May 24, 2026 and the companion longitudinal study, "The Quiet Option."

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. His companion longitudinal study of Radford’s path to fiscal distress, “The Quiet Option,” underlies the single-city analysis behind this comparison. His coverage of Radford’s finances runs in the Roanoke Times and Cardinal News.

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