



COMMONWEALTH of VIRGINIA

Auditor of Public Accounts

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March 26, 2026

The Honorable Abigail D. Spanberger
Governor of Virginia

The Honorable Mark D. Sickles
Secretary of Finance

The Honorable Luke E. Torian, Chair
House Appropriations Committee

The Honorable L. Louise Lucas, Chair
Senate Finance and Appropriations Committee

The Honorable Dan Helmer, Chair
House Counties, Cities, and Towns Committee

The Honorable Lashrecse D. Aird, Chair
Senate Local Government Committee

David Horton, Mayor
City of Radford

Todd Meredith, City Manager
City of Radford

The Virginia Acts of Assembly and Code of Virginia direct the office of the Auditor of Public Accounts (Office) to establish a prioritized early warning system and annually monitor data and information from this system to determine whether a locality may meet the defined criteria for fiscal distress. Based on the results of our annual monitoring process, the Office may identify a locality as needing additional follow-up review, at which point we send written notification to inform the locality's governing body and management of our determination. If a locality chooses to participate in the follow-up review process, we further evaluate the locality using our financial assessment questionnaire. The Office's follow-up process involves a more in-depth review and discussion with local officials to better understand certain budgetary, financial, and operational aspects of the locality and any specific factors contributing to the locality's financial position. The primary objective of this review is to determine whether a locality is experiencing fiscal distress that warrants further assistance, oversight, or intervention from the Commonwealth. If the locality's governing body or chief executive officer requests assistance or the Office concludes that a locality is fiscally distressed, statute requires that we notify the Governor, certain legislative committees, and the local governing body regarding the specific indicators of fiscal distress and our recommendation for state assistance to further assess, stabilize, or remediate a locality's situation.

As part of the Office's 2025 monitoring process, we identified the City of Radford (Radford) for additional follow-up review. Based on our follow-up review conducted with the city, the Office has concluded that Radford meets the criteria for fiscal distress within the framework of the Commonwealth's early warning system. Pursuant to § 15.2-2512.1 of the Code of Virginia, the Office provides this notification as our formal recommendation that the Commonwealth consider providing state assistance to further assess the city's situation and to support Radford's efforts to remediate the underlying factors contributing to fiscal distress.

As part of the Office's ongoing evaluation of Radford over the past three years, we have analyzed leading financial indicators through ratio analysis using data from the city's audited financial statements and evaluated other non-financial and qualitative factors. During the Office's 2025 monitoring process, we noted that the city's ratio analysis showed further downward trends and cumulative ratio points exceeding our established evaluation threshold. In addition, the Office evaluated other external factors and qualitative indicators for Radford related to ongoing fiscal issues and budgetary challenges, including risks related to the city accumulating unpaid liabilities to American Electric Power (AEP) for its wholesale purchase of electricity and recent budgetary challenges attributable to overestimated revenue projections throughout multiple budget periods. In November 2025, [the Office corresponded](#) with Radford's governing body and management (officials) and inquired whether the city desired to participate in our follow-up review process based on the results of the ratio and qualitative analyses. The city agreed to participate and provided the completed financial assessment questionnaire and other information to facilitate the Office's review. Further, upon completion of the follow-up review process, Radford officials specifically requested that the Commonwealth consider providing assistance to support the city's efforts to address its current fiscal challenges.

In January 2026, the Office had further discussions with Radford officials to obtain a better understanding of the city's current fiscal situation. Based on the Office's review and discussions with city officials, we observed two primary conditions that indicate the city's situation meets the defined criteria for fiscal distress. The first condition relates to Radford's challenges with sustaining a structurally balanced budget, driven by shortcomings in revenue projections and uncertainty in billing and revenue collections. Radford officials communicated that during the fiscal year 2026 budgeting process, they identified inaccuracies in the city's revenue estimation process, resulting in overly optimistic revenue projections throughout multiple prior budget periods. City officials have since implemented changes to reflect more realistic and conservative revenue projections that exceed planned expenses, along with measures to increase tax rates and utility fees and reduce overall spending. However, city officials communicated continued uncertainty about whether additional structural budgetary issues remain and whether challenges with the city's revenue projections have been fully addressed. One primary factor contributing to the city's budgetary challenges is its unique tax base that includes Radford University. Additionally, Radford officials indicated that the city manager and finance department face limitations in effectively monitoring billing and revenue collections and obtaining necessary revenue data for budgetary estimates. These limitations relate to the city's organizational structure, as billing and revenue collection responsibilities fall under the purview of the independently elected Treasurer, whose office operates on an older, standalone financial system. City officials noted that ongoing efforts are underway to transition the Treasurer's office to the city's modern financial system.

The second condition relates to Radford accumulating unpaid liabilities to AEP for the purchase of wholesale electricity, further strained by external factors impacting the future sustainability of the city's electric operations. At the time of our review, city officials communicated that the city was approximately six months in arrears on payments to AEP, primarily due to significant increases in wholesale power costs over recent budget periods. Further, the city had previously relied on short-term financing through a revenue anticipation note acquired in 2023 to cover budgetary shortfalls; however, the city's reliance on this financing was not reflected in the budgetary process. This resulting budgetary gap also contributed to the city's accruing balance of unpaid liabilities to AEP.

Radford officials also communicated that the city has seen considerable changes in its electric operations over recent years due to broad shifts in the wholesale electricity market, marked by rising wholesale power costs and a concurrent decline in the city's customer base. City officials anticipate an additional future decline in its customer base and a notable decrease in revenues in the electric fund once Radford University completes its Co-Generation project, a combined heat and power facility that will allow the university to produce its own electricity and reduce its dependence on the city's electric operations.

Should the Governor and legislative committees approve a plan for state assistance for Radford, the Office recommends the Commonwealth provide assistance that includes procuring consulting and advisory services to address the two primary conditions noted above. These contracted services would support city officials in identifying key diagnostic actions and developing a plan to stabilize the city's financial condition. Ideally, the contracted consulting and advisory services would include personnel with knowledge and experience in Virginia local government, local operations and business processes, and governmental accounting and financial reporting. Specifically, the consulting services would assist city officials in identifying additional structural issues in the city's revenue projections and overall budgetary process, as well as opportunities to restructure the city's finances. Consulting services would also support the city's administration and the Treasurer's office in establishing key internal control and monitoring processes for billing and revenue collections and provide necessary technical assistance to effectively integrate the Treasurer's office into the city's financial system. Finally, the Office recommends state assistance that includes consulting and advisory services that provide expertise to support city officials' further analysis of budgetary and fiscal decisions affecting the electric fund and evaluation of the continued operations and long-term sustainability of Radford's electric operations.

We would like to express our appreciation to the City of Radford for its responsiveness and cooperation during our follow-up review process. Should you have any questions or require any further information, please contact me at (804) 225-3350 or Staci.Henshaw@apa.virginia.gov.

Sincerely,

Staci A. Henshaw
Auditor of Public Accounts

cc: Seth Gillespie, Vice Mayor, City of Radford
Kellie Artrip, Council Member, City of Radford
Jessie Foster, Council Member, City of Radford
Guy Wohlford, Council Member, City of Radford
Patricia Cox, Chief Financial Officer, City of Radford
James Heo, Deputy Secretary of Finance
Dr. Tamarah Holmes, Director, Department of Housing and Community Development
Terry Payne, Chair, Virginia Commission on Local Government
Delegate Jason S. Ballard, Virginia House of Delegates 42nd District
Senator T. Travis Hackworth, Virginia State Senate District 5