



COMMONWEALTH of VIRGINIA
Office of the Governor

Stephen E. Cummings
Secretary of Finance

July 18, 2023

Dear City Council members:

As a follow up to my letter dated July 7, 2023, offering additional Commonwealth support for the financial turnaround you are about to embark on, I would like to further explain our proposal. I had hoped there would be some conversation about this with the Council but, given that we appear to be shut out of the process, I want to make sure that you understand our offer and motivation.

You are about to undertake one of the most important activities in the modern history of Hopewell. Time is of the essence given the costs and risks. You cannot afford to fail. Hopewell's situation is unprecedented in the Commonwealth and has had several significant negative financial consequences to the City which expose the City to significant operational risks. The inability to refinance debt at a time when every creditworthy municipality did so, or apply for and receive state and federal grants, has cost the City tens of millions of dollars which will grow as long as the City does not have a credit rating. In addition, given that the City has not been able to complete the basic task of reconciling cash for several years, you are exposed to significant ongoing fraud and abuse risk. It is clear to us that these issues are compounding over the last decade, and only going to become more severe and costly.

When the Alvarez and Marsal report was delivered, which included a roadmap for executing the turnaround, we were challenged by you to provide additional Commonwealth taxpayer support to fund that turnaround plan. We told you at that time that we had just spent more than \$350,000 of Commonwealth taxpayer money to deliver a plan, and that the City must take ownership of the work that had failed to be adequately completed since 2014 and prioritize this within your budget. Hopewell has the resources to do so.

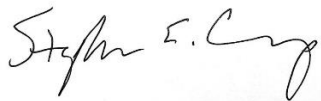
However, several weeks ago, in an effort to provide additional support, I went to the Administration and the Committee Staff of the House Appropriations and Senate Finance and Appropriations committees to request their bipartisan support for the funding of the interim City Manager and Finance Director

positions, two of the most critical positions to ensure delivery of a clean audit at the earliest possible date. Staff of these committees consulted with their Chairs and agreed with the Administration that we should offer the support that is in our proposal. Both the legislature and the Administration understand how dire this situation is. We want to make sure that experienced, independent resources are in place to further support a prompt resolution of the issues. However, that offer of support has a condition that we must approve the candidates that are identified and selected for those roles and have full access to receive regular updates on the progress.

We have been told that certain Council members have suggested that our offer is politically motivated, which is very disappointing given that this offer had to be approved by both the House Appropriations and Senate Finance and Appropriations staff and leadership. This is an offer of other Virginia taxpayers' money to help get Hopewell back on track with full access to capital markets for future growth. Based upon the experience level and demonstrated ability of current staff to resolve past issues, we strongly believe that experienced professionals are necessary in these positions to further ensure prompt resolution of the longstanding issues. Existing staff may be important to help manage current staffing issues and prepare for longer term management of the department, but this is not a time or an issue to learn on the job. You need experienced leadership to work in partnership with your PMO to lead the process.

A number of the City Council members have been in place for some time, and, for whatever reasons, they have not been able to find a way to resolve these issues. That is of great concern to all of us. This is a time to make the tough decisions to ensure the prompt return of Hopewell to a place of financial transparency and stability. Your citizens deserve no less. We would like to continue to support you in that effort.

Thank you,

A handwritten signature in black ink, appearing to read "Stephen E. Cummings". The signature is written in a cursive style with a large, stylized "S" and "C".

Stephen E. Cummings
Secretary of Finance