

**REGULAR COUNCIL MEETING  
CITY OF COLUMBIANA, ALABAMA  
November 15, 2022**

The City Council of the City of Columbiana, Alabama met in a Regular Session in the Council Chambers of Columbiana City Hall at 6:00 p.m. on Tuesday, November 15, 2022. Mayor David Mitchell called the meeting to order and asked City Clerk, Charlene Tucker, to call roll after the invocation and pledge.

**Present:**

Council Member Karen Lilly  
Council Member Ricky Ruston  
Council Member Kim King  
Council Member Ashley Phillips  
Mayor David Mitchell

**Absent:**

Council Member Vickie Mizzell

The Mayor declared that a quorum was present.

**Consent Agenda**

**A. Approval of Minutes 11-1-22 Regular Council Meeting**

There being no changes or amendments to the minutes, the Mayor declared the minutes approved.

**Department Head Reports**

**Police – Jeff Bowers reported the following:**

- Currently two on the job injuries.
- We are currently on course with our 2023 budget.
- Officers positions open.
- New vehicle is here and will be on the road soon.
- All equipment is in good shape.
- Department training continues.
- CVS Armed Robbery on 10/22/2022, suspect in custody 2 ½ days later.
- Please, if possible, have packages delivered when someone is home.

**Administration – Charlene Tucker reported the following:**

- No reports of safety issues.
- YTD revenues and expenses are on track.
- Fully staffed with three full time and one part time employee.
- No repairs are needed at this time.
- Training is up to date.

**Court** – Terri Reynolds reported the following:

- Court attendance continues to track higher since the first of the year.
- Court was November 8, 2022, and the next court will be held on November 22, 2022 at 2:00 pm.
- There will only be one court date in December (12/13/22).
- Court collections are holding steady at this time.

**Public Works** – Allen Reynolds reported the following:

- No injuries during this fiscal year.
- At this time our current budget is on track.
- 4 positions open.
- We are in need of two ¾ ton pick-up trucks long wheelbase for the sanitation department.
- Some of our equipment is in need of replacement and some are in need of repairs.
- We have monthly training meetings.
- We are in desperate need of a shop and office building to work on equipment.
- Working on Christmas lights.
- Garbage that would be picked up on Thursday, November 24 will be picked up on Wednesday, November 23 due to the Thanksgiving Holiday.

### **Board Reports**

**Planning Commission** – There was a public hearing at the last meeting and both of the pre-zoning applications were approved. These will come to Council for another public hearing on December 20. These are properties at Joinertown and Rocky Ridge.

**Recreation Board** – Youth basketball is kicking off. The board wants to start working on the dugouts at Bolton Field in January or February.

**Water Board** – The meter change out project should be complete in the middle of February.

Mayor Mitchell introduced:

### **RESOLUTION 11-22-04**

#### **APPROVAL TO ADD COMMUNITY AFFAIRS & SENIOR SERVICES DIRECTOR JOB DESCRIPTION TO CITY'S CLASSIFICATION PLAN**

**WHEREAS**, the job of managing the day to day needs for the Senior Center, along with other Community Affairs duties, for the City of Columbiana is the responsibility of Ali Payne; and

**WHEREAS**, it has been recommended by the Mayor that the City of Columbiana add the additional Community Affairs duties and create a job description for the Community Affairs and Senior Services Director; so

**THEREFORE, BE IT RESOLVED** that on the recommendation of the Personnel and Policy Committee, the Mayor and City Council adds the Community Affairs and Senior Services Director job description to the City's classification plan under Grade 14. It is also the recommendation of the

Personnel and Policy Committee to start Ali Payne on Step 2. ~~All promotional employees are placed on a six (6) month probation and do not receive merit increases while on probation.~~

The job description is as follows and is a part of this resolution:

### **CITY OF COLUMBIANA JOB DESCRIPTION**

**Job Title:** Community Affairs and Senior Services Director  
**Department:** Senior Services  
**Job Description Prepared:** November 2022  
**Salary Range:** \$22.68 - \$31.39

Note: Statements included in this description are intended to reflect in general the duties and responsibilities of this job and are not to be interpreted as being all-inclusive. The employee may be assigned other duties that are not specifically included.

### **RELATIONSHIPS**

**Reports to:** Mayor  
**Subordinate Staff:** Senior Center Assistant, Senior Center Aides  
**Internal Contacts:** All City Departments  
**External Contacts:** General Public, Vendors, Business Owners

### **JOB SUMMARY**

Limited resources require leaders, managers and employees within all City departments to perform a broad range of duties. In that regard, Columbiana's Manager of Community Affairs and Senior Services is a unique blend of skills, duties and responsibilities. The position requires management of marketing, promotion, communications, website, social media, event planning/execution, facility operations, social services, office administration, personnel, and other activities.

### **DUTIES AND RESPONSIBILITIES**

- Communication and Public Relations on behalf of the City of Columbiana.
- Event Marketing and Management.
- Plan and Execute City Events such as Cowboy Day and Liberty Day, etc.
- Maintain and produce material for the City website and social media.
- Produce and Distribute the Columbiana Bugler monthly publication.
- Maintain and develop relationship with The Shelby County Chamber of Commerce.
- Maintain and develop relationships with media outlets – AL.com, Shelby County Reporter, etc.
- Collaborate with Columbiana Main Street, Beautification Board, local businesses, government agencies and City Departments, as required, to support promotion of the City, operations, events and activities.
- Manage/supervise staff. Recruit and manage volunteers to support Citywide and Senior Center operations/events.
- Budget planning and management.
- Staff recruitment, training and supervision.

- Operation of the Senior Center in accordance with guidelines established by the Middle Alabama Area Agency on Aging (M4A).
- Plan, manage, execute and/or facilitate other services such as Meals on Wheels, senior outings and activities.
- Other events and activities to support the City, as required.

### **QUALIFICATIONS, SKILLS AND EXPERIENCE**

- BS/BA in Business, Marketing, Social Services or related discipline(s). Five years of relevant management/supervisory experience may be substituted for a degree.
- Knowledge/experience in website and social media development and administration.
- Municipal government and social services experience preferred.
- Must have excellent written and verbal communication skills and be able to communicate effectively with people at all levels and from various backgrounds.
- Strong organizational and problem-solving skills; able to manage priorities and workflow. Demonstrated ability to plan and organize projects.
- Excellent customer service skills.
- Ability to work independently and as a member of various teams and committees.
- Proven ability to handle multiple projects and meet deadlines.
- Good judgment with the ability to make timely and sound decisions.
- Ability to work on complex projects with general direction and minimal guidance.
- Creative, flexible, and an innovative team player.
- Passion, enthusiasm, focus, creativity, and a positive outlook.
- Possess valid Alabama Driver's License.
- Duties/responsibilities may frequently require work outside normal business hours.
- Must be in good physical health and be able to lift up to 25 pounds.

**Mayor Mitchell recommended that the resolution be amended and the last sentence in the third paragraph be removed (see strikethrough above). This amendment was seconded by Council Member Ruston.**

**THEREUPON** Council Member King moved and Council Member Phillips seconded the motion that said resolution be given vote, and said resolution passed by roll call vote of all members of the Council present, and the Mayor declared the same passed.

	Yea	Nay		Yea	Nay
Council Member Lilly	<u>X</u>	___	Council Member King	<u>X</u>	___
Council Member Mizzell	<u>absent</u>	___	Council Member Phillips	<u>X</u>	___
Council Member Ruston	<u>X</u>	___	Mayor Mitchell	<u>X</u>	___

**PROCLAMATION**  
**Proclaiming November as**  
**National Home Care & Hospice Month**

**Whereas**, home care services provide high quality and compassionate health care services to more than five million Americans annually, especially in times of community or personal health care crisis; and

**Whereas**, 90 percent of Americans want to age in place, and home care is the preferred method of health care delivery among the disabled, elderly, and chronically ill individuals eager to live independently in their own homes as long as they possibly can;

**Whereas**, home care services allow families to stay together, and provide for greater health, dignity and comfort in our communities; and

**Whereas**, home care in the U.S. is a growing alternative to hospitalization or other institution-based forms of health care for acute and chronic illnesses, providing care to millions of Americans each year; and

**Whereas**, two million everyday heroes – including home care nurses, therapists, and aides –will travel almost billion miles to deliver care and worked tirelessly to provide professional support to millions of Americans in need of quality health services; and

**Whereas**, these dedicated home care professionals and volunteers form a support network that continues to play a vital role in health care delivery for our nation’s disabled, infirm, and aging population; and

**Whereas**, Comfort Care the National Association for Home Care & Hospice, and thousands of home care agencies across the U.S. have declared the month of November as National Home Care & Hospice Month and are calling on all Americans to observe these occasions with appropriate ceremonies and activities;

**Now, therefore, be it resolved** that I, David Mitchell, Mayor, do hereby proclaim November as National Home Care & Hospice Month in Columbiana, AL and encourage the support and participation of all citizens in learning more about the home care and hospice concepts of care for the elderly, disabled, and infirm.

**Discussion – Other City Business**

None

**Mayor’s Report**

- Mayor’s Semi-Annual Financial Condition Report to Council
- November 8 – Election Day
- November 8-10 – EDA Graduation, Municipal Leadership Institute
- November 10 - Main Street Artisan Market

- November 11 – American Legion Veterans’ Day Breakfast/Lunch at the Columbiana Recreation Center
- November 14 – Swearing in of Corley Ellis and Lance Bell at American Village
- November 16 – Shelby County Mayors’ Association at Old Mill Square
- November 16 – 58 Inc., Columbiana Stakeholder Meeting at Old Mill Square
- November 21 – RERC Planning Meeting
- December 7 – Shelby County Senior Summit

#### **Announcements**

- November 18-19 – Christmas Open House for Columbiana Businesses
- December 2 – Christmas Parade
- December 3 – Shelby County Arts Council’s Artist Market
- December 9, 16 & 23 – Christmas in the Park
- December 9 – Main Street Moonlight Market

#### **Public Comments**

None

There being no further business, Council Member Ruston moved that the meeting be adjourned which was seconded by Council Member Lilly. The motion passed by vote of all members of the Council present. Mayor Mitchell declared the meeting adjourned at 6:41 p.m.



Charlene Tucker, City Clerk



David Mitchell, Mayor



## Mayor's Semi-annual Financial Condition Statement to Council

April 1, 2021 – September 30, 2022

### OVERVIEW

Section 11-43-84, Code of Alabama 1975, requires the mayor to present a semi-annual written statement to the Council of the City's financial condition and show all temporary floating indebtedness, for what created, and the steps he/she will take to protect the credit of the City.

The following report covers the last six months of FY 2022.

### 2022 FYTD BUDGET PERFORMANCE

Council approved an FY22 budget that assumed ~\$12.6M in revenue and cash against anticipated expenses of ~\$10.2M.

The \$12.6M in budgeted revenue represents \$7.6M in FY22 receipts, \$2.8M in prior year funds, and a \$2.2M beginning cash balance.

Included in FY22 receipts was a \$50k ADECA grant for the Police Department, \$200k Rebuild Alabama grant for street upgrades, \$428k CDBG grant for sewer upgrades, and \$540k of American Rescue Plan Act (ARPA) funds. The CDBG grant, ARPA funds and ADECA grants were received. The Rebuild Alabama grant for street improvements was not. Several smaller grants having an immaterial impact to the City's budget were also received.

Section 11-43-57, Code of Alabama 1975, permits *"the council to appropriate the sums necessary for the operation of city departments and for the interest on its bonded and other indebtedness, not exceeding in the aggregate within 10 percent of its estimated revenue"*. In other words, anticipated expenses should not exceed 90% of expected revenue. For FY22 Columbiana budgeted anticipated expenses equal to 81% of estimated funds available.

	Aug			Sep			FY 2022		
	Budget	Actual	Variance	Budget	Actual	Variance	Budget	FYTD Actual	FYTD Remain
GF Cum Revenue	\$ 5,478,940	\$ 5,363,471	\$ (115,468)	\$ 5,977,025	\$ 5,694,065	\$ (282,960)	\$ 5,977,025	\$ 5,694,065	\$ (282,960)
GF Cum Expense	\$ 6,457,005	\$ 4,459,623	\$ 1,997,382	\$ 7,044,005	\$ 5,125,441	\$ 1,918,564	\$ 7,044,005	\$ 5,125,441	\$ 1,918,564
GF Cash	\$ 2,200,000	\$ 2,237,407	\$ 37,407	\$ 2,200,000	\$ 1,937,133	\$ (262,867)	\$ 2,200,000	\$ 1,937,133	\$ (262,867)
GF Net Surplus (Deficit)	\$ 1,221,935	\$ 3,141,255	\$ 1,881,913	\$ 1,133,020	\$ 2,505,757	\$ 1,635,604	\$ 1,133,020	\$ 2,505,757	\$ 1,372,737
Cum Revenue + ΔCash	\$11,734,035	\$11,663,840	\$ (70,194)	\$12,600,765	\$12,073,958	\$ (526,807)	\$12,600,765	\$12,073,958	\$ (526,807)
Cum Expense	\$ 9,364,586	\$ 6,431,633	\$ 2,932,953	\$10,215,912	\$ 8,379,434	\$ 1,836,478	\$10,215,912	\$ 8,379,434	\$ 1,836,478
Net Surplus (Deficit)	\$ 2,369,449	\$ 5,232,207	\$ 2,862,759	\$ 2,384,853	\$ 3,694,524	\$ 1,309,671	\$ 2,384,853	\$ 3,694,524	\$ 1,309,671

As of September 30, 2022, General Fund revenues were slightly below plan; however, expenses were significantly below plan. This was driven by delays in planned infrastructure projects such as street paving, sewer improvements and facility improvements.

Cumulative revenue from all funds, plus cash, is slightly below plan (~4%); however, cumulative expenses are significantly below plan. This leaves a net surplus of ~\$3.7M against a planned surplus of ~\$2.4M. The surplus in excess of plan is, again, driven primarily by the timing of certain expenses.

The data indicates that FY 2022 budget assumptions were reasonable and the City managed well within its planned budget. Additionally, the City's liquidity and cash position are strong ensuring its ability to meet its financial obligations. As of September 30, the City had slightly more than \$4.1M of cash in all accounts. This included \$1.9M of unrestricted General Fund cash with the remainder in various restricted funds, the largest of which is the Sewer Fund with nearly \$1.5M in total cash.

## DEBT

The table, below, summarizes the City's outstanding long-term debt.

	<b>Interest Rate *</b>	<b>Opening Balance</b>	<b>Balance As of: 1 May 22</b>	<b>Annual Debt Service As of: 1 May 22</b>	<b>Maturity Date</b>
<b>General Obligation Warrants 2020 (OMS)</b>	1.45%	\$ 2,595,000	\$ 2,455,000	\$ 131,370	5/1/2048
<b>General Obligation Warrants 2021</b>	0.42%	\$ 3,650,000	\$ 3,575,000	\$ 190,542	5/1/2048
<b>Coop Dist Revenue Bonds 2021 (OMS)</b>	0.27%	\$ 8,765,000	\$ 8,590,000	\$ 412,322	5/1/2048
<b>Totals</b>		<b>\$ 15,010,000</b>	<b>\$ 14,620,000</b>	<b>\$ 734,235</b>	

\*Note: Interest rates increase at five year increments to a max of 3.0%.

FY22 debt service = ~13% of recurring taxes and fees.

The percentage of recurring taxes and fees consumed by debt service is an important metric in that the more consumed by debt, the less available to provide other essential services to the community. Municipal and other government bonds are considered low risk investments due to the taxing authority of the government entities that ensure its ability to service its debt; however, at the municipal level, we have very limited taxing authority and generally rely on the State for distribution of tax revenues.

There are no established criteria for how much debt service, as a percentage recurring taxes and fees, is appropriate. A rule of thumb used by some municipalities is that the sum of capital investment and debt service should be between 25 – 30% of these taxes and fees. This should exclude capital investment funded by grants or other sources of revenue.

FY23 debt service will increase to \$740K due to the maturation of lower interest rate warrants and revenue bonds. Additionally, debt service for existing warrants and revenue bonds will increase annually to approximately \$800k in FY27 and remain relatively constant (slight annual fluctuations) until the maturation of those bonds in May 2047.

In August 2022, the City received a 50/50 combination grant and loan of \$5.525M for urgent repairs/upgrades to the City's waste water sewage treatment facility. Half of the grant/loan is funded by federal ARPA funds and the remainder will be funded by a 20 year, 1.99% loan from the State Revolving Fund (SRF). The City will not likely begin drawing upon the loan until FY24 at which time the City's debt service will increase an estimated \$135k annually. Assuming modest increases in tax revenue, the City's debt service at that time will be slightly >15% of recurring taxes and fees.



## Constitutional Debt Limit

**Constitutional Debt Limit—General.** The City’s present constitutional debt limit is based on two provisions of the Alabama Constitution of 1901, namely, Section 225 of the Alabama Constitution of 1901 and Amendment No. 772 to the Alabama Constitution of 1901. Obligations chargeable against debt limit for purposes of Section 225 of the Alabama Constitution of 1901 are not chargeable against debt limit for purposes of Amendment No. 772 to the Alabama Constitution of 1901, and obligations chargeable against debt limit for purposes of Amendment No. 772 to the Alabama Constitution of 1901 are not chargeable against debt limit for purposes of Section 225 of the Alabama Constitution of 1901.

**Constitutional Debt Limit—Section 225.** Under Section 225 of the Alabama Constitution of 1901, the City’s present constitutional debt limit is an amount equal to **20% of the assessed value of the taxable property located within its corporate limits** (additional indebtedness not exceeding three percent (3%) may be created for the following: obligations issued for the purpose of constructing or acquiring waterworks, gas or electric lighting plants, or sewerage, or for improvements of streets; subject to certain conditions, tax anticipation notes; certain lease obligations; certain obligations to make contributions towards the debt service of other public entities; and revenue securities issued for the purpose of extending, enlarging or improving water, electric, gas or sewer systems and payable solely from the revenues of one or more of such systems); however, under existing law, **the following are not chargeable against the City’s constitutional debt limit: (1) obligations chargeable against debt limit for purposes of Amendment No. 772 to the Alabama Constitution of 1901; (2) tax anticipation notes payable within one year and not exceeding one-fourth of general revenues; (3) revenue securities payable solely from the revenues of water, sewer, gas or electric systems; and (4) capitalized lease obligations that are funded on a “year-to-year basis”.**

### City of Columbiana Statement of Legal Debt Margin—Section 225

Assessed value of taxable property (including motor vehicles) (as of September 30, 2021)	\$45,918,402
Basic debt limit (20% of assessed value)	\$9,183,680
Total indebtedness: (May 1, 2022)	
General obligation indebtedness	\$14,620,000
Less indebtedness not chargeable to debt limit <sup>(2)</sup>	(\$11,045,000)
Total indebtedness chargeable against debt limit	<u>(\$3,575,000)</u>
Legal debt margin	<u>\$5,608,680</u>

**Constitutional Debt Limit—Amendment No. 772.** Under Amendment No. 772 to the Alabama Constitution of 1901, the City may become indebted and issue bonds, warrants which may be payable from funds to be realized in future years, notes, or other obligations, or evidences of indebtedness to a principal amount **not exceeding 50% of the assessed value of the taxable property located within its corporate limits in order to secure funds for any of the economic and industrial development** powers or authorities granted in such amendment; however, under existing law, obligations chargeable against

debt limit for purposes of Section 225 of the Alabama Constitution of 1901 are not chargeable against the City's constitutional debt limit.

**City of Columbiana  
Statement of Legal Debt Margin—Amendment No. 772**

Assessed value of taxable property (including motor vehicles) (as of September 30, 2021)	\$45,918,402
Basic debt limit (50% of assessed value)	\$22,959,201
Total indebtedness chargeable against debt limit (as of May 1, 2022)	<u>(\$11,045,000)</u>
<b>Legal debt margin</b>	<b><u>\$11,914,201</u></b>

The bulk of the City's debt (~\$11M) was secured under the criteria established by Amendment No. 772 for the purpose of economic development.

Based upon the criteria established under Section 225 and Amendment No. 772, as of May 1, 2022, the City of Columbiana has additional statutory borrowing authority of up to \$17.5M.

**PROTECTION OF THE CITY'S CREDIT**

Columbiana's municipal credit rating was last updated by S & P Global (Standard and Poor's credit rating service) in June 2021. The rating was "AA - very strong capacity to meet financial commitments". Customarily, municipalities do not seek an updated credit rating unless seeking material financing or refunding existing municipal bonds.

Notwithstanding the City's excellent credit rating and its statutory authority to borrow more, the decision to do so cannot be taken lightly. It is our moral and legal fiduciary responsibility to ensure that the City's finances and taxpayer dollars are managed responsibly for the benefit of the residents of Columbiana.

In order to protect the City's credit while providing necessary benefit to our residents it takes more than working within a budget. The City must have a thorough understanding of its financial condition.

A decision to take on new debt must be accompanied by a thorough quantitative and qualitative analysis of the cost of such debt versus the benefit(s) it may provide. Most importantly, we must understand how we will repay it. To that end, we have adopted a popular framework to evaluate local governments' financial condition known as the "*Ten Point Test*." It is comprised of ten key ratios that, when taken together, summarize a government's liquidity, profitability, and solvency. In the Ten Point Test framework a government earns "points" based on how its ratios compare to its peer governments. If its ratios are consistently better than its peers, it earns a higher score. If its ratios are consistently worse than its peers, its scores are lower and in some instance negative.

The below table depicts results of the Ten Point analysis of our 2021 audited financial statements (our most recent) and an explanation of what the overall score means. You can see that Columbiana's score decreased in 2018 from being among the best of its peers to being better than most. This was the result of increased debt associated with the OMS project. Debt burden is Columbiana's only negative ratio among the 10 ratios evaluated.

CITY OF COLUMBIANA  
TEN POINT TEST SCORE  
SEPTEMBER 30, 2021

RATIO	2021 RATIO COMPUTED	2021 SCORE	2020 RATIO COMPUTED	2020 SCORE	2019 RATIO COMPUTED	2019 SCORE	2018 RATIO COMPUTED	2018 SCORE	2017 RATIO COMPUTED	2017 SCORE
<b>LIQUIDITY RATIOS</b>										
SHORT-RUN FINANCIAL POSITION	43.01%	1	40.17%	1	31.16%	1	39.13%	1	46.68%	1
LIQUIDITY	226.00%	1	437.66%	0	168.83%	2	595.67%	2	659.27%	2
<b>PROFITABILITY RATIOS</b>										
NET ASSET GROWTH	1.07%	0	5.99%	2	8.06%	1	3.16%	1	5.70%	2
OPERATING MARGIN	62.01%	1	61.25%	0	64.39%	0	64.34%	0	55.46%	0
OWN-SOURCE REVENUES	9.80%	0	3.75%	1	3.14%	1	4.02%	1	3.34%	2
<b>SOLVENCY RATIOS</b>										
NEAR-TERM SOLVENCY	248.79%	0	238.66%	0	229.28%	0	239.76%	2	71.83%	2
DEBT BURDEN	3,329.84	-1	3,067.19	-1	2,507.68	-1	2,521.27	1	706.20	1
COVERAGE 1	16.88%	-1	10.00%	0	10.67%	-1	79.59%	-1	125.61%	-1
COVERAGE 2	902680	2	910093	2	811698	2	753592	2	708654	2
CAPITAL ASSET CONDITION	-0.95%	0	10.95%	2	90.99%	2	17.50%	2	5.77%	2
<b>TOTAL SCORE</b>		3		7		7		11		13

SCORE OF 10 OR GREATER	SUGGESTS A GOVERNMENT'S FINANCIAL POSITION IS "AMONG THE BEST". IT CAN EASILY MEET ITS IMMEDIATE SPENDING NEEDS, IT HAS MORE-THAN-ADEQUATE RESERVES TO MITIGATE THE IMMEDIATE EFFECTS OF RECESSIONS, NATURAL DISASTERS, OR OTHER UNEXPECTED EVENTS, AND ITS HAS THE CAPACITY TO GENERATE ADEQUATE RESOURCES TO COVER ITS LONG-TERM SPENDING NEEDS. TO EARN THAT SCORE MOST OF ITS TEN RATIOS MUST BE AS GOOD AS OR BETTER THAN ITS PEER GOVERNMENTS.
SCORE BETWEEN 5 AND 9	MEANS THE GOVERNMENT IS "BETTER THAN MOST." MOST OF ITS RATIOS ARE BETTER THAN ITS PEER GOVERNMENTS, AND A FEW RATIOS ARE EQUAL TO ITS PEERS.
SCORE BETWEEN 1 AND 4	MEANS THE GOVERNMENT IS "AVERAGE". MOST OF ITS RATIOS EQUAL TO , OR WEAKER THAN ITS PEER GOVERNMENTS.
SCORE BETWEEN 0 AND -4	MEANS THE GOVERNMENT IS "WORSE THAN MOST". MOST OF ITS RATIOS ARE WEAKER THAN ITS PEER GOVERNMENTS.

The 10-point test compares Columbiana's key financial ratios to similarly sized cities. The small city peer group for Columbiana includes cities with populations less than 15,000.

The key ratios are divided into three categories as follows.

1. **Liquidity** measures the City's ability to meet its current financial obligations.
2. Although municipalities are not in the business of making a profit, **Profitability** looks at net assets, revenue margins over expenses, and the degree that the city funds its own operations (via taxes, fees, etc.) from revenue sources it controls versus dependency on grants and financing which may be out of the City's control.
3. **Solvency** looks at debt by comparing liabilities against revenues, assessing debt on a per capita basis and debt service as a percentage of total expenditures.

Each ratio is assigned a score from -1 to 2 based upon where its ratio ranks from the lowest to highest quartile of cities in its peer group. The City's overall score is simply the sum of the scores of the 10 ratios. Columbiana's 2021 score is 3, which is at the high end of the average range.

Columbiana's score has been declining over the past five years primarily due to debt associated with the Old Mill Square (OMS) project. In FY21, four ratios were primarily responsible for pushing the score down from 7 (better than most) to 3 (average). A discussion of those four ratios follows.

## **NET ASSET GROWTH**

The *rate* of net asset growth declined in FY21, from 5.99 the prior year to 1.07, resulting in a smaller increase in net position than recent years. This was primarily due to three things.

1. Over the previous several years, based upon the stage of completion of the OMS project, Columbiana's asset base increased. In FY21, OMS was substantially complete so there was no associated increase in net assets.
2. As a result of debt refunding that occurred in FY21, long-term liabilities increased.
3. The City incurred a long-term liability associated with its ARPA grant. There is an obligation to repay the grant if it is not spent by 2024, hence, the liability. As funds are spent, the liability will decrease.

In short, assets increased at a lower rate than liabilities.

If one prefers to see the glass "half-full", OMS is becoming a well-known venue that brought approximately 50,000 visitors to Columbiana in 2021 and promises to become a key driver of future economic development.

Although refunding increased the principal balance of the City's long-term debt, lower interest rates allowed it to extract over \$650k of refunding proceeds with no increase in debt service payments. This provided the City a significant amount of cash that was included in the FY22 budget for much needed capital infrastructure improvement.

Finally, the ARPA grant, from which there was a second tranche in July FY22, provides much needed funds to address storm water flooding issues.

## **OWN SOURCE REVENUES**

Receipt of ARPA and other grants, essentially, punishes the City in this metric since a significant portion of primary government revenues came from grants rather than our "own sources" of funds (taxes and fees).

## **COVERAGE 1**

Refunding the City's debt increased long-term principal and interest making it larger in proportion to the City's General Fund (GF) expenditures. Debt service did not increase. This metric looks at the outstanding debt balance as a percentage of General Fund expenditure. This should improve over time as the debt balance decreases and, hopefully, GF expenditures increase due to increased revenues and other sources of funds.

## **CAPITAL ASSET CONDITION**

This is a metric where the City took a hit for good fiscal management. As indicated in the table, above, Columbiana's net capital asset balance declined in FY21. This was driven by disposal of excess, unused, assets and cleaning up the balance sheet by eliminating fully depreciated assets. Also, as stated earlier, the City did not get an "asset bump" due to OMS completion.

Finally, there are two important metrics that are not part of the 10-Point Test. These are liquidity metrics that assess the City's ability to meet near term obligations. These two metrics are the Current Ratio and the Quick Ratio.

Columbiana's Current Ratio in FY21 was 6.18. A Current Ratio of 2.0, or greater, indicates an entity is generally able to meet its short term obligations.

Columbiana's Quick Ratio in FY21 was 5.88. A Quick Ratio of 1.0, or greater, indicates an entity can pay its bills and meet its day to day operating expenses.