

**From:** [Mike Rafferty](#)  
**To:** [Lori Stelzer](#)  
**Cc:** [Ron Feinsod](#); [City Council](#); [Edward Lavalley](#); [Kelly Fernandez](#); [Linda Senne](#); [Joe Welch](#)  
**Subject:** Fwd: COV Council Meeting 4/28/2020, Item ORD 2020-14, Budget Amendment  
**Date:** Monday, April 27, 2020 5:59:49 AM  
**Attachments:** [att a trib apr 24 jobless rate worse than depression.pdf](#)  
[Att b fin dept apr report.pdf](#)

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Lori,

Please read the following into the record at that time in the meeting that this item is under consideration.

Thank You

**Mayor Ron and Members of the Council,**

**Mike Rafferty here requesting consideration of the following regarding the financial crisis facing the COV.**

**At this point, as our Nation's economy has tanked and unemployment has exploded (see attached article in today's Trib, Att a), the experts are looking at economic conditions in the near term somewhere between those of the Great Recession of 2008 and the Great Depression of 1929.**

**I have read that During the Great Recession, tax collections fell so steeply that state and local governments furloughed and laid off police officers and cut aid to key services like health care, transportation, and schools. Some cities turned off streetlights to save on electricity, and Hawaii cut its school aid so much that it closed them down altogether on many Fridays.**

**At the end of this Meeting, your Finance Director will make her quarterly report. Red Flags include.....**

- Between \$800,000 and \$1.0 million in reduced rev (State Rev, \$200,000 (this number seems to have disappeared from source(?); Util Svc, \$150,000; Franchise Fees, \$150,000; Inter Gov, \$200,000; Investment return, \$135,000; Misc./Sharkey's lease, \$200,000)(Att b).**
- Bottom of pg 2/Att b projects GF Reserve to go from \$13.8 million on 9/30/2019 to \$11.9 million on 9/30/2020....almost a \$2 million reduction in reserves during a 6 month period of favorable economic times and just in advance of financial hard times. This leaves a cushion of \$3.4 million (\$11.9 - \$8.5 = \$3.4) over the minimum required by statute of \$8.5 million.**

**As you consider this budget amendment, please consider pro-active measures for COV as we deal with this financial disaster.**

**Your leadership and strength is urgently needed.**

**Private industry is forced to close shop, furlough staff, and cut expenses.**

**COV can't close shop, but we can take steps to cut expenses. Let's learn from the experience of 2008 when staff cut 100 employees and it took 3 years for City finances to recover.**

*For your immediate consideration.....*

- *Freeze new hires(?)*
- *Furlough non-essential staff(?)*
- *Freeze/postpone operating expenditures(?)*
- *Freeze capital expenditures except new public safety complex(?)*
- *In recent years, reserves have been used to balance the General Fund.*

*How much cushion remains there currently?*

- *What is the status of the EMS takeover? Are we locked in at this time? Is there an option to delay full implementation to cut expenses? How soon will the .66 mill transfer be taking place?*

*At this time, I urge you to direct the City Manager to:*

- *Take immediate steps to reduce expenditures under the General Fund operating budget by \$1,000,000 to offset the projected income shortfall*
- *Prepare an emergency action financial plan for the next Council Meeting with recommendations to include any and all appropriate actions to prepare for the pending economic collapse.*

*Thank you for consideration of this matter.*

*Regards,*

*Mike Rafferty  
989 Cayman E Venice, FL 34285  
April 27, 2020*

## Jobless rate looks like it did in the '30s

### US unemployment is at Depression-era levels amid shutdown

By David Crary, Regina Garcia Cano and Angela Charlton

The Associated Press

NEW YORK — Unemployment in the U.S. is swelling to levels last seen during the Great Depression of the 1930s, with 1 in 6 American workers thrown out of a job by the coronavirus, according to new data released Thursday. In response to the deepening economic crisis, the House

passed a nearly \$500 billion spending package to help buckled businesses and hospitals.

More than 4.4 million laid-off Americans applied for unemployment benefits last week, the government reported. In all, roughly 26 million people — the population of the 10 biggest U.S. cities combined — have now filed for jobless aid in five weeks, an epic collapse that has raised the stakes in the debate over how and when to ease the shutdowns of factories and other businesses.

In the hardest-hit corner of the U.S., evidence emerged that perhaps 2.7 million New York state residents have been infected by the virus — 10 times the number confirmed by lab tests.

A small, preliminary

statewide survey of around 3,000 people found that nearly 14% had antibodies showing

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### JOBLESS

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had been infected, Gov. Andrew Cuomo said. Just in New York City, with a population of 8.6 million, Health Commissioner Oxiris Barbot said as many as 1 million may have been infected.

In Washington, many House lawmakers wore face masks and bandannas — and some sat in the otherwise vacant visitors gallery to stay away from others — as they debated the latest spending package. A near-unanimous vote sent it to President Donald Trump in the evening.

Paso, Texas, to the Paris suburbs, and food shortages are hitting Africa especially hard.

At a virtual summit, European Union leaders agreed to set up a massive recovery fund to help rebuild the 27-nation bloc's ravaged economies. While no figure was put on the plan, officials said 1-1.5 trillion euros (\$1.1-1.6 trillion) would be needed.

The coronavirus has killed nearly 190,000 people worldwide, including more than 100,000 in Europe and about 47,000 in the United States, according to a tally compiled by John Hopkins University from official government figures. The true

beyond, and will surely top the 10% peak of the 2008-09 recession.

Janet Simon, laid off as a waitress at an IHOP restaurant in Miami, said she has just \$200 in her name and is getting panic attacks because of uncertainty over how she will care for her three children. Simon, 33, filed for unemployment a month ago, and her application is still listed as "pending."

"I'm doing everything to keep my family safe, my children safe, but everything else around me is falling apart," Simon said. "But they see it, no matter how much I try to hide my despair."

Corey Williams, 31, was laid off from his warehouse job in Michigan

Anchoring the bill is the administration's \$250 billion request to replenish a fund to help small- and medium-size businesses with payroll, rent and other expenses. Trump said the bill "will help small businesses to keep millions of workers on the payroll."

Abroad, there was mixed news about the epidemic. Some countries, including Greece, Bangladesh and Malaysia, announced extensions of their lockdowns. Vietnam, New Zealand and Croatia were among those moving to end or ease such measures.

In Africa, COVID-19 cases surged 43% in the past week to 26,000, according to John Nkengasong, director of the Africa Centers for Disease Control and Prevention. The figures underscored a recent warning from the World Health Organization that the virus could kill more than 300,000 people in Africa and push 30 million into desperate poverty.

Brazil's health ministry confirmed 407 deaths due to the outbreak in the last 24 hours, a daily high for the country.

Huge lines have formed at food banks from El

numbers are almost certainly far higher.

In the U.S., the economic consequences of the shutdowns have sparked angry rallies in state capitals by protesters demanding that businesses reopen, and Trump has expressed impatience over the restrictions.

Some governors have begun easing up despite warnings from health authorities that it may be too soon to do so without sparking a second wave of infections. In Georgia, gyms, hair salons and bowling alleys can reopen Friday. Texas has reopened its state parks.

Few Americans count on Trump as a reliable source of information on the outbreak, according to a survey from The Associated Press-NORC Center for Public Affairs Research. About 23% said they have high levels of trust in what he tells the public, while 21% said they trust him a moderate amount.

On the economic front, few experts foresee a downturn as severe as the Depression, when unemployment remained above 14% from 1931 to 1940, peaking at 25%. But unemployment is considered likely to remain elevated well into next year and probably

a month ago and saw his rent, insurance and other bills pile up while he anxiously awaited his unemployment benefits. That finally happened on Wednesday, and he quickly paid \$1,700 in bills.

**A health worker checks the temperature of a man during COVID19 coronavirus testing Thursday, in Gombak on the outskirts of Kuala Lumpur, Malaysia. [VINCENT THIAN/THE ASSOCIATED PRESS]**

9. Investment earnings for the first six months are \$163,722 and unrealized gains totaled \$20,880, under budget due to declining interest rates.
10. Miscellaneous revenues for the first six months' are 89% of the annual budget. The second quarter included the percentage of sales contribution from the Venice Pier Group, which was \$28,686 better than budget.

#### COVID 19 – Impacts on General Fund Revenues

There are many concerns and uncertainties pertaining to the coronavirus pandemic (COVID-19) and the impact on revenues to the City of Venice. It is difficult to predict revenues at this time. Many economists have said they won't have a good idea of how bad the situation is until May when more information about tax collections will be available.

There are two revenue sources that many cities have that are taking a big hit; user fees for culture or recreational activities, and hotel (tourist development) taxes. The City of Venice does not share in these revenues, so will not be significantly impacted. The changes we do expect to see are as follows:

1. Generally speaking, the pandemic should not affect property values, but that is not our area of expertise. It is certainly possible that property values on hotels and restaurants, for example, will be impacted. And assessed valuations on condominiums and single family residences will decline if resale demand falls off. That said, we expect a minimal impact on ad valorem property tax revenues for the current fiscal year (FY2020) because as mentioned above, 95% of the budgeted amount has already been collected. We also expect a minimal impact on the FY2021 budget because the valuations for that year have already been determined (they were assessed on January 1, 2020).

Some people may be unable to pay their property taxes because of economic hardships caused by the pandemic, but sale of the related property tax certificates will likely keep the City whole. Because property taxes fund almost half of the general fund budget however, even a small percentage reduction in these revenues would have a significant effect on the general fund. More likely, lowered or flat valuations on January 1, 2021 could significantly affect our FY2022 budget. We rely on annual increases in the property valuations to pay for raises, increasing fleet rent, inflation, and other items.

As mentioned above, we budget property tax revenues at 95% of the tax levy. This is because most people take advantage of up to 4% discounts for early prepayment. Historically, our collections have run about 96.3% of the levy, equivalent to a \$250,000 positive budget variance. We're currently projecting a 95% collection rate for FY2020 to be conservative, i.e., no budget variance.

4. Utility Service Tax – This is a 10% tax on certain electricity sales (collected by FPL), and other rates on bottled gas. Electricity is the big one, at over \$200,000 per month. FPL has announced a COVID-19 Program to lower May 2020 electric bills by 25%, which could lower our revenue that month by \$50,000. Also, electricity usage will be down significantly for many businesses. For now, we have estimated a \$150,000 reduction in the "Expected FY2020" column from what we would have otherwise expected without COVID-19.
5. Franchise Fees - This is a 5.9% tax on electricity sales (collected by FPL), a 5% tax on water sales (our own) and other rates on bottled gas. Again, electricity is the big one, at over \$150,000 per month. The FPL May 2020 Program will cost us \$38,000. For now, we have estimated a

\$150,000 reduction in the “Expected FY2020” column from what we would have otherwise expected without COVID-19.

7. Intergovernmental Revenues – State Revenue Sharing is mostly sales taxes. We receive about \$50,000 per month; we are projecting a \$25,000 reduction for FY2020. For the local government half-cent sales tax, we receive over \$180,000 per month; we’re projecting a \$200,000 drop for the year. These revenues are received about two months in arrears, so we have no good information from which to base these projections.
9. Investment Earnings and unrealized gains – When the Fed dropped the discount rate in March to near zero, the interest yield on our investment portfolio dropped significantly. Interest revenues will be down in all City funds through year end and into FY2021. We’re projecting FY2020 interest earnings in the general fund will be \$135,000 under budget.
10. Miscellaneous Revenues – Our largest revenue in this category is rent from the Venice Pier Group. This agreement provides for fixed monthly rent plus a percentage of sales above a certain base. The percentage of sales contribution received in FY2020 (in March) was \$703,686 based on CY2019 sales. The FY2021 contribution could be as much as \$200,000 lower, or more.

We generally budget revenues conservatively, and other revenues like communication services taxes are doing well, and are not expected to be impacted by the pandemic. General fund revenues in total for FY2020, are projected to be down only about \$263,000 from budget.

#### *General Fund Expenditures*

The General Fund’s adopted expenditure budget for FY2020 was \$33,775,690, the encumbrance roll-over amount from FY2019 was \$336,521, a budget amendment for increased contributions into the police pension fund added \$70,726, for a total amended general fund budget amount of \$34,182,937. Effective December 1, 2019 the code enforcement function along with the budgeted dollars were transferred from the Planning Division of Development Services to the Police Department.

Expenditures are tracking well and appear to be in line with authorized appropriations. However, three departments/divisions are over the 50% target to date budget: Public Works for city hall maintenance related to the chiller, Public Works fleet for GPS software license renewals, and Information Technology due to computer support and maintenance agreements paid within the first six months of the fiscal year. There have been several expenditures in the last month related to COVID-19 that were not budgeted (but were authorized by the City Manager). These include 3 aeroclave units for Fire, disinfection services at the police station, and the early hiring of several EMS paramedics. Currently, we expect other expenditures in these same or other general fund departments will come in under budget. So for the most part, the amended budget equals expected.

The fund balance at September 30, 2019 was \$13.8 million. A portion of this fund balance is assigned for FY2020 expenditures (\$1,190,636 for EMS), committed for the encumbrance roll (\$336,521), and is nonspendable (\$38,053). Therefore, unassigned fund balance at September 30, 2019 is \$12.3 million. We expect it to dip slightly to \$11.9 million at September 30, 2020. The Financial Management Policy target is to maintain an unassigned fund balance of three months’ operating expenditures (25%) which equates to \$8.5 million for FY2020. Excess reserves can cover additional *temporary* losses.