

**MINUTES
CITY OF ORMOND BEACH
CITY COMMISSION
FINANCIAL FORECASTING WORKSHOP**

January 19, 2021

5:30 p.m.

City Commission Chambers

I. CALL TO ORDER

Mayor Bill Partington called the meeting to order at 5:30 p.m.

Present were Mayor Bill Partington, Commissioners Dwight Selby, Troy Kent, Susan Persis, and Rob Littleton; Budget Advisory Board members Joe Hannoush, Rafael Ramirez, David Romeo, and John Olivari; City Manager Joyce Shanahan, Assistant City Manager Claire Whitley, and City Attorney Randy Hayes.

II. WELCOME AND INTRODUCTION

Ms. Joyce Shanahan, City Manager, introduced Dr. Sean Snaith from the Institute for Economic Forecasting at the University of Central Florida (UCF). She discussed Dr. Snaith's career and achievements and explained he would be providing an economic outlook on the coronavirus recession and recovery.

III. UNITED STATES FORECAST AND FLORIDA FORECAST

Dr. Sean Snaith, Director at the Institute for Economic Forecasting at UCF, presented a PowerPoint presentation to the Commission regarding the 2020 recession resulting from the COVID-19 pandemic. He explained that the 2020 recession was deeper than the Great Recession in 2008, noting a key difference between the two recessions was that the 2020 recession was not generated from within the economy and was instead self-inflicted. He discussed the economic impacts from COVID-19 and the lockdowns that began in response to the virus. He noted the National Bureau of Economic Research (NBER) had a committee that defined the beginning and end of each recession. He stated the NBER had determined the 2020 recession began in March, but noted the end of the recession had not yet been officially declared. He stated based on data, it appeared the recession had ended in either May or June, making it one of the shortest recessions to occur.

Dr. Snaith referred to the recovery from the recession as a "bent V shape". He explained he felt the recovery was sharp, but did not mirror the sharpness of the recession that preceded it. He discussed the economic impacts from public health and safety measures that were implemented during COVID-19. He stated he believed that widespread shut-downs and lockdowns would not occur again; but noted if they did, it could result in a more severe recession or a potential depression.

Dr. Snaith stated a key difference for Florida between the 2008 recession and the 2020 recession was the housing market. He reviewed data from the housing market in both recessions and discussed the burden it imposed in 2008 and the impact it had on local government and property tax revenue during that time.

Dr. Snaith reviewed graphs depicting data of payroll employment and the production of goods and services. He noted during a normal recession, the job market and unemployment rates usually trailed what was happening economically, but explained the 2020 recession was different in that it had immediate impacts on non-essential businesses. He stated 2021 appeared to be hopeful in promising a fairly decent bounce-back in terms of real gross domestic product (GDP) growth. He reviewed the GDP annual rates, the unemployment rates, payroll employments, and the consumption annual percentage rates over the years from 2013 to 2023. He stated the United States was doing well in leading the economic recovery, due to a term he referred to as “pent-up demand, squared”. He explained the meaning of the term, noting it referred to an instance where consumers became cautious of their spending and saved up funds, which were then released once the recession had ended. He discussed the impacts of many people remaining at home and their yearning to get back out and spend money again. He discussed potential stimulus checks from the new federal administration. He stated he believed the recovery would continue strongly into 2022 as the United States emerged from the recession. He noted Florida took a larger hit in GDP than the national economy, due to a large decrease in tourism. He stated he believed 2021 would provide a bounce-back in economic recovery thanks to the vaccine and pent-up demand assisting in bringing tourists and purchases back to Florida.

Dr. Snaith discussed the housing market during the 2008 recession and the impacts that came from it. He reviewed data from Florida realtors that depicted the amount of home sales over the years. He listed the amount of closed sales, median sales prices, and median days of a house on the market. He discussed the inventory of homes in the Florida housing market and the changes over the years. He explained the demand for homes was higher than the inventory available, and noted Florida needed to catch-up on the supply of homes.

Dr. Snaith discussed the unemployment rate in Florida and in the United States as a whole. He noted unemployment in Florida had spiked well above where it was at the height of the Great Recession. He discussed unemployment in other states during the pandemic around the country. He proceeded to review data on real gross state product and payrolls in Florida, noting the state was seeing recovery in business payroll. He stated the worst economic impacts were imposed on smaller businesses, as they did not have as much set aside in cash reserves as commercial businesses did. He discussed projected growth averages for employment opportunities over the next three years for various sectors and reviewed data regarding the projected demand in each sector.

Dr. Snaith provided data on the population growth average forecast for 2020-2021. He noted the Ormond Beach area was considered a metropolitan statistical area that was comprised of Volusia County and Flagler County. He noted metropolitan areas were not necessarily about political boundaries, but instead economical linkages. He discussed population growth and employment growth for Florida and various cities through-out the state. He noted Florida’s general fiscal and business environment would assist in attracting the relocation of out-of-state businesses to Florida.

Dr. Snaith discussed the unemployment rate specifically in the Deltona-Daytona Beach area, explaining the rate was worse than what was seen at the state’s level. He noted the GDP for the area took a dramatic plunge, but was recovering. He discussed the real personal income in the Deltona-Daytona Beach area. He explained personal income included earnings from wages and salaries, but also included other sources. He noted the forecasts predicted declines on the chart for personal income in the upcoming years.

He explained this was not due to wages and salaries decreasing, but would instead be a result of persons not receiving stimulus checks and other additional payments. He reviewed a sector by sector breakdown for the area and the average annual growth forecast for each one.

Dr. Snaith noted all of the Institute for Economic Forecasting forecasts were updated quarterly and were available on the institute's website for free download. He thanked the Commission for the invitation to provide his presentation and stated he was available for any questions.

IV. COMMENTS AND QUESTIONS

Commissioner Persis noted due to the pandemic, many businesses had their employees working from home. She asked if Dr. Snaith predicted a change in the workplace as a result from this; whereby, Dr. Snaith stated he was skeptical of permanent changes resulting from a temporary event.

Dr. Snaith stated many people had already been telecommuting pre-pandemic and discussed the negative effects of a lack of socialization in the office environment. He noted he believed the trends in telecommuting would continue, but did not believe there would be a complete end to the way normal business was done.

Commissioner Littleton questioned if Dr. Snaith predicted any depression in commercial real estate; whereby, Dr. Snaith noted commercial businesses had taken a harder hit than residential during the pandemic and discussed the changes in retail.

Dr. Snaith discussed the impacts of rent deferment. He noted retail had changed over the years and discussed trends in online shopping.

Commissioner Kent stated he noticed that the data presented for 2021 showed an aggressive recovery and discussed the pent-up demand mentioned by Dr. Snaith. He noted due to the vaccine distribution being new and other factors, such as events remaining cancelled, he was unsure how a dramatic recovery would come so quickly. He questioned how Dr. Snaith predicted such a large amount of recovery taking place in 2021; whereby, Dr. Snaith explained that tourism and travel were predicted to pick up in 2021 and would be a main factor in recovery.

Dr. Snaith noted many people now had more knowledge about COVID-19 and knew which individuals were most at-risk for the virus. He stated during the holidays in December of 2020 there was an increase in travel, even before the vaccine was released, which led many to believe that the number of persons traveling would only continue to rise.

Commissioner Selby questioned what the long-term impact was from the increase in national debt; whereby, Dr. Snaith discussed the amount of national debt and its continuous growth.

Dr. Snaith discussed the debt level to GDP ratio, noting the United States was at 130 percent debt to GDP. He stated the United States' debt level was not a major topic of discussion, due to interest rates remaining low. He noted eventually debt level would become too high and discussed negative effects that would be imposed when the debt

level was finally addressed, but noted he did not expect that to happen in the sudden future.

Commissioner Selby inquired how Florida's minimum wage increase would affect the economy; whereby, Dr. Snaith discussed the wage increase and the potential unintended consequences from it.

Dr. Snaith mentioned those who bore the heaviest burdens of the recession and lock-downs were the lowest income households. He noted when the dollar increase was implemented at the end of 2021 it would represent a 15 percent increase in the price of low-skilled labor. He stated businesses that could do so would then implement higher prices, while businesses that could not afford to do so would need to chose to make reductions; such as employee hours or the number of employed. He noted the movement to technology and self-service checkouts would also have a high impact on employment.

Commissioner Selby noted the state revenue for Florida was down by two billion dollars and inquired if Dr. Snaith believe those funds would be made up in 2021; whereby, Dr. Snaith responded that he believed the gap would close fairly quickly.

Dr. Snaith referenced a website, *tracktherecovery.org*, that used private data to look at economic activity as close to real-time as possible. He stated on this site, consumer spending in Florida was three percent higher in January of 2021 than it was at the start of 2020.

Commissioner Selby questioned what the effects of the residential foreclosure deferral may be; whereby, Dr. Snaith explained that many who had been laid off may have been renters instead of mortgage owners and noted though there would be foreclosures, it may be less than a traditional recession.

Mayor Partington stated the city was in the beginning of their budget process kick-off. He noted the recovery may be slow, but inquired what local government could do to best smooth the recovery from the pandemic; whereby, Dr. Snaith stated it was always beneficial to be conservative with funds.

Dr. Snaith noted the city should not be seeing the same hits to property tax revenue as they did during the Great Recession. He reiterated the importance of being conservative with funds. He noted funds provided from events and concerts would take longer to get back to where they were, but noted prices were still continuing to rise and would provide support.

Mr. Joe Hannoush, Budget Advisory Board Chairman, questioned which local government revenues Dr. Snaith believed may not make a full recovery; whereby, Dr. Snaith stated any revenue funds that were driven by tourism were expected to take a longer amount of time to recover.

Ms. Hannoush questioned if Dr. Snaith had any suggestions on raising fees or taxes for local government services; whereby, Dr. Snaith responded that those decisions needed to be made on a local level.

Dr. Snaith explained that any measures local governments could take to help facilitate a faster process of permitting and breaking ground to get additional houses available may

have a larger impact than raising taxes or fees would. He noted one of Florida's challenges was getting its transportation network up to speed. He discussed the importance of getting people to areas with affordable housing and available jobs.

Mr. Rafeal Ramirez, Budget Advisory Board Vice-Chairman, stated he was very conservative when assisting in preparing the budget and discussed the importance of real estate. He questioned if Dr. Snaith believed bankers were guilty in the Great Recession as many believed to be true; whereby, Dr. Snaith stated he believed pointing fingers during a financial crisis was simply a convenience and discussed the 2008 financial crisis in further detail and its impacts.

Mr. David Romeo, Budget Advisory Board Member, stated he was in the manufacturing business and inquired what Dr. Snaith's perspective was on manufacturing; whereby, Dr. Snaith discussed trade arrangements and the impacts the arrangements could have on manufacturing.

Mr. John Olivari, Budget Advisory Board Member, noted he also served on the city's General Employees' Pension Board. He stated when looking at the numbers for 2022 and 2023, the GDP was projected to decelerate over the years. He inquired what effects the stock market may face in 2022 and 2023; whereby, Dr. Snaith discussed national debt and policies that may be set by the government and their potential impacts on the stock market.

Mr. Olivari inquired how the increase in state minimum wage would affect the State of Florida; whereby, Dr. Snaith explained most workers in minimum wage jobs were not the main income provider in their household and discussed potential negative results from the increase. Dr. Snaith noted that the increase may help some, but would more than likely hurt many of the people that thought they would be assisted from the increase.

Ms. Shanahan inquired what the path forward would be for smaller businesses in light of the recovery and minimum wage increase; whereby, Dr. Snaith stated if a small business had made it through the non-essential business shut-downs and COVID-19 pandemic, they were doing something right and should continue taking those measures moving forward. He noted a recovering economy would be the key to helping get small businesses back to where they were before the recession.

Mayor Partington thanked Dr. Snaith for attending and providing his presentation.

V. ADJOURNMENT

The meeting was adjourned at 6:45 p.m.

Transcribed by: Cassidi Ritz