



**MINUTES OF THE SPECIAL MEETING OF  
THE SOLVANG CITY COUNCIL**

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Council Chambers  
1644 Oak Street  
Solvang, CA 93463

July 23, 2019  
Tuesday  
6:30pm

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**CALL TO ORDER:** Mayor Toussaint called the meeting to order at 6:30 p.m.

**ROLL CALL:**

**PRESENT:** Mayor Ryan Toussaint, Council Members Clarke, Djernaes, Johnson and Waite

**STAFF:** David Gassaway, City Manager; Chip Wullbrandt, Interim City Attorney; Xenia Bradford, Administrative Services Director; and Lisa S. Martin, City Clerk

**PLEDGE OF ALLEGIANCE**

Led by Council Member Clarke.

**1. SPECIAL CITY AUDITOR CONTRACT AMENDMENT**

City Manager David Gassaway presented details of the staff report and introduced Mr. Thomas Widroe.

Mr. Widroe addressed his background, education and experience.

Council Member Djernaes asked Mr. Widroe to read the preamble of the Solvang City Charter. Additionally, in response to his question about the need for an amendment when the budget has not been approved yet. City Manager Gassaway reported Council adopted an Operating Budget on June 24, 2019 and currently there are insufficient funds in the Professional Services fund to accommodate a contract of this magnitude. Additionally, he reported staff will review all of the Capital expenditures at its upcoming Executive Retreat as well as the City's Capital Improvement Plans and a report will be presented to Council in August.

Council Member Djernaes expressed concern with revenue projections noting they may not be as robust as presumed.

Mayor Toussaint reported the budget will be reconsidered if this item is approved.

Council Member Djernaes agreed with the need for a City Auditor to look into the City's budget process, making it more effective and including more of the community.

Mayor Toussaint opened the item to public comment at 6:47 PM.

Hans Duus

- Expressed concern with one person having so much power in the City

Gay Infanti

- Noted the consultant was hired in Closed Session which was inappropriate
- Addressed the standard bidding and contract process followed by government entities
- Opined the process has not given the new City Manager or staff time to analyze and make improvements
- Indicated the list of tasks presented by the consultant does not reflect Council goals
- Urged Council to deny the contract amendment

Kim Jensen

- Asked about Mr. Widroe and whether he is connected to anyone on Council
- Wondered about vetting and his qualifications compared to other candidates
- Claimed Mr. Widroe ran for election in Buellton on the basis of defunding their Visitor Bureau
- Asserted Mr. Widroe and Council Members Johnson and Djernaes visited the Solvang Visitors Information Center on July 9th questioning employees

Ed Skytt

- Asked about the scope of the original contract and Mr. Widroe's qualifications
- Opined Mr. Widroe has been given a lot of power without limits
- Requested information regarding other candidates that were vetted for this position
- Urged Council not to extend his contract and reconsider candidates who have no connection with Members of Council and is truly independent

Kenny Esko Lama, Business Owner

- Expressed respect for Council noting Members were elected by 62%
- Noted the community fully supports the City Council
- Distributed brooms to and asked Council to continue cleaning the City of corruption

Hazel Mortenson

- Expressed support of Council addressing wasteful spending in Solvang
- She is appalled by the spending on tourism non-profits and special interest groups

Fred Kovol

- Reported reading about Brown Act violations in the newspaper
- Indicated the previous City Attorney reported out there had been a Brown Act violation
- Stated that subsequently, there was a meeting to dismiss the City Attorney
- Opined there was a violation of Attorney Duty to Clients and the City Attorney should have been reported to the State Bar Association

Karen Jones, CSD, Board President

- Reported State law indicates a Special Auditor can investigate everyone except elected officials
- Spoke in support of accurately applying costs and consequences of the Wastewater Treatment Facility
- Expressed support for the auditor and commended the City for being accommodating

Mitch Williams

- Thanked Council for taking this step and moving forward
- Encouraged everyone to work together for the good of the City

Mayor Toussaint closed the item to public comment at 7:11 PM.

Mr. Widroe reported spending his career working with public and private entities and while he is not a CPA, he is well-qualified to do the work. He addressed the nature of his relationship with each Council Member and in response to Mayor Toussaint's question regarding his visit to the SCVB, Mr. Widroe reported he was empathetic to them and wanted to speak with them.

Council Member Johnson expressed his support of the item noting that hopefully, it would not be a long-term contract, indicating he hoped important issues could be dealt with, quickly.

Council Member Clarke indicated the City Manager has enough to do and stated the Special Auditor is an "extra set of eyes". He acknowledged it would cost money, but stated it was worth it.

Council Member Waite expressed support for the City Manager in doing his job; agreed with the need for a Special Auditor to look at areas that may need improvement but opposed increasing the contract adding that she has not seen the work he has done, yet. She spoke about the importance of Council working together and not "bad-mouthing" other entities/agencies in the City.

Council Member Djernaes stated it is Council's job to do what is best for the community and indicated he will stand up for constituents. He spoke in support of the City Auditor noting the City has never been audited and needs to be and urged Council to approve the contract amendment.

Mayor Toussaint voiced the need for a City audit; commented on a prior Water Rate Study where millions in expenses were justified and records were destroyed and asked the Special Auditor to conduct a comprehensive financial audit of the entire City.

Interim City Attorney Chip Wullbrandt pointed out one of the items in the scope of services includes working with an Ad Hoc Committee of Council or review of destination marketing services. The Mayor would authorize to appoint the Ad Hoc Committee for the limited purpose of working with the Special City Auditor for a limited time.

*Motion made by Mayor Toussaint to approve the first amendment to the Professional Services Agreement with Thomas Widroe for Special City Auditor Services; approve a Budget Adjustment of \$52,000 to increase the City Council budget for Professional Services; and authorize the Mayor to execute the Amendment, seconded by Council Member Djernaes, and carried with a roll call vote of 4-1, with Council Member Waite voting No.*

Mayor Toussaint asked for volunteers to be in the Ad Hoc Committee and Council Member Djernaes indicated he would like to serve on that committee. Council Member Clarke agreed to participate as well.

*Mayor Toussaint announced Council Members Djernaes and Clarke will be appointed to the Destination Marketing Ad Hoc Committee, with no objections.*

## **2. CONTRACT WITH SOLVANG CHAMBER OF COMMERCE**

Interim City Attorney Wullbrandt presented the staff report. He addressed the previous contract between the City and the Chamber noting the contract term is for two years while the City's budget cycle is one year, making the contract, ineffective. He provided details of subsequent negotiations with the Chamber, listed items the Chamber is requesting payment for and added the Chamber is requesting \$2,500/quarter for Business Community Classes.

Council Member Djernaes confirmed the contract ends September 30, 2019 and the City would owe nothing more to the Chamber.

Interim City Attorney Wullbrandt explained the contract allows for an extension on the signature of both parties. He added that before Council spends more money, he will ask for the Chamber's 2018/2019 FY final report and ensure it aligns with the budget.

Council Member Waite reported the Chamber has agreed to supply the City with a detailed, quarterly budget and recalled the City terminated the contract abruptly when they were going to do their presentation.

Interim City Attorney Wullbrandt reported that is a provision of the contract. He added there is an existing contract, proposed by the City, that the Chamber provide monthly reports and they have asked that it be quarterly. The City will receive a final 2018/2019 report before expending 2019/2020 money.

Mayor Toussaint opened the item to public comment at 7:43 PM.

Charles Werner, President, Solvang Chamber of Commerce

- Reported the Chamber is required to give the City a quarterly, written report, which they have done for the first three quarters of this fiscal year
- The Chamber has complied with all contract requirements
- The only change in this interim contract would be the addition of \$2,500 for business classes
- Noted the City paid for those classes in previous years
- Addressed substantive changes including changing the time frame for contract termination from 30 to 90 days or eliminating the clause, completely, as well as specific provisions related to indemnification

Hazel Mortenson

- Discussed her negative interactions with the Chamber and Solvang Conference and Visitors Bureau and its representatives

Eugene Boyle

- Noted the City's economy is tourism-driven
- Urged Council to reinstate funding for the Solvang Conference and Visitors Bureau and the Chamber

Kenny Esko Lama

- Reported paying his dues to the Chamber but questioned how it spends the money
- Noted visitors on weekends but not throughout the week
- Expressed concerns the Chamber is not transparent

Fred Kovol

- Claimed TOT is supposed to be spent on infrastructure not for supporting local businesses
- Addressed increased costs for water, storm water and the Wastewater Treatment Plant
- Stated the City has no responsibility to apply TOT to businesses
- Believed residents are being "run over" by the powers in the Tourism Industry

Bert Olsen

- Referenced the recent Council Workshop where plans for the City were developed
- Questioned who will help the City to move those plans forward

- Spoke in support of the Solvang Conference and Visitors Bureau and the Chamber
- Urged Council to reinstate funding for the Solvang Conference and Visitors Bureau and the Chamber

The item was closed to public comment at 8:10 PM.

Interim City Attorney Wullbrandt asked Council to use the contract, as proposed, in the agenda packet. He reported receiving different versions of a "red line" contract from the Chamber, reported on incorporating many of the Chamber's requests but actions related to funding are strictly at the purview of the City Council.

Council Member Johnson expressed concerns regarding the Chamber's cash balance in terms of the 2018/2019 accounting; commented on the misinformation that has been shared and stated he was glad the Interim City Attorney and the Mayor have been able to clarify some of those issues.

Council Member Clarke noted no one on Council wants to defund or not market tourism in the City but rather Council is trying to ensure the City's money goes towards serving the most residents. He stressed the need for the City to "tighten its strings" on what the City spends.

Council Member Waite agreed with having the Interim City Attorney and the Mayor review the contract; stated she has no issue with the Chamber's request for \$37,500; commented on minor changes to the contract and asked the Interim City Attorney and Mayor to review Section 8.7 relative to indemnification. She spoke against using Council meetings for people to air their personal opinions on organizations, and encouraged Council Members to make their decisions based upon facts and what is best for the City.

Council Member Djernaes commented on a trend for cutting funds for Chambers and Visitors Bureaus and quoted an article from the *Daily Breeze* relative to the City of Redondo Beach City Council reducing funds to the Redondo Beach Chamber of Commerce and Visitors Bureau and subsequent plans for marketing the city. He suggested holding open discussions on the matter, with public involvement; indicated he is not opposed to investing the City's money as long as it gets a good rate of return and voiced his support of the contract as described by the Interim City Attorney adding that he is not convinced the additional \$2,500 and \$15,000 for maps are essential expenses for the City.

Mayor Toussaint felt the fair thing to do is to move forward with the contract and subsequently, issue an RFP allowing all parties of interest to participate and considering what services are best for the community and controlling costs in every possible way.

*Motion made by Mayor Toussaint to approve the contract as presented and subsequently, issue an RFP allowing all interested parties.*

The motion died for lack of a second.

Council Member Waite expressed concerns the issuance of an RFP is not on the present agenda.

Interim City Attorney Wullbrandt confirmed that change cannot be made on this agenda item, at this time, but noted Council's action on Item No. 1 including direction for a Special City Auditor meeting with an Ad Hoc Committee to consider the possibility of issuing an RFP. He asked that the motion include a dollar amount.

Mayor Toussaint stated he has no problem with the \$2,500 request; felt it would be appropriate to get a final accounting of the money spent last year and reiterated his support for the issuance of an RFP.

Interim City Attorney Wullbrandt reported there is already a provision under the old contract, requiring a quarterly budget report, Council provided notice of termination of that contract and if there were money that was not expended in that year, those monies are to be returned to the City.

*Motion made by Council Member Djernaes to approve the contract with a \$20,000 level of funding to cover the Music in the Park program and money to cover the cost of cleaning and maintaining restrooms associated with the Music in the Park program, seconded by Council Member Johnson.*

Discussion followed regarding the appropriateness of including the cleaning and maintenance of restrooms and the risks in terms of making changes to the contract where the Chamber would not want to participate at all.

Council Member Johnson withdrew his second on the motion.

*Substitute Motion by Council Member Clarke to approve the contract as discussed at \$37,500 and to include the educational classes as requested by the Chamber and authorize execution of an Agreement in substantial conformity by the Mayor, seconded by Council Member Waite, and carried with a roll call vote of 3-2, with Council Members Djernaes and Johnson voting No.*

#### **RECESS/RECONVENE**

Mayor Toussaint called for a recess at 8:34 PM. The assembly reconvened at 8:44 PM with all Council Members, present.

### **3. CONTRACT WITH SOLVANG CONFERENCE & VISITORS BUREAU**

Interim City Attorney Wullbrandt presented details of the staff report. He recommended removal of the one-month termination provision from the contract noting it still has a termination for cause provision.

Council Member Djernaes expressed concerns that there may be a conflict if the Special City Auditor's work would indicate Julefest should be handled by another group.

Interim City Attorney Wullbrandt stated if Council approves the contract, the City would be agreeing to have SCVB put on the Julefest event in 2019.

Council Member Waite referenced the Christmas Tree Burn and asked whether that would be covered in the contract as well.

Interim City Attorney Wullbrandt responded it would not, as the contract at hand has a term of December 31st.

Council Member Johnson expressed concerns regarding irregularities in the budget and SCVB not being in compliance in terms of filing their taxes.

Interim City Attorney Wullbrandt explained there was a requirement in the old contract that they had to be audited by the City Auditor.

He was unsure as to whether that was done; suggested referring the matter to the Special City Auditor and asking them for their final 2018/2019 budget report. He added the SCVB has provided invoices for specific expenses in July.

Discussion followed regarding the need for the organization to be in compliance for the City to grant funding.

Interim City Attorney Wullbrandt suggested if the organization is not in compliance, the City could fund the organization on a month-by-month basis. The City could, going forward, offer them reimbursement, based on invoices provided until they come into compliance with audit requirements.

Mayor Toussaint opened the item to public comment at 9:03 PM.

Hans Duus

- Thanked Council Member Waite for her comments regarding the Chamber
- Spoke about the importance of tourism to the City of Solvang
- Opined the further out the City gets, in reducing promotion of the City, the more negative effects will be felt

Michelle Boyle

- Opined it is unrealistic for Council to believe strong opinions will not be expressed
- Urged Council to have respectful interactions with the public

Lawrence Gerard, Producer/Director for the Nativity Pageant

- They were forced to go to evite last year because they were not sold out for the first time
- 1,100 of 1,400 attendees were from out of town and spent two nights in Solvang hotels
- Indicated approximately \$12,000 went to the City in TOT due to the Nativity Pageant
- Urged Council's continued support of SCVB

Jessy Verkler, Hotelier and Board Member of the SCVB

- Reported the City proposed a 90-day contract, but they asked for a one-year contract and later proposed a six-month contract to fulfill the marketing/ticketing expenses through June
- Noted they have not received the contract currently before Council and the red lines were not part of the negotiation nor agreed upon
- Indicated SCVB would not be able to accept the proposed contract, even upon Council's approval
- Proposed continuing negotiations with the Ad Hoc Committee

Bent Olsen

- Urged Council to continue funding Julefest as December is a very important month for the City of Solvang

Kenny Esko Lama, Business Owner

- Supported smart tourism with less cost and increased efficiency
- Stated SCVB puts on only a few events per year, on weekends and none during the week

Ed Skytt

- Commented on the importance of SCVB to Solvang
- Urged Council to consider the big picture for funding

David Rasmussen

- Provided a brief history of the bed tax
- Addressed the importance of a tourist economy for people not in the tourism industry
- The key will be measuring how we are doing, and we can't do it in six months
- Asked Council to tread lightly on this topic, as they are dealing with people's livelihoods

Fred Kovol

- Asked for a real Christmas tree
- Commented on the fiber optics installed and questioned whether it is being utilized and if it could be used as a revenue source
- Opined Solvang should become an adventure destination and provided examples
- Suggested reintroducing Danish "sweeper maids" and turning one block of Copenhagen Drive into a walking mall
- Recommended emphasizing Danish products

Nancy Orchard

- Opined the Chamber and SCVB are the "biggest elephants in the room"
- Claimed TOT was sold to the public as something that would benefit the community
- Since then Council has spent more and more money on tourism benefitting special interest groups
- Indicated the increases requested in the last three years by the Chamber and SCVB are unsustainable, especially when the City is facing major capital projects

The item was closed to public comment at 9:40 PM.

Interim City Attorney Wullbrandt explained his negotiations with the SCVB Board and their attorney.

Jessy Verkler, Hotelier and Board Member of the SCVB

- Reported the contract in the agenda packet was not the contract their Ad Hoc Committee submitted to their Board of Directors
- Requested to go back to the table for continued negotiations
- Noted the SCVB has been audited, annually; 2016 taxes have been filed and they have extensions for 2017 and 2018

City Manager Gassaway there is no documentation substantiating that SCVB has been audited but the previous auditor provided a checklist of items to be audited.

*There was Council consensus to continue the item to the next City Council meeting and directed Interim City Attorney Wullbrandt to continue negotiations with SCVB.*

4. **ADJOURNMENT:** Mayor Toussaint adjourned the meeting at 10:01 PM.

  
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Lisa S. Martin, City Clerk