



## MESSAGE FROM THE MAYOR

**March 28, 2020**

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### ***To the Citizens and Businesses of Solvang:***

Solvang is facing unprecedented economic impacts from the closures ordered by the Governor in response to COVID-19. Yesterday, March 27, 2020, after careful review of the needs to continue providing essential services – in particular, Sheriff's contract, water, wastewater, maintenance and critical assistance to our residents and devastated business community – the City sadly found it necessary to lay off eight employees whose job duties do not fall within essential services categories. We had also done a thorough review of City private service provider contracts, and have either cut those contracts or shifted them to focus on provision of essential public services and recovery. The changes to both staffing levels and contracts are focused on need to deliver immediate emergency response, maintain essential services now and in the long run, and specialty skills needed in each of these areas.

In this action, the City was forced to navigate through the significant financial revenue losses and expense increases from the current state of emergency, and make projections in light of many unknowable factors. The most important consideration, however, is that the City must prioritize essential services to the community such as the above-mentioned services, as well as facility maintenance and economic mitigation and recovery, so our business community will survive and the City's economic engine will be able to recover when we can reopen.

To keep this all going, many of our remaining staff are having to work considerable overtime to respond to this public health emergency, and our remaining management staff are essentially, working around-the-clock. Many cities have already been through, or will be going through, this same challenge – for example, the City of Santa Barbara has already announced that they will be laying off several hundred employees next week.

It is important for the community to understand that over 60% of our general fund revenue comes from tourism, a very high ratio in comparison to many other cities, which makes Solvang particularly vulnerable in this situation. The City's central business district is called the Tourism Related Commercial (TRC) district. The current situation has caused a cessation of all tourism-related activity and revenue. As such, many of our hotels are unable to pay their current month Transiency Occupancy Tax (TOT) to the City, in addition to no longer generating TOT for as long as this period of cessation continues. TOT makes up the largest share of the general fund, which is the fund that pays for personnel and essential services like the Sheriff's contract.

The significant impacts of this unprecedented financial crisis are already being felt, but we must plan into the future not knowing how long this cessation will last or how long the recovery period will take, or cost. California cities for example, are still paying *today* for the impacts of the 2008/9 recession when property taxes re-adjusted and State-wide retirement plan funding dropped to a point of near insolvency, putting many cities near the same insolvency. This current situation will now compound those costs and

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obligations and so we must think into the future and plan for long-term sustainability for the community, as a whole.

We have already received questions about the timing of the \$250,000 Emergency Loan Assistance Program for Solvang small businesses suffering COVID-19-related losses due to the economic cessation surrounding the pandemic. This Emergency Loan Program is meant to provide immediate, short-term relief to Solvang businesses to keep cash-flow going. In this way, our local businesses can continue to employ their own essential employees and keep their businesses while the more complex process for State and Federal recovery funding is put in place (we are requiring businesses to immediately pay back those City loans when they receive SBA loan funds, allowing the City to spread its initial investment to even more struggling businesses).

The reach we expect this immediate City investment to have, will be critical to keeping this community running until the time that we can begin recovery efforts, and hopefully avoid becoming a town of empty store fronts. ***If we lose a significant amount of Solvang businesses, particularly in the TRC, we lose our primary economy and will have nothing left to recover.*** With nothing left to visit, people won't stay in our hotels – which are our primary revenue source. There goes our tourism economy. During this time, the City will also need to make many accommodations for business' which can't pay their taxes and residents who can't pay their Water and Wastewater bills. Again, we are requiring businesses to pay back their micro-loans if they receive an SBA loan at a later date, but keeping our business community intact is critical if we are going to recover and one day return to the provision of both essential and non-essential services.

Our usual prime tourism season is nearly upon us. We need to make sure that the town is still standing when that time arrives. When our businesses are allowed to resume, it is also very likely that they may be cash-strapped and Solvang may need to consider some other form of recovery program to assist our businesses to resume operations and begin the process of generating taxes for the City of Solvang.

At the same time, we were already in the process to move antiquated methods of handling City services over to modern digital and streamlined versions. Some of that modernization may have organically changed the need for certain City positions, and we were in the process of evaluating how to best staff the City to improve all services. Once again, our top priority during this state of emergency is to keep essential services available to the community. We did not want to have to lay people off, especially right now, but the 'right now' is also why we need to do this at this time.

We are looking at possibly losing well over \$1 Million in City revenue over the course of the next two months alone, from just the loss of TOT and sales tax. If this public health emergency runs even longer than that, we will incur further expense while losing even more of that revenue. There simply isn't a situation which would be a win-win for everyone involved. It would be irresponsible for the City to NOT do anything about this financial situation. ***This is not a recession, this is cessation,*** and therefore given Solvang's dependency could impact the City far greater than the 2008/9 recession.

The City of Solvang was already facing some very large costs for required infrastructure replacement. We need a new Waste Water Treatment Plant. The ability to fund this project is critical and the strategy of how it is funded will have a direct impact on Water and Sewer rates to the citizens we serve, especially with the unfunded mandates coming down from the State. Careful and thoughtful planning to address these issues will allow us to maintain the highest quality of service with the least impact to the rate-payers – who already pay high water utility bills.

As mentioned, in the economic downturn of 2008/9 we also saw an adjustment to property taxes and large losses in the CalPERS retirement funds, which greatly reduced revenues while increasing expenses and ran many cities to the verge of bankruptcy, causing many layoffs. We, and other cities, stand to lose further revenue if similar adjustments are made this year, once we come out of the public health emergency. ***In the long-term, to keep operating with the costs that we have, would not be sustainable.***

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**We encourage anyone with questions or concerns about recent City decisions, to please virtually join the Monday night City Council meeting (March 30, 2020; 6:30 PM).** Based on guidance from the California Department of Public Health and the California Governor's Stay at Home Executive Order N-33-20, issued on March 19, 2020 to protect the health and well-being of all Californians and to establish consistency across the state in order to slow the spread of COVID-19, the City Council meetings will no longer provide in-person participation.

***The following alternative methods of City Council meeting participation are available to the public:***

1. You may observe the live stream of the City Council meetings on [www.CityofSolvang.com/YouTube](http://www.CityofSolvang.com/YouTube). Please be advised that if you join the meeting after the meeting has started, you may need to fast forward the feed to watch the meeting live.

2. If you wish to make a general public comment or to comment on a specific agenda item, the following methods are available:

- Distribution to the City Council – Submit your comment via email prior to noon (12:00 PM) on Monday prior to the Council meeting. Please submit your comment to [Council@CityofSolvang.com](mailto:Council@CityofSolvang.com). Your comment will be placed into the record and distributed appropriately. If you would like your comment to be read during the meeting, please state in your email that you would like this "read into the record". Every effort will be made to read your comment into the record, but some comments may not be read due to time limitations.
- By phone – If you would like to make a comment by phone, please call into conference line 888-788-0099 and state your name, your phone number and which item you would like to speak on. The clerk will call your name to speak or will call you back at the appropriate time. Please make every effort to be available and mute all streaming devices once it is your turn to speak. We appreciate your advance notice to [Council@CityofSolvang.com](mailto:Council@CityofSolvang.com), if you plan on calling in to speak.

We will get through this together and recover **#Solvangstrong**,

Solvang Mayor Ryan Toussaint