



## SOLVANG CITY COUNCIL MEETING VERBAL STAFF REPORT

**PRESENTED BY:** Chip Wullbrandt, City Attorney

**MEETING DATE:** October 28, 2019      **SUBJECT:** Solvang Conference & Visitors Bureau

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*Disclaimer: please note this is not verbatim what was reported at the City Council meeting but is the report that the City Attorney was referring to during the meeting.*

The Solvang Conference & Visitors Bureau (SCVB) was asking for \$880,000 from the City for fiscal year 2019-2020. With income typically retained by SCVB from community events, ad boards and sales at the Visitor Information Center, and website ads for official Solvang pages and social media sites, the SCVB had an overall budget of over \$1 million.

In June, at the City Budget hearing the Council voted to reduce SCVB funding to \$600,000 and to require revisions to the SCVB contract, budget and scope of services before any additional funds were to be provided by the City.

In July the City had very frustrating talks (“negotiations”) with the SCVB Executive Director, 2 of its Board members and an attorney (Jack Collison) they hired to represent them. That process included a very frustrating attempt by the City to get information from the SCVB in order to audit SCVB past spending practices.

At the end of July, SCVB advised the City that it was out of money and would need to shut down all services to the City, including the Visitor Information Center, unless the City immediately provided additional funding. At a publicly noticed meeting at the end of July, the SCVB Board voted to lay off its Executive Director and most other staff and asked the City to provide approximately \$26,000 in emergency funding to continue specific operations through the end of August while the Board sought to negotiate an operations contract until the end of Julefest 2019. The City Manager provided that emergency funding under an interim contract and within his funding authority. Inherent in that interim funding approval was that the SCVB was to negotiate in good faith and to cooperate with the Special City Auditor in an audit of SCVB past spending practices. As the SCVB was only planning to operate through the end of Julefest, negotiation of a cooperative transfer of assets and information was also a primary goal in the City continuing to fund SCVB operation.

Through July and early August the City diligently attempted to work with the SCVB but to no avail. At the Council meeting on August 12, the City negotiation team reported that it had reached an impasse. At that same meeting, SCVB Board President Kim Jensen represented that he had been authorized to take over negotiations and was prepared to address the problems encountered by the City negotiation team. One of the major items for which SCVB had been seeking City funding- Solvang STOMP- was instead turned over to Visit SYV. The City Council assigned Councilmember Johnson to quickly work with the City Attorney and SCVB Board President Kim Jensen on a contract for the remainder of 2019. Clear in that City

acquiescence to try one more time was that the SCVB needed to cooperate with the audit effort by the Special City Auditor.

On August 13, Daniel Johnson, Tom Widroe and Chip Wullbrandt met with Kim Jensen. At the end of that meeting, the City representatives thought an agreement had been reached which could be recommended to the City Council so that SCVB could continue operations, including the Visitor Center and organization of Julefest 2019, while also working in a cooperative fashion to turn over assets and information so the City could go through a public process for provision of visitor services beginning in January 2020. Among the issues the City thought had been addressed was the discovery by the Special City Auditor that the SCVB had transferred \$32,000 in unspent City funding to a Money Market account as part of its undisclosed "reserves". Those funds were to be immediately returned to the City and accounting for all other funds was to occur so that the City was not adding new funds to previously unexpended funding.

By the Council meeting of August 26, it had become certain that no good faith agreement could be reached with the SCVB and the Council voted to end negotiations and terminate the relationship. Mr. Jensen was at that meeting. Through the remainder of that week, several attempts were made by City representatives at providing an amicable transfer from the SCVB to the City and allow for continued provision of visitor services without the SCVB. It was the City's understanding that Mr. Jensen was arranging for return to the City of the above discussed \$32,000 Money Market fund, plus about \$10,000 in unexpended City funds still in an SCVB checking account. According to the City Manager, Mr. Jensen also promised that as September 2nd was a holiday, the SCVB would pay the Visitor Information Center Staff through that day. He ostensibly facilitated discussions between Councilmember Johnson and Brenda Ball with former VIC staff staying on with the City.

Despite those early week assurances, on Friday of Labor Day weekend the City learned that the Visitor Information Center Staff had decided not to work for the City. Over the Labor Day weekend, an SCVB social medium campaign occurred, including a video that had obviously taken some time to produce with long-time Visitor Information Center staff bidding farewell to the Visitor Information Center and announcing it had been closed by the City with no mention of new management keeping the Visitor Center open.

Over that weekend we scrambled, working with Brenda Ball and her family and with Cucco of the Public Works Department to make sure that the Visitor Center would instead be open on Labor Day. On Monday, just after 8 am, Cucco brought the extra City key to unlock the Visitor Center for Brenda Ball and her family to operate. What we discovered was that the building had essentially been stripped of phones, the computer and computer modem and several other items by the SCVB who would not share where those items had gone. The SCVB refused to cooperate with transfer of the internet or phone accounts or any other items taken from the building.

By registered letter dated September 6, the City demanded the SCVB return all assets- physical, digital and money - by September 30, 2019. That letter was returned as undeliverable to the SCVB, with no forwarding address provided to the Postal Service, but a copy was delivered to Jack Collison who has confirmed that he received it and forwarded it on to Kim Jensen. The City had no other response from the SCVB. To our knowledge, since August 26, the SCVB Board has had no legally noticed Board meetings. Jack Collison did respond to a couple of emails, but on October 18 confirmed that the SCVB has "closed its doors" and, to his knowledge, all board members had resigned. It was then that Mr. Collison reported that he does not represent the SCVB or its individual members.

While the SCVB was to return City assets by September 30, and again despite several City attempts to accomplish such transfer, on September 30 the SCVB office was closed, with electronic media including

the phone and email contacts left without update or response, and with incorrect information left up on the Solvang USA website and social media as well as Google maps and consumer sites like Yelp and Trip Advisor.

On October 2, the PIO reached out to the SCVB Board of Directors hoping to facilitate a meeting between the City and SCVB Board and to get information about whether or not the SCVB was still operating and if all four remaining board members were still on the Board of Directors. Laura Hanberg was the only one to respond and said she did not receive a copy of the City's formal letter requesting assets. Mrs. Hanberg later said in a second email that she would not meet with the City. No other board members responded to the meeting request nor did any board members inform the City at that time that the SCVB had held a private meeting and that three of the four board members had resigned; something the City learned on October 18.

## **Status update:**

At the closed session meeting of October 14, the Council authorized our continued asset recovery efforts to include litigation against the SCVB if we otherwise had no affirmative response to our demands.

Over the past two weeks the City Attorney and City Staff have worked diligently to address the above problems, including with formal notice to the SCVB to correct its Brown Act violations, and reporting to the appropriate authorities at the State Attorney General's Office and the District Attorney's Office. The SCVB Attorney, Mr. Collison was also advised that the City was preparing for further legal action. In response, on October 18, Mr. Collison replied by email that he no longer represents the SCVB or individual board members, but he asked the City to provide an additional extension to October 25 for people affiliated with former SCVB board members to respond to the City asset demands.

Toward the end of last week, Jeff Paaske contacted Brenda Ball with the information that all other SCVB Board members have resigned. In that circumstance, the last remaining Board member is required to stay on to wrap up the affairs of the organization. That all other Board members other than Mr. Paaske have resigned has since been confirmed by the SCVB bookkeeper and by Mr. Collison.

Working with Brenda Ball, who received permission from Jeff Paaske to transfer any assets she had access to, we have now been able to access nearly all SCVB digital assets, social media, website, and the phone number and transfer those to City control and safe keeping. This means that the website authorized at the October 14 Council meeting can be at least deferred and sent out via RFP and additional expenses such as re-creating photo and video assets does not need to happen right now. With access to the assets, the City can begin to correct false information on the website and social media. The City Attorney is in the process to legally confirm City ownership of those assets, which were developed under contract to the City and wholly with public funds.

Mr. Paaske also authorized the SCVB bookkeeper to provide updated information on SCVB spending, and has authorized that all SCVB "receivables" now go to the City. From a review of those SCVB records, it appears that, in September, Mr. Jensen, transferred virtually all reserve funds held in the Money Market accounts. This includes approximately \$20,000 in withdrawals by cashier's checks on September 27 and 29, immediately before Mr. Jensen resigned as SCVB President on September 30. Both transactions were recorded as "uncategorized". There is information in the notes to the SCVB general ledger that at least \$16,000 of such withdrawal was for transfer to a different "501(c)" organization somehow apparently chosen by the SCVB Board before its members resigned- though not in a publicly noticed meeting as is required and without following other requirements.

From communications confirmed late on Friday, we have learned that Mr. Jensen transferred that \$16,000 “donation” to the Central Coast Film Society, an Arroyo Grande based 501(c)3. We also learned that Mr. Jensen directed Daniel Lahr in cleaning out the SCVB office on September 30 to transfer all physical assets, including computers, printers, office furniture and other things which were purchased with City funds, (including items taken from the Visitor Information Center) to a storage unit. Those computers are necessary in completing access and control of the remaining digital assets, as many of the items are necessary for successful Visitor Center operations. In reviewing the SCVB records so far made available, we had been unable to access or even locate that storage unit.

On Friday and over the weekend, we reached out to Daniel Lahr in hopes that he would provide the location and access to that storage unit as well as access to the SCVB email program, Rackspace. During that time, she spoke to a board member of the Central Coast Film Society and learned that while the cashier’s check from Mr. Jensen, made out to “Cash”, was deposited for safe-keeping, the Board had not acted to accept the money from the SCVB. We also learned that the Film Society had received the letter from the SCVB announcing that their Board of Directors had decided to dissolve the SCVB and voted to donate \$16,000 to the Film Society.

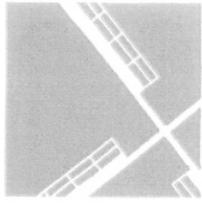
The Central Coast Film Society cut a check this morning to the City for \$16,000 after learning over the weekend that the donation was voted on in a board meeting that was not noticed to the public and that the City had not been notified in September of the SCVB’s planned dissolution nor of the three board members’ resignations.

The PIO learned on Sunday that the key to the storage unit and the account information for Rackspace was very recently handed over to Jeff Paaske over the weekend. The City Attorney provided a letter today to Mr. Paaske with copy to Mr. Collison, outlining the necessary steps for Mr. Paaske to follow in confirming transfer of all assets to the City. Mayor Toussaint met with Mr. Paaske this afternoon who delivered a check from the Central Coast Film Society for \$16,000 and a copy of the SCVB letter to the Film Society outlining their confidential financial donation as well as four iMac computers, office and operation equipment. We are still expecting Mr. Paaske to provide the storage unit key so we can recover the physical assets. (UPDATE: The City received the storage unit key from Mr. Paaske on October 29, 2019 but the City has not inventoried the assets yet. In addition, the City receive a truckload of physical assets including office equipment and four iMac computers that were housed at an unknown location).

We are assisting Mr. Paaske in preparing legal notices and a resolution confirming the assets and allowing him to step out of the SCVB dissolution process which the City will instead complete.

**ATTACHMENTS** (printed version was available in City Hall during the City Council meeting)

1. Letter from the Solvang Conference & Visitors Bureau to the Central Coast Film Society
2. Copy of the cashier’s check from the Central Coast Film Society returning funds to the City of Solvang



# SOLVANG

CONFERENCE & VISITOR BUREAU

September 30<sup>th</sup>, 2019

To the Board of Directors of the Central Coast Film Society:

It gives me great pleasure in informing you that our board has voted to give your new non-profit 501 (c)(3), EIN # 83-0787181, organization a sizeable donation of our assets. This is including:

- A \$16,000 check to the Central Coast Film Society
- 4 iMac computers
- Various office and operations equipment

It is our hope that you will use these assets, in confidentiality, to serve the city and citizens of Solvang, to further both our mission and yours, serving the public's interest.

On behalf of the Board of Directors at the Solvang Conference & Visitors Bureau, we wish the Central Coast Film Society all the best.

Kim Jensen  
President, Solvang Conference & Visitors Bureau Board of Directors

9/30/19

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Solvang, CA 93464  
805-688-6144 805-688-8620 fax  
800-468-6765

[www.solvangusa.com](http://www.solvangusa.com) [www.visitsolvang.com](http://www.visitsolvang.com)



Montecito Bank & Trust P.O. Box 2460 Santa Barbara, CA 93120-2460

CASHIER'S CHECK

No. 385213

AMOUNT

10/28/2019

\$16,000.00

Remitter: CENTRAL COASTFILM SOCIETY

PAY TO THE ORDER OF \*\*\*CITY OF SOLVANG\*\*\*

\*\*Sixteen Thousand and 00/100\*\*\*\*\*

Memo:

PRESS OR RUB WITH FINGER. IF ROSE COLORED SPOT DISAPPEARS THIS DOCUMENT IS AUTHENTIC

*[Handwritten Signature]*  
AUTHORIZED SIGNATURE



385213

10/28/2019

\$16,000.00

Remitter: CENTRAL COASTFILM SOCIETY

\*\*\*CITY OF SOLVANG\*\*\*

\*\*Sixteen Thousand and 00/100\*\*\*\*\*

Memo: