



Gore Creek Drive 6:07 p.m., April 8, 2020.

VAIL HOMEOWNERS ASSOCIATION

Council Agenda Change:

The VailPoint application to rezone open space land, which was scheduled for the Council meeting last week (April. 7), has been postponed to next week (April 21).

MARK YOUR CALENDARS.

Where We Are Now

Why Is There Still No Conflict of Interest Provision?

April 10, 2020

These are Dire Times. Last week was terrible. Nationally, and in our valley, the numbers of coronavirus cases and deaths and the economic chaos resulting from trying to stop the virus are almost beyond comprehension. Over the last seven days, Eagle County cases have more than doubled. The Colorado “stay-at-home” order has been extended through April, and with the end of April just three weeks away and Colorado cases still not having “peaked,” it’s hard to envision a scenario in which it will not be extended again. All Vail non-essential businesses, bars and most restaurants are closed with thousands having been let go. Nationally, in the last three weeks, there have been over 15 million new unemployment claims (the number is probably much higher as states struggle to process claims), and many now believe that actual unemployment is already over 20% and climbing. Locally, the TOV and Eagle County have implemented relief funds, and area charities are scrambling to help.

Much is yet unknown about the future, but one thing is clear: this crisis will eventually be over, and we need to act now to be prepared for that day. While we don't know what the new "normal" will look like, it is going to take an "all-in" effort to pull out of what is, in all probability, going to be an economic depression. And that will, in all likelihood, not be possible until there is either a treatment or vaccine for the virus and people again feel secure about venturing out and gathering in crowds. To be ready for that time, assets need to be marshalled and plans altered to a long-haul perspective.

The TOV Takes Action, but Is It Enough? Against that backdrop, the TOV has adopted "initial" amendments to its 2020 budget which will cause some service reductions, leave some staffing vacancies unfilled, reduce operation expenses by 10%, defer some capital projects and dip into general fund reserves to the tune of \$4.5M. As far as residents and guests are concerned, there will only be minimal impacts on Town operations. These initial cuts are based on revenue forecasts that project massive sales tax short falls (March through May of 75% to 80%) and other large revenue shortfalls (lift tax collections, parking income and Donovan Pavilion rentals) that, overall, will cause a projected full-year revenue decline of 13.5%.

However, the amended budget assumes a "modest" return to business by July as it projects only a 20% short fall in sales taxes for July through October and only a 10% shortfall in November and December. Further underscoring the "return-to-business" scenario, while the projected sales tax shortfall for June is 60%, the very next month the projected loss is only 20%. How that would be possible is not explained.

It is commendable that the TOV has taken this action, but the assumption that there will be an only slightly reduced summer season doesn't jibe with what is already happening. Just like it was folly to claim that the country could reopen by Easter, it seems, likewise, unrealistic to plan on an active summer season. The Vail Go Pro games have been postponed to late August; June events are being shut down; there is a high probability that there will be no live music events during the summer, and it is hard to envision a Farmer's Market or any other large public gathering anywhere in the valley this summer. If there is no "summer season," as many now believe, the projected July - October shortfalls will undoubtedly be much worse. The quickest way to get into trouble is to plan for a best case scenario and hope that it doesn't get any worse. Prudent planning requires just the opposite, planning for the worst and hoping for the best.

It is becoming increasingly clear that reopening the economy is going to require full-scale and readily available testing, something that is not even remotely possible now. And when reopening does happen, it is not going to be an instantaneous event. Any place that simply drops all restrictions at once is courting disaster; only a phased, gradual reopening will provide the protection necessary to avoid a "second wave."

And it's not simply a matter of what happens in Vail. Potential visitors are going to be influenced by what is happening in their local communities and nationally so that how the crisis is playing out across the country will have direct impacts on Vail's prospects. Then there is also the psychological impact of the virus—many people are scared to death—and individual tolerances for resuming public activities are going to vary widely. Bottom line, it is going to be many months before Vail will get back to anything approaching normal.

How Vail Resorts is dealing with this crisis is instructive since it is facing a very similar economic downturn. In its April quarterly report, VR noted that it may not be able to have a North America summer season, and that once it is able to reopen operations, demand may be weaker which will impact its fourth fiscal quarter of 2020 and first fiscal quarter of 2021. In other words, it is planning for major impacts that will last into next year. As a result, to maintain liquidity, it has furloughed hourly employees, imposed wage reductions on salaried employees, suspended dividend payments and postponed capital spending. Other Vail institutions are also making draconian changes to plans to survive the crisis.

The Town plans to review its revenue forecasts on a monthly basis and, if the situation calls for it, make more restrictive cuts. That raises the question of whether short-term budgeting is the prudent course. The purpose of budgeting is to make realistic forecasts so as not to be caught short by short-term events. Having to readjust budgets in the short-term tends to concentrate impacts which have the potential to cause more harm than if the impacts were spread over long periods.

Given the current state of affairs, the VHA suggests that it would be better now to plan for a greatly reduced summer season with total revenue shortfall for 2020 well into the 20% range so that the necessary cuts to produce a balanced budget can be spread over the remaining eight months. Yes, that would require larger service reductions, a freeze in wages and staff furloughs and deferring all but essential capital projects, but prudence requires taking action now to be able to weather the storm with the least harm to the Town. In addition, the currently projected transfer of \$7.3M to the Capital Fund budget should be deferred, and those funds should be used instead to fund the general budget. And resorting to the General Fund reserves should only take place where absolutely necessary and then only to the smallest extent necessary and only after exhausting all other possible ways to balance the budget. That fund is the Town's lifeline, and in these times, it should be preserved for true emergencies, like the COVID-19 Relief Fund, which may very well need to be augmented before this crisis is over. There is also a looming crisis in the rental market with many unable to make their payments or having to choose between rental payments and other basic necessities, something that could have a large ripple effect in the community. This is another area where the Town may want to consider providing relief.

The Need For A Plan. The current crisis also underscores the need for a plan going forward. Vail should start planning now on how to responsibly end its shutdown and for where the community should be headed for the next 25 to 50 years. Hopefully, there will be guidance from Washington about ending the shutdown, but if not, there will be examples from other communities that have already gone through what Vail will face. It already seems clear that there will be the need for a gradual, step-down process with some businesses being cleared to come back before others. Long-term, there will need to be large scale testing before large public gatherings are allowed and there can be a return to "normalcy."

Beyond that process, Vail needs to plan for its next 25 years and beyond, and it needs to do so in a way that will ensure the sustainability of the community in all aspects of its activities, including the quality of life of its citizens, the health of its economy and the balance between the built and natural environments. To that end, VHA urges the Council to plan now to convene a "Visioning Process" in the fall to plan for Vail's next 25 years.

As a first step, there should be a critical examination of Vail's "carrying capacity." Vail will never be a typical urban community, nor would most want that to be the case. Vail's charm lies in the fact that it is a mountain retreat nestled in a beautiful valley. As such, there is a finite limit to Vail's capacities. Infrastructure and facilities can expand those capacities, but Vail should not seek simply to get "bigger" as part of a sustainability strategy, or at least, that is a question that should be answered at the outset. After all, a goal of "bigger", ultimately, is never sustainable.

Those determinations should then inform policies that will maintain Vail's community, culture and environment into the foreseeable future. And there should be objective criteria and benchmarks to control congestion, provide for parking in ways that do not endanger public safety and create workforce housing and transportation opportunities to maintain a healthy economy.

What You Can Do. For the time being, there is nothing more important than for all who can to continue social isolation. That is the only way we have now to combat the virus, and there is growing evidence that it works. Staying at home and, when out maintaining social distancing, not only protects you and your family but it also

protects the front-line health care workers and all the others who show up each day so that we can continue to get care, food and other necessities. And if you do go out, be sure and wear a mask.

Also, don't forget to thank the front-line people who are making it possible for life to go on, especially the doctors, nurses and other health care people who are heroically showing up every day to battle this disease. They, along with the police, fire and other first responders, all deserve our gratitude for what they are doing. Take a minute and tell them what that means to you.

Even though we are socially isolated, we are now more connected than ever as we are called upon to see beyond ourselves and act together to stem the spread of the virus. When this scourge is finally over, we should all remember what we did together and let that same spirit bring us together to eliminate the biases and injustices that have too long divided us.

Still No Conflict of Interest Provision. An integral part of moving forward should also be the adoption of a robust, comprehensive conflict of interest law. Without it, special interests can control agendas, and the integrity of government is undermined. In the early days of Vail, ethical issues were dealt with on an ad hoc basis (often behind the scenes), but now, even after the COVID-19 adjustments, Vail is a \$38M+ enterprise, and a strong conflict of interest provision is fundamental to Vail's future.

It has now been 145 days since the "new" Council was sworn in. As [VHA has previously reported](#), this is not rocket science, and there is no good reason why, after 50 years, the TOV does not update its conflict of interest provision. The provisions should apply to all Town officials, elected and appointed, and cover both officials and members of their family (so that an official can't pass off a business ownership to a member of his/her family to escape a conflict as has happened in the past). They should also cover both real and apparent conflicts of all kinds, including those due to outside employment and personal involvement in matters that come before the official (both have happened in recent times). There should be mandatory disclosure (some in the past have not disclosed obvious conflicts). And it should provide for automatic prohibitions so officials cannot claim that they have no conflict because they can be "fair," (something that has also happened in the past).

If you value our reports, we invite you to join VHA or become a subscriber to our reports. The VHA is the only organization that regularly investigates and reports on community issues. We believe that an informed citizenry is essential to good government, and while our reports are not always welcomed by some, a healthy dose of sunlight can be transformative. Together we can make our voices heard and make a difference for the good and the future of our community. In the meantime, stay safe and healthy.

VHA welcomes your participation and support.

For further membership or subscriber information, please send an email to vailhomeownersassoc@gmail.com and specify if your interest is as a member or subscriber.

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