

**CITY OF DANA POINT, CALIFORNIA
CITY COUNCIL REGULAR MEETING MINUTES
JUNE 5, 2007**

CALL TO ORDER

The Regular Meeting of the City Council of the City of Dana Point, California, was called to order by City Clerk Ward at 5:03 p.m. in the Dana Point City Council Chamber, 33282 Golden Lantern, Suite 210, Dana Point.

ROLL CALL OF CITY COUNCIL MEMBERS:

PRESENT: Diane L. Harkey, Mayor
Lisa A. Bartlett, Mayor Pro Tem
Lara Anderson, Council Member
Joel Bishop, Council Member
Steven H. Weinberg, Council Member

STAFF PRESENT: Douglas Chotkevys, City Manager; Patrick Muñoz, City Attorney; Kathy Ward, City Clerk; Clara Wong, Interim Director of Administrative Services; Kyle Butterwick, Director of Community Development; Brad Fowler, Director of Public Works/City Engineer; Matt Sinacori, City Engineer; Lt. Mark Levy, Chief of Police; Christy Teague, Economic Development Manager; Lynn Kelly, Management Analyst; Mike Rose, Emergency & Support Services Manager; John Tilton, City Architect; Andy Glass, Accounting Manager; Mark Sutton, Building Official; Shanna Wolf, Sr. Management Analyst; Cathy Catlett, Assistant City Clerk; Sea Shelton, Management Analyst; Kevin Evans, Recreation Manager; Bobbi Ogan, Deputy City Clerk, and Jackie Littler, Executive Secretary.

PLEDGE OF ALLEGIANCE

The Pledge of Allegiance was led by Brad Van Cleave, Navy Seal.

PRESENTATIONS AND PROCLAMATIONS

Brad Van Cleave, eleven year resident of Dana Point and a member of the United States Navy Intelligence Specialists recently returned from deployment in Iraq, presented an American Flag to the City that he and his division had flown over their headquarters in Iraq. He stated that he loves this City and that this was one of the first flags that he had flown.

INVOCATION

The Invocation was led by Robert Moore.

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PRESENTATIONS AND PROCLAMATIONS (Continued)

Business of the Month – Doubletree Guest Suites

Economic Development Management Analyst Kelly provided a PowerPoint presentation on the newly renovated Doubletree Guest Suites. Mayor Harkey presented a Certificate of Recognition to Denise Pflum, General Manager and Todd Wheeler, Director of Sales, for being the recipients of the Featured Business of the Month for June 2007.

Presentations to Sergeant Mark Long and Deputy Brent Benson

Mayor Harkey and Chief of Police Services, Lt. Levy presented Sergeant Long with a City Tile Plaque and Certificate of Recognition for his hard work here in Dana Point and wished him well in his new position. Mayor Harkey and Chief of Police Services Lt. Levy presented Deputy Benson, who had been recently promoted to Investigator, with a City Tile Plaque and Certificate of Recognition.

CONSENT CALENDAR

Mayor Harkey removed Item No. 8 and Mayor Pro Tem Bartlett removed Item No. 11 from the Consent Calendar.

IT WAS MOVED BY MAYOR PRO TEM BARTLETT, SECONDED BY COUNCIL MEMBER WEINBERG, THAT THE RECOMMENDATIONS BE ACCEPTED FOR ALL ITEMS LISTED ON THE CONSENT CALENDAR WITH THE EXCEPTION OF ITEMS NO. 8 AND 11.

The motion carried by the following vote:

AYES:	Council Members Anderson, Bishop, Weinberg, Mayor Pro Tem Bartlett and Mayor Harkey
NOES:	None
ABSTAIN:	None

1. WAIVE THE READING OF ORDINANCES AND APPROVE READING BY TITLE ONLY

APPROVED THE READING BY TITLE ONLY OF ALL ORDINANCES ON THE CONSENT CALENDAR AND THAT FURTHER READING OF SUCH ORDINANCES BE WAIVED.

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2. REGULAR MEETING MINUTES, MAY 15, 2007

APPROVED THE MINUTES.

3. YOUTH BOARD MEETING MINUTES, MAY 17, 2007

RECEIVED AND FILED.

4. MEETING CALENDAR / COMMUNITY SPECIAL EVENTS CALENDAR

RECEIVED AND FILED.

5. CITY TREASURER'S REPORT, APRIL 2007

RECEIVED AND FILED.

6. CLAIMS AND DEMANDS

RECEIVED AND FILED THE CLAIMS AND DEMANDS.

7. NEW CONTRACT AGREEMENT BETWEEN ALL CITY MANAGEMENT SERVICES, INC. AND THE CITY OF DANA POINT FOR PROVIDING SCHOOL CROSSING GUARD SERVICES

APPROVED THE CONTRACT AMENDMENT AND AUTHORIZED THE CITY MANAGER TO SIGN THE NEW AGREEMENT BETWEEN ALL CITY MANAGEMENT SERVICES, INC. AND THE CITY OF DANA POINT FOR PROVIDING SCHOOL CROSSING GUARD SERVICES FOR FISCAL YEAR 2007-2008.

8. CHARITABLE GRANT FUNDING APPLICATIONS

This item was removed from the Consent Calendar by Mayor Harkey.

City Manager Chotkevys provided a staff report.

Mayor Harkey commended Mayor Pro Tem Bartlett and Council Member Anderson for their work. She stated that the City is starting to see a lot of requests for funding that should normally be funded by the school district. She would like to lobby in Sacramento for more money for the schools and encouraged others to do the same. She added that there is about \$10,000 remaining of the budget for this item and she asked if the City Council would consider adopting the 5th Marine Regiment again this year to help them toward their goal of funding a war memorial for those who have died.

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Council Member Anderson asked if the City was expecting any other grant applications.

City Clerk Ward replied that Mission Hospital was supposed to have submitted an application last week, but that application did not materialize.

Council Member Anderson stated that she would support the inclusion of an award of \$7,500 to the 5th Marine Regiment Memorial Fund.

IT WAS MOVED BY MAYOR HARKEY, SECONDED BY MAYOR PRO TEM BARTLETT, TO APPROVE THE RECOMMENDED GRANT FUNDING INCLUDING AN ADDITIONAL GRANT IN THE AMOUNT OF \$7,500 TO BE AWARDED TO THE 5TH MARINE REGIMENT MEMORIAL FUND.

Assistance League of Capistrano Valley	\$2,600
Capistrano Valley Symphony	\$5,000
Charity's Best of Orange County	\$3,000
R. H. Dana Elementary School Booster Club	\$6,000
Saddleback College Foundation	\$5,000
Sand Dollar Guild	\$5,000
United States Coast Guard Auxiliary – Flotilla 29	\$ 337

The motion carried by the following vote:

AYES: Council Members Anderson, Bishop, Weinberg,
Mayor Pro Tem Bartlett and Mayor Harkey
NOES: None
ABSTAIN: None

9. COMMUNITY PREPAREDNESS EXPO

AUTHORIZED THE EMERGENCY SERVICES DIVISION TO COORDINATE A COMMUNITY PREPAREDNESS EXPO TO HIGHLIGHT DISASTER PREPAREDNESS AND RESPONSE RESOURCES TO THE COMMUNITY ON AUGUST 18, 2007.

10. ADOPTION OF RESOLUTION APPROVING FINAL PARCEL MAP NO. 2005-298 TO ALLOW THE CONVERSION OF AN EXISTING DUPLEX APARTMENT TO CONDOMINIUMS AND THE CORRESPONDING REQUEST TO SUBDIVIDE THE AIRSPACE FOR CONDOMINIUM PURPOSES.

ADOPTED RESOLUTION NO. 07-06-05-01 ENTITLED:

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A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF DANA POINT, CALIFORNIA, APPROVING FINAL PARCEL MAP NO. 2005-298 TO ALLOW THE CONVERSION OF AN EXISTING DUPLEX TO CONDOMINIUMS AND THE CORRESPONDING REQUEST TO SUBDIVIDE THE AIRSPACE FOR CONDOMINIUM PURPOSES.

11. CHARITABLE GRANT SUBCOMMITTEE

This item was removed from the Consent Calendar by Mayor Pro Tem Bartlett.

Mayor Pro Tem Bartlett thanked everyone who had applied to serve on the Charitable Grant Subcommittee. She felt that the three applicants who were selected will do a great job and she wanted to wish them well.

IT WAS MOVED BY COUNCIL MEMBER ANDERSON, SECONDED BY COUNCIL MEMBER WEINBERG, TO RECEIVE AND FILE THE REPORT ON THE CHARITABLE GRANT SUBCOMMITTEE.

The motion carried by the following vote:

AYES:	Council Members Anderson, Bishop, Weinberg, Mayor Pro Tem Bartlett and Mayor Harkey
NOES:	None
ABSTAIN:	None

Mayor Harkey recessed the meeting for cake to celebrate Sergeant Long and Deputy Benson at 5:32 p.m. and reconvened the meeting at 5:48 p.m.

PUBLIC COMMENTS

Mayor Harkey opened the meeting for public comments.

Darrin Duhammel, Dana Point, stated that Dana Point was officially on the map as a legitimate race circuit location after the recent Grand Prix. He said that our turnout was better than most other events held in California. He thanked the City Council for making this race a reality and commended staff for their hard work on this event.

Richard Dietmeier, Dana Point, President South Coast Water District, spoke regarding the power outage that Dana Point had experienced the night before. He stated that the water district had lost commercial support of lift stations but that there was no spillage as a result of the back-up generators. He added that loss of electric power at lift stations in the past had been the reason for spillage. He reported that there would be no raise in the water and sewer rates this year.

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Patrick Evans, Huntington Beach, spoke about City Attorney comments made on May 1, 2007 regarding the Makar settlement agreement. He spoke about various upcoming lawsuits. He felt that the current City Council should honor the prior Council's pledge to resolve this matter.

Mayor Harkey commented that the City and the current Council had spent much time trying to resolve an issue that occurred in 2004 with a previous Council. She thanked the members of the community for the support she has been receiving.

Wayne Rayfield, Dana Point, stated that the Dana Point Grand Prix was spectacular and thanked the City Council for supporting the event. He stated that City staff had done a magnificent job and so had the volunteers. He reported on the Vector Control meetings had had attended and reminded everyone that West Nile Virus was alive in Orange County. He cautioned about over watering which provides mosquitoes a chance to breed. He commented on the risk of Rocky Mountain Spotted Fever when out hiking and biking. He stated that rodents are also a problem and provided copies of an informational DVD for the Council provided by the Orange County Vector Control District.

Colleen Traphagen, Dana Point, spoke about the over-abuse that she and her friends had endured these last three years.

Robert Traphagen, Dana Point, spoke regarding the Makar settlement agreement.

Jim Seitz, Dana Point, spoke regarding the mobile home park closure.

Bonny Pitkin, Dana Point, spoke regarding the former mobile home park residents who were without housing.

Judy Rice, Laguna Hills/Hemet, spoke regarding the Housing Summit from last May.

Patti Short, Dana Point, Capistrano Valley Symphony, invited the City Council to the Symphony's next concert to be held on June 24th at the Mission San Juan Capistrano where James Darren will be the guest artist. She added that any proceeds from these concerts in excess of their costs go directly to the Free In-School Concert Program for the students of Capistrano Unified School District.

John Chaffetz, Dana Point, spoke regarding the Harbor Plan and stated that felt that the County should fix what exists there.

Mayor Harkey stated that the head of the Harbor Department, George Caravahlo was leaving and that she was certain that the County would find a replacement. She added that she had attended a recent meeting that was held with County, City staff, and Supervisor Pat Bates to discuss the Plan. She stated that everyone at the meeting is aware of the boater's situation and she felt that they were trying to

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remedy the situation and provide strong leadership. She spoke regarding the comments made by the prior mobile home park residents. She stated that this Council since December made every effort to reach a conclusion to this item and that she was sorry that there was still some discontent.

PUBLIC HEARINGS

12. PUBLIC HEARING FOR PROPOSED OPERATING AND CAPITAL IMPROVEMENT BUDGETS FOR FISCAL YEARS 2007-2008 AND 2008-2009

City Manager Chotkevys provided a staff report with the assistance of Interim Director of Administrative Services Wong including a PowerPoint presentation. They reviewed the following:

1. State of California Financial Update
2. 2008 & 2009 All Funds Budget
3. Current Fiscal Year 2006-2007 General Fund Update
4. 2008 & 2009 General Fund Budget
5. 2008 & 2009 Capital Improvement Budget
6. CIP Revenues and Expenditures History & Forecast

City Attorney Muñoz stated that because the budget includes CIP Projects that have potential conflict issues, it was important not to take Council comments and questions as normally would occur at this point but to receive public testimony, break into different brief sessions on the CIP items, and then come back together for the bigger budget discussion.

Mayor Harkey opened the Public Hearing.

Jim Seitz, Dana Point, spoke about the lack of available affordable housing in Dana Point and the City Attorney expense.

Joanna Adrian, Dana Point, spoke in opposition of the Grant Subcommittee. She stated that she would like the City to study a performing arts venue to serve all of the arts.

Wayne Rayfield, Dana Point, thanked staff for their efforts on the proposed budget and agreed that there should be a Plan B in case there are problems in Sacramento. He added that the increase in staffing was needed and that 60-70 hour work weeks should not be the norm for our staff. He stated that he supports the creation of a Park/Community Services Department. He added that what the community measures the City on is the quality of services they receive. He stated that the technology master plan needs to reflect the management of information the City has to ensure that it is provided in a timely and accurate way.

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Richard Gardner, Capistrano Beach, asked the City Council to consider budget items for the Capistrano Beach area specifically a Specific Plan, palm tree replacement, and a restroom for Pines Park.

Patrick Evans, Huntington Beach, spoke regarding the budge and the need for affordable housing.

Lynn Smith, Capistrano Beach, spoke palm tree watering and trimming in Capistrano Beach. She also spoke of the need for an Arts Council.

Mayor Harkey closed the Public Hearing.

Mayor Harkey recessed the meeting at 7:35 p.m. and reconvened the meeting at 7:55 p.m.

Mayor Pro Tem Bartlett recused herself from the discussion for the potential Train Noise Reduction Improvements due to a potential financial conflict of interest as a result of her interest in real property within 500' of the project.

City Manager Chotkevys provided a staff report and indicated that the City could move this item to a Priority 1 project due to the funds that OCTA may have available of up to \$950,000. He stated that staff would recommend the Council appropriate \$150,000 towards the funding of this project.

Mayor Harkey recommended moving this project to Priority 1 pending funding from OCTA as freight trains are expected to increase in frequency in the evenings because of the increase in commuter traffic.

Council Member Anderson asked if there were any other areas affected by the train noise.

City Manager Chotkevys replied that this is the only at-grade crossing in Dana Point.

Council Member Bishop asked what would happen with the money that is budgeted if no additional funds were received for the project from OCTA.

City Manager Chotkevys replied that staff would come back to the Council before any money was spent for this effort.

There was a consensus of the City Council to include this item in the budget.

Mayor Pro Tem Bartlett returned to the meeting.

Mayor Harkey recused herself from the discussion of Sea Terrace Park improvements, Lantern Village Utility Undergrounding, and PCH/Del Prado

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Improvements due to a potential financial conflict of interest as a result of her interests in real property within 500' of the projects.

City Manager Chotkevys provided a staff report.

Council Member Weinberg asked if the City was providing the entire \$5 million and Makar would be providing the grading services in addition to the funding.

Director of Public Works/City Engineer Fowler replied that Makar would be providing work in-kind and additional funding in excess of \$1.3 million.

Council Member Weinberg asked what years the money was to being earmarked for.

City Manager Chotkevys replied in FY 07/08.

There was a consensus of the City Council to include this item in the budget.

City Manager Chotkevys spoke regarding the Lantern Village undergrounding of utilities and the need to transfer \$2 million from this budget to help fund the improvements at Sea Terrace Park. He stated that the Council had created a task force to come up with a method whereby neighborhoods could come forward to create assessment districts to fund this project. He added that since no neighborhood has come forward to take advantage of this project, staff is recommending transferring some of the funds to the Sea Terrace Park improvements.

Council Member Anderson stated that the City would never see the neighborhoods come together to create the needed assessment districts. She felt that it would make more sense to create a huge assessment district in the Lantern Village possibly organized by the City. She stated that the City should include undergrounding as a stipulation for anyone who wants to develop a project in the Town Center.

Mayor Pro Tem Bartlett asked what the provisions were for establishing an assessment district.

City Attorney Muñoz provided an explanation on how debt financing worked.

Council Member Weinberg asked if the neighborhoods pay for the projects what is the funding for.

City Manager Chotkevys stated that Rule 20 is where the utility collects money to pay for the undergrounding of the major arterial and feeder streets throughout a community. He stated that this City has no Rule 20 monies available so if the City wants to provide this benefit of undergrounding along these arterials, this is where the City contribution comes in.

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There was a consensus of 3-1 (Anderson - No) to include this item in the budget.

Council Member Bishop recused himself from the discussion on Del Prado/PCH improvements due to a potential financial conflict of interest as a result of his interest in real property within 500' of the project.

Mayor Pro Tem Bartlett asked the City Attorney about the FPPC ruling that was expected and whether or not Mayor Harkey and Council Member Bishop would be able to vote on this item.

City Attorney Muñoz replied that it appears from preliminary discussions that Mayor Harkey and Council Member Bishop would be able to vote on Town Center items and that he hoped to have a decision by the next City Council meeting.

Mayor Pro Tem Bartlett recommended that because of the large dollar amount of expenditure for this item, that the Council wait until the next City Council meeting to discuss this project when possibly all five Council Members could be present as opposed to three.

Council Member Weinberg asked how much of the proposed budget would consist of City money or grant funding.

City Manager Chotkevys replied that once the design is determined then costs for the project could be identified. He suggested that the City Council earmark these funds and discuss this further at the next City Council meeting.

Council Member Anderson felt that the City needed to start planning for this project now.

Council Member Weinberg stated that he had no problem earmarking the funds.

Mayor Pro Tem Bartlett stated that she did not want to earmark these funds for the Town Center now when there were other projects that needed to be funded now.

City Manager Chotkevys replied that the Council could always come back at a later date and adjust the priorities.

The consensus was 2-1 (Bartlett – No) to include this item in the budget.

Mayor Harkey and Council Member Bishop returned to the meeting at 8:24 p.m.

Mayor Harkey provided a PowerPoint presentation regarding the budget. She outlined a number a budget items that could be reduced or eliminated to provide a savings of 1 million in each projected year, 2008-2009. (See attached **Exhibit 1** for details of the presentation). She stated that she would like to include

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budget for an additional Code Enforcement Officer to provide service for the Lantern Village area.

Mayor Harkey asked for Council comments.

Council Member Bishop spoke regarding the CIP projects. He was concerned that there was no line item in the proposed budget to fund the bike race to ensure this event could continue next year. He also asked about funding for a future skate park at one of our parks.

City Manager Chotkevys stated that the Mayor had suggested approval of his budget modifications as proposed and add a Code Enforcement Officer. He added that staff would add a line item for the bike race.

Council Member Bishop stated that he could support the proposed budget reductions the Mayor has recommended.

Council Member Weinberg asked which items were in jeopardy of not receiving State funding.

City Manager Chotkevys replied that as an example: one of our resorts could burn down, the City has purchased revenue interruption insurance to protect the City from that but the insurance would not protect the City from the results of another terrorist attack. He added that if the real estate market does slow down the City would be impacted if the properties did not sell reducing the amount of property transfer tax the City would receive.

Council Member Weinberg stated that he supports this budgeting process.

Council Member Anderson stated that we were discussing taxpayer money and felt that the best investment the City could make would be to put that money back into our community. She added that she was pleased to see the proposed improvements for the public counter with the addition of new staff members. She stated that she was concerned about the cut in budget for City marketing efforts. She felt that this could make the City vulnerable if there was a downturn in the economy and without marketing the City could suffer. She stated that she would fully support an additional Code Enforcement Officer for the Lantern Village, possibly a restroom and dog fun zone in Pines Park, and funding for addressing the erosion issues of the bluff.

City Manager Chotkevys responded that marketing had been budgeted at \$100,000 but the City has not been using the money. He felt that Economic Development Manager Teague was very much engaged with the hotels so he felt safe in reducing the funds. He stated that the City Council has the flexibility to fund projects as they come up.

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Council Member Anderson stated that the City needs to protect the sources of revenue for TOT, property taxes, sales and use tax.

Mayor Pro Tem Bartlett thanked staff for their efforts on the budget. She spoke about the premium reductions. She asked if staff had taken into account the possible downturn of the economy and the impact that would have on staffing levels and whether these positions would still be needed.

Director of Public Works/City Engineer Fowler replied that the City would be hiring to a basic operating level. He stated that contract staff would still be needed to augment as the workloads increase.

Director of Community Development Butterwick replied that the future looks extremely promising based on the development applications that the City has received. He felt that additional staff would provide the flexibility the City needs.

Mayor Pro Tem Bartlett asked about the purchasing of new City vehicles and why they couldn't be shared among the staff.

City Manager Chotkevys replied that some vehicles will be shared, but for some staff members their vehicle is their office while they are out in the field and that would preclude them from being able to share with other staff members.

Mayor Harkey felt that there would be enough workload to keep the staff busy running the basic services the residents expect. She asked if there was a general agreement to add budget for the bike race, Pines Park, and the addition of another Code Enforcement Officer.

City Manager Chotkevys summarized the direction of the City Council based on the discussions. He stated that he would have a meeting with Council Member Bishop to discuss the history of skate parks and the issues and constraints. He added that in regards to Pines Park, staff would take direction to come back at a later date for this discussion.

DIRECTED STAFF TO MAKE ANY NECESSARY CHANGES TO BE BROUGHT BACK ON JUNE 19, 2007 FOR FURTHER DELIBERATION AND ADOPTION OF THE ENSUING TWO-YEAR BUDGET.

UNFINISHED BUSINESS

There were no Unfinished Business items.

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NEW BUSINESS

There were no New Business items.

PUBLIC COMMENTS (Continued)

There were no additional Public Comments.

STAFF REPORTS

City Manager Chotkevys read a press release that was provided by the Sheriff's Department stating that Dana Point was one of the safest communities in the State and that Dana Point is down 13.4 % in crime since 2005-2006. He commended our Orange County Sheriff's Department for their community based policing.

**COUNCIL REPORTS, INCLUDING CITY RELATED MEETINGS
ATTENDED**

Council Member Weinberg thanked the residents and the community for the superb bike race and the successful event. He stated that the kid's event, block parties, and races were great. He thanked the City Council and staff for putting on this event. He commented that the clean up was exceptional and that after the event you would have not known anything had taken place.

Council Member Anderson thanked the community for the bike race. She stated that the results were amazing for a 1st year event. She reported that there was a Father's Day celebration scheduled for June 15th at the Senior Center and that for a \$3.50 donation you would receive a great lunch and entertainment will be provided by Sally Ann Bachman. She reported that the concerts in the Park were starting on June 24th with the first two concerts being held at Pines Park from 4:30-6:30 p.m. and starting July 8th at Heritage Park. She stated that the details for the upcoming concerts are on the City's website.

Council Member Bishop reported that OCFA had passed their budget last week. He stated that the City had received a certificate of appreciation from the Fire Authority for the City's participation in the "Fill the Boot" donation program. He added that he had dined at the Doubletree's new restaurant recently and reported that it was good food, good drink, and a good price.

Mayor Pro Tem Bartlett reported that she had attended the following:

May 18th - she had attended the O.C. Government Leaders Prayer Breakfast and then later on that same day she had attended the OCFA Fire Safety Day where all participants had to dress in the firefighter's full gear and their groups were timed on how long it took to

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get out to the fire truck. She stated that this experience gave her a new appreciation for the talent and skills to be a firefighter.

May 23rd - she had attended Dana Point Historical Society meeting and presented, along with Council Member Anderson, a proclamation from the City to Mel and Helen Pierce who are long time residents and very active in the community. Helen was a school teacher for many years and Mel was a volunteer firefighter for over 25 years.

May 26th - she attended the first annual Dana Point Grand Prix and announced the kids' races. She stated that this event was well planned, well attended and a great success. Everyone had a great time and she would like to thank all of the City staff and the Monarch Beach Sunrise Rotary who volunteered their time for the event.

May 30th - she and Council Member Weinberg had attended the Monarch Beach Sunrise Rotary meeting at the Community Center where the Dana Point Seniors cooked breakfast for everyone on their new stove that was recently donated by the Rotary to the Senior Center.

June 5th she completed a two day conference sponsored by the California Joint Powers Insurance Authority (CJPIA) where she learned the latest information in the areas of insurance coverage, risk management, effective media relations, and financial and legal management for government entities.

Mayor Harkey reported that on June 9th the Yacht Club would be hosting the installation dinner for the Chamber of Commerce. At 6:00 p.m. cocktails would be served and at 7:00 p.m. the banquet would begin. She stated that the tickets were \$60 per person. She spoke of a letter she had received from Ben, a third grader at East Bluff Elementary School who was asking for pictures of staff with the drawing he had sent of himself "flat Ben". She said that staff was happy to oblige Ben. She stated that she had attended the following:

May 16th she had attended the South Orange County Major Investment Study (SOCMIS).

May 18th she had attended a Prayer Breakfast at the Hyatt Regency. Also on May 18th she was at the Senior Center to present an award to Evie Love for her years of service.

May 21st she attended the staff meeting with Supervisor Bates regarding the progress and direction of the Harbor Plan.

May 22nd was the TCA budget workshop and later that day at the Youth and Group Facility there was a welcome for Supervisor Pat Bates.

May 23rd she presented the Ocean Institute with a \$50,000 check on behalf of the City. Later that day she attended the Department of Boating and Waterways Board meeting

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where they granted an additional \$5 million, for a total of \$15 million of funding for improvements to be made on the water side of the Harbor.

May 28th she had attended a fabulous Memorial Day tribute to the fallen of the 5th Marine Regiment.

June 1st she and the City Manager had met with Colonel Nicholson for a lunch and a quick tour of Camp Pendleton.

She stated that on June 21st there would be a change of command of the 5th Marine Regiment and graduation at Dana Hills High School.

CLOSED SESSION

City Attorney Muñoz indicated there was a need for a Closed Session as follows:

- A. CONFERENCE WITH LEGAL COUNSEL – ANTICIPATED LITIGATION, SIGNIFICANT EXPOSURE TO LITIGATION, Government Code § 54956.9 (b1), (1 case)
- B. CONFERENCE WITH LABOR NEGOTIATOR, Government Code § 54957.6

Agency Designated Representatives:	City Manager
Unrepresented and Represented Employees:	All positions in City

Mayor Harkey recessed the meeting into a Closed Session at 9:35 p.m. pursuant to Government Code Section 54956 *et. seq.*

ADJOURNMENT

There being no further business before the City Council at this session, Mayor Harkey declared the meeting adjourned at 9:50 p.m.

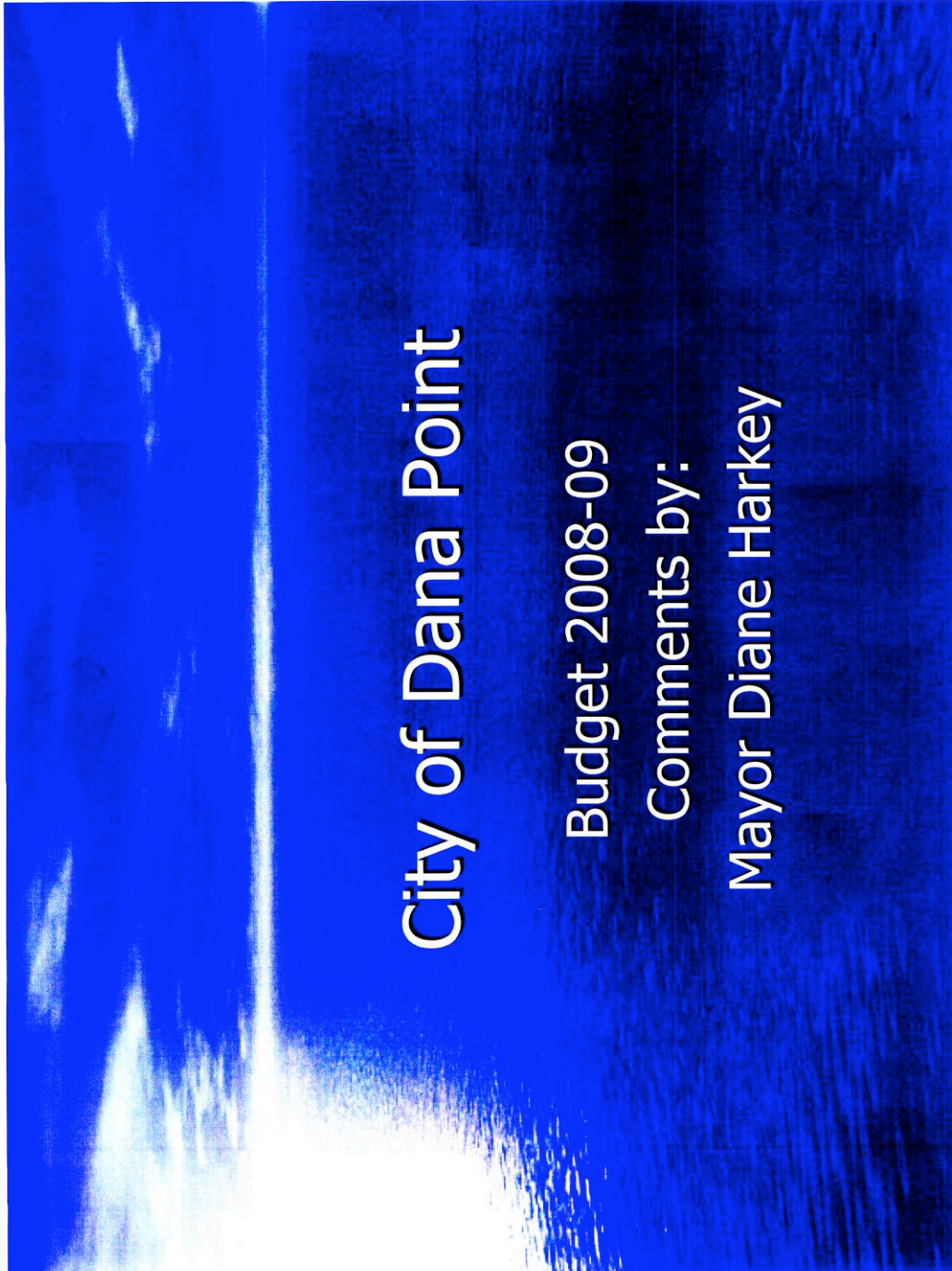
The next Regular Meeting of the City Council will be June 19, 2007 at 5:00 p.m. in the City Council Chamber located at 33282 Golden Lantern, Suite 210, Dana Point, California.

KATHY M. WARD
CITY CLERK

APPROVED AT THE MEETING OF JUNE 19, 2007

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EXHIBIT 1



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Budget Process – Increasing Revenue (i.e., Tax) Environment

- City Manager collects input from Council attempts to determine priorities
 - CIP prioritized
- Staff recommends staffing and operating exp.-based future needs (Council and CM direction)
- Preliminary Budget crafted
- Council Reviews, makes minor alterations
- Budget Approved for 2 years

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Dana Point – Cash Flush

- Cash = Taxes collected and retained for current and future use
 - Reserves
 - Community needs
 - Safety, infrastructure (streets) and city owned property maintenance and repairs, building approval/oversight
 - Community “wants”
 - Recreational services, additions to or additional community facilities
 - Special interests of vocal groups

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Determining priorities

- Strategic Plan
- Council Direction
 - Community input
 - Political platform
 - Long-term agenda
- Budget availability
 - Projected revenues (tax collections)
 - Projected Operating Expenses
 - Reserve Cash on Hand
 - Scheduled CIP Expenditures

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Decisions

- Economic forecast
 - Stage of cycle - forecast
 - State impacts – Prop 42; former “triple flip”
- What is necessary for core services?
- What are the community’s priorities?
 - i.e., what do people expect in return for their tax dollars?
- What is available to spend?
 - Should it be spent, returned, or saved for a rainy day?

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Truism – any council (or manger)
can provide services and fund
reserves in good times

- Revenues increase
 - Staff increases
 - Salaries increase
 - Constituents get more services
- Everyone is happy
- Everyone looks smart

What happens in a downturn?

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Economic forecast

- Housing market down
 - High appreciation markets (the coasts) will see largest slump – California
 - Housing = Economic engine of So. Cal
 - So. Cal = economic engine of the state
- Sacramento running a deficit
 - Bonding for basic services
 - Looking to cities for more revenue

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Economic Forecast

- Fed chief did make clear once again that the painful residential real-estate bust, which started last year, "appears likely to remain a drag on economic growth for somewhat longer than previously expected," he said. Residential construction will likely remain "subdued for a time" until builders can pare down a backlog of unsold new homes, he noted. Bernanke also discussed the troubles plaguing both lenders and borrowers with high-risk "subprime" mortgages, which are made to people with spotty credit histories. Foreclosures and delinquencies have spiked
 - On the inflation front, Bernanke said that underlying inflation, which excludes food and energy prices, still remains "somewhat elevated" despite some improvements. Bernanke again clung to the Fed's forecast that underlying inflation seems likely to moderate gradually over time. Still, he said, there is a big risk to the economy if this forecast doesn't materialize.
- Bloomberg warns that housing slump could extend until 2011

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Proposed Budget

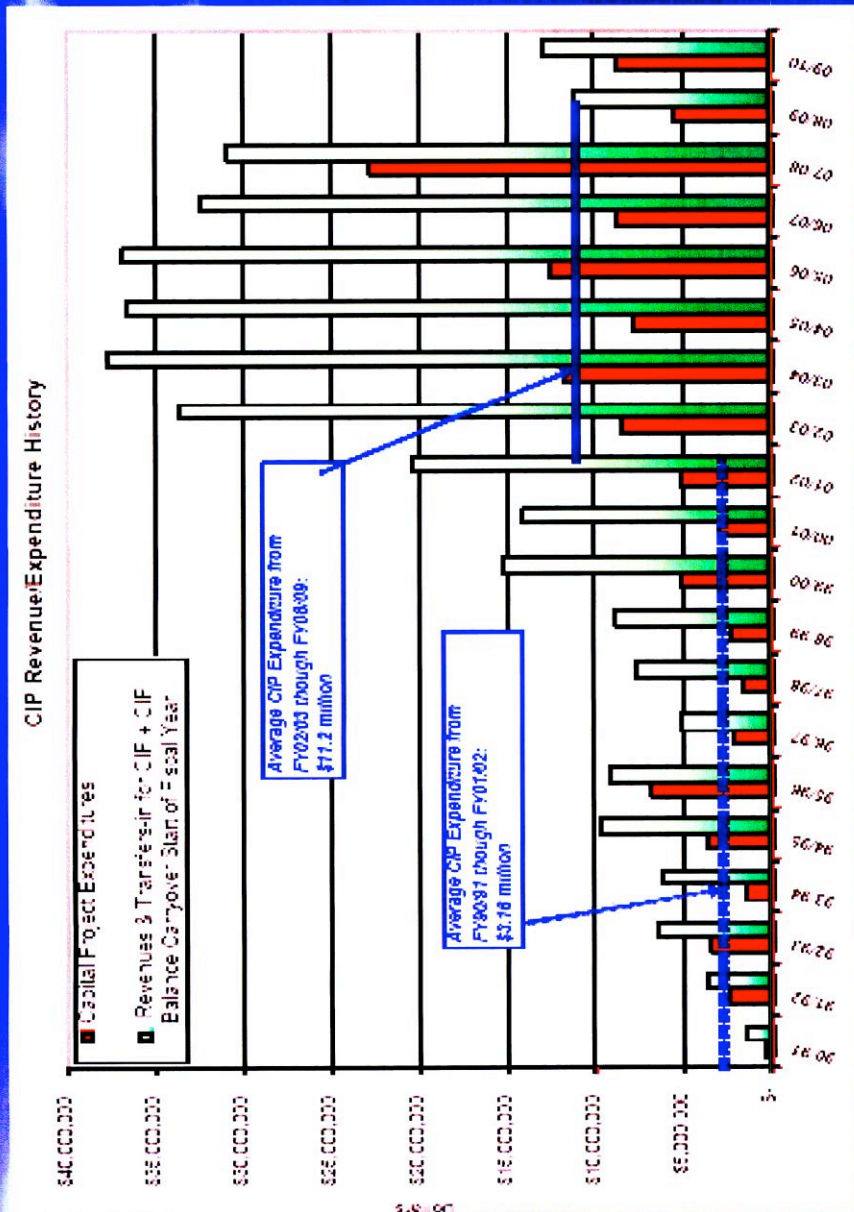
- GF Revenues > Expenses (\$357k 2008; 312k 2009 after deductions for reserves and CIP transfers out)
 - Increases to \$1.368M 2008; \$1.333 2009 with CM adjustments
- Add Staff
 - Replace contract with in-house 16 persons (50-66)
 - Actual projected staff needed > 6 persons (175-181)
- Authorize \$22.8M in CIP 2008
- Decrease excess (LAIF or T Notes) cash by \$13M 2008-09
 - Decreased by \$1.5M in 2007
 - paid park debt - \$2.5M
 - CIP infrastructure – Capo Beach Storm Drains \$11M; Salt Creek Treatment Plant \$6M; repaired street and park deferred maint.

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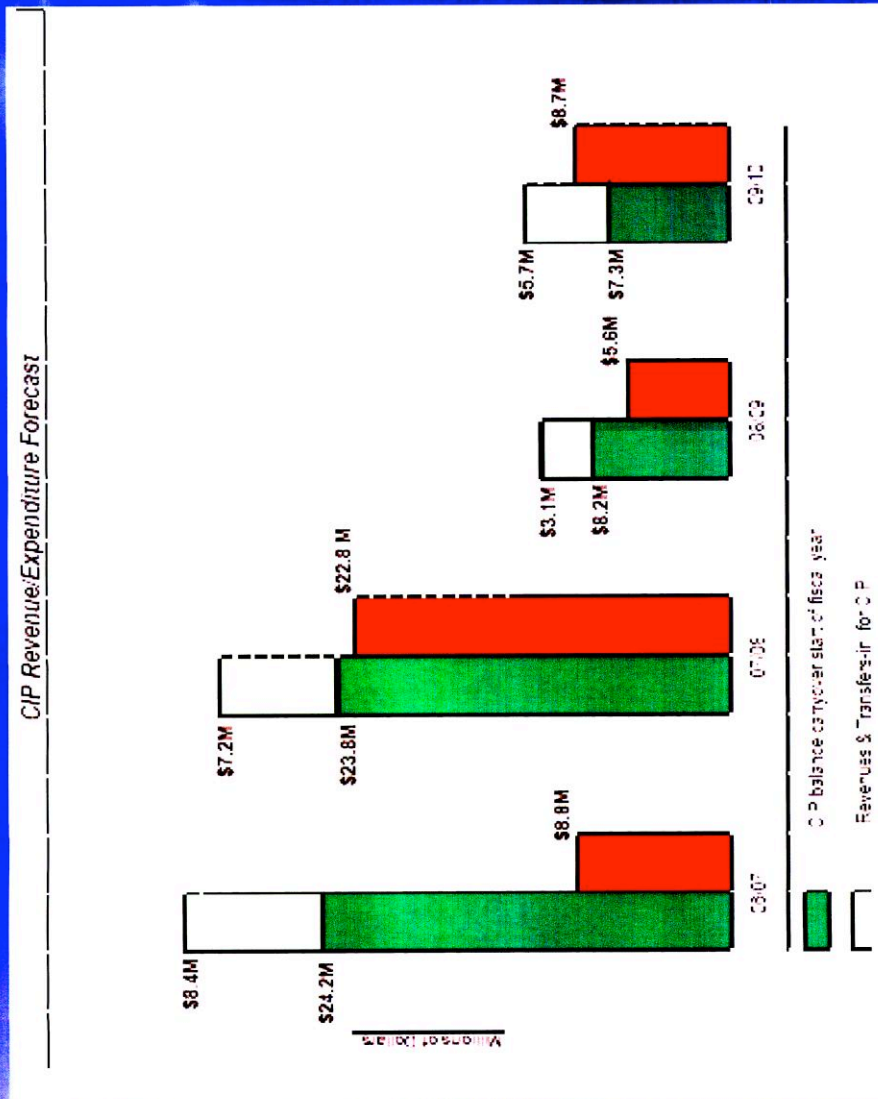
Our Job – City Council

- Government does not Earn revenue – it collects taxes – if tax collection decrease and/or services increase
- Governments have 3 options, decrease reserves, if any; decrease expenses; bond (debt) and/or increase taxes
 - Staff provides “balanced budget” based on our anticipated “needs” (revenues \geq expenses)
 - Staff request additional staff based on our priorities and anticipated future needs
 - What if anything can be cut after reviewing the compilation of council wishes?
 - What can or should be re-prioritized?
 - What is the direction of this council?
 - Basic services – improved service at the counter, minimal deferred maintenance on city-owned property,
 - Extras – parks, entertainment, build additional facilities, economic development, DPTV

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Description	FY 2008 TOTAL	FY 2008 TOTAL	Total Appropriation
POH Traffic Congestion Relief Improvements	\$5,645,977	0	\$5,645,977
Dana Point Library Improvement	\$1,352,170	\$520,000	\$2,004,170
Deer Trace Park Development	\$5,000,000	0	\$5,000,000
Lanier Village IIa Cresta-Bachone Undergrouding	\$1,252,233	\$1,375,000	\$1,480,233
West Clum Drain Repairs-Capistrano Beach	\$143,154	0	\$143,154
Annual Residential Roadway Resurfacing FY 06, 07, & 08	\$4,952,157	\$625,312	\$5,577,469
Dana Point Station	\$69,530	0	\$69,530
Ameria Assoc. Resurfacing FY 2006, Delta Rd & Dorrway Ex Rd.	\$222,055	0	\$222,055
POH Relinquishment	\$523,943	0	\$523,943
Quincy Park Improvements	\$432,141	0	\$432,141
POH Vacants	\$1,352,400	0	\$1,352,400
Lanier Bay Park Deferred Maintenance	\$343,055	0	\$343,055
West Dana Way Repair FY 06/07	\$150,000	0	\$150,000
Ameria Roadway Resurfacing FY 06/07	\$150,000	0	\$150,000
TOTALS	\$20,546,875	\$2,710,312	\$23,657,187

The following projects for mandates, repair and replacement of existing infrastructure are included in the budget:

Description	FY 2008 TOTAL	FY 2008 TOTAL	Total Appropriation
Del Solgo Park Parking Lot Repairs and Drainage Improvements	0	\$100,000	\$100,000
Arnua Vista Drainage/Oversight Repair Existing Infrastructure	\$160,000	\$160,000	\$320,000
Arnua City Seal Program	\$100,000	\$100,000	\$200,000
Arnua Arista Roadway Repairs	\$100,000	\$100,000	\$200,000
Arnua Disposal System Repair Improvements Concrete Repairs	\$100,000	\$100,000	\$200,000
Arnua Disposal and Park ADA Improvements	\$100,000	\$100,000	\$200,000
Arnua Traffic Safety Repairs Improvements	\$100,000	\$100,000	\$200,000
Arnua General Park Rehabilitation	0	\$200,000	\$200,000
Arnua Direct Tree Replacement	\$100,000	\$100,000	\$200,000
Arnua Rescilia Roadway Resurfacing FY 06/07	0	\$100,000	\$100,000
TOTALS	\$760,000	\$1,150,000	\$1,910,000

Staff is recommending that the City Council designate the following projects as Priority 1:

Description	FY 2008 TOTAL	FY 2008 TOTAL	Total Appropriation
POH Del Prado Improvement - case gr	\$520,000	\$1,400,000	\$2,320,000
Via Canon Park Design Construction	\$1,000,000	0	\$1,000,000
Swimming Pool Renovation Project Design	\$1,200,000	\$300,000	\$420,000
TOTALS	\$1,100,000	\$1,700,000	\$2,800,000

*Swimming Pool Renovation Project is for design only; the construction cost is estimated to be \$5.6 million

CIP TOTALS	FY 2008 TOTAL	FY 2008 TOTAL	Total Appropriation
	\$22,756,875	\$5,855,312	\$28,612,187

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	2005	2006	2007	2008	2009
Expenditures					
City Council	315	145	233	61%	169
City Manager	356	395	466	18%	520
Administration Serv	714	736	806	10%	933
Public Info	58	58	244	321%	291
City Clerk	503	385	500	30%	536
Community Dev					
Planning	1,614	1,517	1,273	126%	1,227
Building	815	924	747	82%	831
Code Enforcement	218	214	232	26%	242
NEW Code Enforcement Officer				112	98
Economic Dev					
Sub CD	2,545	2,555	2,609	2%	2,906
Public Works					
Administration	403	370	303	18%	342
Street Maint	2,432	1,922	2,173	13%	2,225
Traffic Eng	185	946	584	8%	777
Solid Waste	127	146	88	36%	73
Parks	1,795	2,927	5,482	103%	3,039
Engineering	1,035	1,012	1,073	6%	1,947
Water Quality	1,103	548	774	42%	815
Sub PW	7,064	7,344	10,478	43%	9,179
Public Safety					
Police	6,743	7,340	7,993	9%	8,880
VIPS	22	22	24	9%	13
Emergency Serv	203	192	313	64%	295
Sub PS	6,968	7,555	8,329	10%	8,944
City Atty	297	740	582	24%	821
Community Services	883	1,038	1,185	15%	1,344
Facilities	1,243	1,161	1,024	13%	707
Risk Mgmt	783	1,057	1,003	5%	809
Non Departmenta	884	752	1,073	41%	2,155
Total Expenditures	22,879	23,950	28,528	19%	29,214
2005-2009 Revenues > by 37% or \$8.5M and expenses > by 28% or \$8M					

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Comparison of Major Changes in General Fund 2006-09

	Change 2006-07 2,785	Change 2007-08	discretionary 2008	discretionary 2009
Causes of inc. exp. Parks				
Public information	198 NEW	102	300	291
Economic development	254 NEW	137	137	137
Traffic engineering	-52	180	130 (+1)	130
Engineering	57	1,048	0	0
Water quality	228	578 ac 251	0	0
Non-departmental	310	738	859 (+2)	1,210
Risk Management	287			
City Manager	71	42	115	115
Total	4,115	2,761	1,541	1,883

\$2.5M debt reduction + Lantern Bay Park

291 Consultant, DPTV, internet stream, special programs
137 \$150K marketing + tourism consultants
130 see below
0 replace CIP for contract employee
0 ac 251 storm drains + 2008 \$515k exp. study (+ in 2009)
1,210 reserve for enhancement, furniture, empl. awards, IT

Lobbyists - \$100k

(1) Discretionary Traffic Engineer
80 bikeway master plan development
80 traffic engineer
130

New Automobiles: Potential to share?
Community Development 3 48,000
Parks - necessary for Headlands? 1 25,000
Engineering 3 75,000
Total New Vehicles 7 148,000

(2) Discretionary Non-Departmental

2008 2009
500 500 ac 255 (new) reserve service enhancements
75 ac 223 animal shelter expansion
50 50 ac 223 extended library hours
219 219 ac 301 Future capital outlay
15 15 employee service awards
859 1,210
Other increases assumed necessary for IT updates
250 IT
32 LAN consulting
44 Microsoft atts l/c Etc
326

City Manager reviewed and determined alternatives as suggested, saving over \$1M in each projected year, 2008-2009.