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May 26, 2020

City of Desert Hot Springs
Chuck Maynard, City Manager
65950 Pierson Boulevard
Desert Hot Springs, CA 92240

Dear Mr. Maynard,

The Desert Valleys Builders Association (DVBA) wishes to thank you and your staff for providing us with the opportunity to review the City's "Fee Study Update", dated April 2020. To further understand the "Update" we requested the "Cost Allocation Plan", then reviewed the City's budgets and audits. We had a video call with Finance and the consultant to further clarify the content and processes of these reports. We also received updated budget materials. After a thorough review and several phone calls to the consultant, DVBA is assured that the City and its consultant have supported the costs and related fees recommended in this 2020 "Fee Study Update".

However, there is one caveat: Is it reasonable to charge fees that include the costs of PERS Unfunded Liability? We can see the City's point of view in that it is a real cost to the City. It is today's cost of doing business with the City. ***But***, these costs do not directly relate to the current cost of that particular staff person, today. Under the Mitigation Fee Act this is an existing deficiency, thereby not applicable to today's business. A test to determine whether or not it would be a reasonable "Mitigation Fee Act" fee is to ask the question, "Would that need or cost *still apply* should all construction/growth in the City cease?" If so, then it would not be reasonable to charge it off to new construction.

Therefore, the Desert Valleys Builders Association, to formally put it on record, must protest the act of including PERS Unfunded Liabilities in fees charged to construction.

The DVBA appreciates the professionalism of the City of Desert Hot Springs staff and consultant during this review process.

Sincerely,


Gretchen Gutierrez
Chief Executive Officer