CITY OF RANCHO MIRAGE ©

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January 13, 2006

Hand Delivered

Agua Caliente Band of Cahuilla Indians
Thomas J. Davis, AICP – Chief Planning Officer
650 E. Tahquitz Canyon Way
Palm Springs, CA. 92262

RE: Discussion Items for Negotiating an Intergovernmental Agreement

Dear Mr. Davis:

The City of Rancho Mirage, ("City") would like to advance our discussion of a mutually beneficial mitigation agreement for the proposed Agua Caliente Casino Expansion Project ("Project"). An Agreement affords an opportunity for a working relationship to resolve jurisdictional issues and collaborate on protecting the shared resources of the region. An agreement can also provide the framework for a mutually beneficial effort to comprehensively plan the sphere of influence the Tribe and the City share.

The City has previously commented on the Draft Environmental Impact Statement for the Project. In accordance with the City's comments, an agreement needs to be entered into between the Tribe and the City which should include the mitigation of environmental impacts both on and off of the reservation, conformation to certain building and design standards set out in city ordinances, and compensation in lieu of sales and hotel taxes for a wide range of public services and facilities.

We understand that your staff may be poised to present the final project decision to the Tribal Council as early as mid January. We respectfully request that staff postpone this presentation until the City has had a chance to meet to resolve off-reservation impact issues.

The City cannot support an increase of any form of organized gaming activities associated with such intense development without adequate assurance that all identifiable impacts on the City's infrastructure, services, residents and businesses will be adequately mitigated pursuant to a judicially enforceable mitigation agreement between the Tribe and the City, appropriately approved by state and federal officials.

We have estimated costs associated with improvements and mitigation measures in this Agreement. All costs in this Agreement are current estimated cost. Actual cost at time of construction, installation or operation may differ. It is the City's position that the following measures are necessary to adequately mitigate the project's impacts to the City of Rancho Mirage.

Roads and Traffic Circulation

We understand that the Tribe is engaged in a major revision to the traffic and circulation study. It is the City's expectation that the study will identify additional traffic impacts and necessary mitigation measures as a result of the project. The City requests that the draft revised study be distributed for review and comment by affected agencies prior to inclusion in the final EIS consistent with the policies set forth in the State Compact, NEPA and CEQA.

The City transportation Level of Service (LOS) standard is higher than that of Riverside County. However, the most recent Draft Environmental Impact Statement for the casino expansion conforms to the less rigorous Riverside County standards. The Tribe should contribute its fair share towards mitigating the impacts identified in the draft EIS and presumably carried over to the final EIS concerning the traffic impacts and LOS discrepancies, such as:

1. The Tribe should coordinate at their cost the traffic signals along the Bob Hope Drive and Ramon Road Corridors to maintain LOS "C" or better. (Estimated cost $150,000).

2. The Tribe should participate with the City in the development of Bob Hope Drive between Dinah Shore Drive and Ramon Road as a six lane primary arterial roadway. $3,500,000 ($1.5 million Right-of-Way acquisition; $2 million installation including relocation of 115 kv lines).

3. The Tribe should participate with the City in funding the Bob Hope Drive/I-10 Interchange. (CVAG has identified the City's share currently to be $2,300,000.)

4. The Tribe should contribute to the Key Largo extension and overpass identified as a mitigation measure in the General Plan. We estimate the Tribe's in lieu development fee contribution to be $1,005,000.

5. The Tribe should improve the existing raised median island across Agua Caliente Casino property frontage to meet City standards for landscape, hardscape and irrigation. $320,000

6. The Tribe should maintain raised median island across property frontage. $12,000/year.

Law Enforcement, Fire and Emergency services

The Tribe's proposed project at build out and in full operation will, in the experience of the City of Rancho Mirage and its contracted service providers, result in a much intensified need for public safety services in the general area of the project, more specifically in the northern area of the City spanning from DaVall Drive to Monterey Avenue, including the property on which the project is located. The City will agree to provide these public safety services (fire suppression and prevention, paramedic, rescue and law enforcement and crime prevention) to the proposed project at the same level as is currently provided to the residents and businesses of the City of

Rancho Mirage, pursuant to the schedule and at the cost estimated as found on Schedule B. Schedule B reflects the addition of personnel and required support, such as vehicles and supplies, as are necessary to reasonably address the need and provide this same level of service to the Tribe's proposed project. Initial capital expenses for facilities and equipment are attached as schedule A.

General law enforcement services will include the authority of the City's contracted service provider, the Riverside County Sheriff's Office, acting as the RMPD, to enforce any and all state and local laws and ordinances upon the land(s) on which the proposed project (Phases I and II) are located. Such services include, but are not limited to 24-hour patrol services and response to emergency 9-1-1 calls, and general investigations for major crimes as the Police Department deems necessary.

The Tribe or the operator on behalf of the Tribe who is responsible for the 2,000 seat showroom shall notify the Police Department at least ninety (90) days in advance of all events and bookings, including the artist(s) and/or entertainer(s), appearing at the showroom, together with other information, such as date(s), time(s), estimated number attending, operator provided security and/or traffic control, etc., as determined pertinent by the Police Department Chief or the City Manager. The captain or his delegate will make the final non-appealable determination as to the general and specialized law enforcement services required to protect the public health and general welfare, maintain order and control traffic. The Tribe or the operator on behalf of the Tribe who is responsible for the 2,000 seat showroom shall remit payment to the City for the services and personnel deemed necessary by the Police Department in conformance with the fee schedule then in effect. The California Highway Patrol and the City of Rancho Mirage (Special Events Permit Coordinator) shall be notified concurrently with the Police Department of all events and bookings, including the artist(s) and/or entertainer(s), appearing at the showroom.

The Police Department requires the control of pedestrians to/from the proposed project on the east side of Bob Hope Drive to the west side of Bob Hope Drive. An overhead pedestrian way shall be required to be constructed, provided approval and necessary permit(s) are first obtained from the City of Rancho Mirage (Planning, Building and Safety, Public Works, Police and Fire). Pedestrian access for some distance on each side of the pedestrian overpass shall be restricted so that pedestrians are not able to access the traveled vehicle lane(s). An underground pedestrian tunnel will not be permitted for the proposed project.

SCHEDULE A

CAPITAL OR ONE-TIME CONSTRUCTION OR EQUIPMENT RELATED EXPENSES

No estimate provided	Subject to the approval of the location by the City of Rancho Mirage and the City's contracted public safety services providers, acquire and transfer to the City of Rancho Mirage a three (3) acre site in a location proximate to the Tribe's proposed project for a City Public Safety Center (see further description below). Site is required to be north of Dinah Shore Drive, South of I-10, within one-half mile on either side of Bob Hope Drive and in or immediately adjacent to the City.

No estimate provided	Design and construct or provide all required funds for a Public Safety Center on the three-acre site, including all necessary on-site and off-site improvements to ensure utility/suitability of site for the intended purposes, including quad traffic signal installation to permit egress/ingress of emergency response equipment and other vehicles. Public Safety Center will include an urban three (3) bay fire station (estimated at a minimum of 12,000 sq. feet) to be staffed by City's contracted service provider, now the Riverside County Fire Department. Public Safety Center will also include an adjoining 2,500 square feet law enforcement substation to be utilized by the City's contracted service provider, now the Riverside County Sheriff's Office. Funds are required to provide 25-30 off-street parking spaces with 12-15 of these spaces covered by a permanent shade structure. Costs to also include all furnishings, furniture and equipment, site landscaping, lighting and signage. Site and building(s) shall meet all requirements of the City of Rancho Mirage and the County of Riverside.
$ 282,000	Provide all required funds for the City to contract with a full-time plans examiner and a full-time field inspector to be responsible for plan checking and inspection services for the Tribe's proposed project. Estimate at left is for a 12-month period only; actual cost will be determined as project progresses. Field inspector - $120,000 and Plans Examiner - $162,000.

CAPITAL EQUIPMENT (INITIAL PURCHASE)

$ 515,000	Provide all required funds for the City's purchase through the Riverside County Fire Department the following capital equipment that meets all requirements of the Fire Department: one (1) fully equipped engine [Cost estimated at $400,000] and one (1) fully equipped medic unit [Cost estimated at $115,000] to be located at the Public Safety Center.

SCHEDULE B

ANNUAL OPERATING COSTS - PUBLIC SAFETY SERVICES

CITY OF RANCHO MIRAGE POLICE DEPARTMENT SERVICES, PROVIDED BY CONTRACT WITH THE RIVERSIDE COUNTY SHERIFF'S OFFICE.

$1,172,526	One (1) deputy with patrol car 24-hours per day, 7 days per week. Equates to 5.26 Full-Time Equivalent (FTE) sworn positions.
$ 95,301	One (1) Burglary Suppression Unit (BSU) deputy to assist with property crimes, general patrol and working with hotel property/operator on crime prevention and investigation. Contract specifies 1,780 productive hours per BSU deputy. Equates to .86 FTE sworn position. Charge to Tribe is estimated at 50% with City General Fund paying other 50%; total cost is $190,602.
$ 190,611	One (1) traffic enforcement motorcycle deputy at 10 hours per day four (4) days per week. Equates to 1.00 FTE sworn position.
$ 108,420	Two (2) Community Service Officers (CSOs). One Community Service Officer (patrol) will assist sworn positions, provide additional patrol services, take reports and complaints and assist with traffic control and crime prevention. Equates to 1.00 FTE classified position at $72,280. Second Community Service Officer (administrative) will be required to staff the substation at the Public Safety Center. Position will meet with the public, take reports, assist sworn positions and provide information. Charge to Tribe is estimated at 50% or $36,140 with the City General Fund supporting the remainder 50% cost of position. Equates to 1.00 FTE classified position with 50% funded by Tribe.
$ 42,760	Forty (40) hours per month of overtime for deputies to patrol, provide traffic control and enforcement and assist BSU. Total 480 annual overtime hours equates to .23 FTE sworn position at $24,000. Additional required overtime for deputies and investigations based on 1.6% of total personnel cost of 24/7 patrol deputies to close cases, finish reports and investigations, etc., as based on actual experience. Total 375 annual overtime hours equates to .18 FTE sworn position at $18,760.

$ 5,825	Palm Desert Station facility costs and other county-wide cost allocations for support (central dispatch, administration, accounting and finance, information services bureau, personnel and recruitment, technical services bureau.) Excludes CSO (administration) office at the Public Safety Center and 50% of cost funded by City for one BSU deputy.
$1,615,443	Subtotal for personnel
$ 19,000	Cost of insuring and maintaining substation, including natural gas, electricity, water, janitorial services, pest control services, HVAC service, landscape maintenance, alarm monitoring, maintenance of emergency generator, miscellaneous contract maintenance and repair and maintenance supplies. Estimated at 17% of total costs for Public Safety Center (2,500 s.f. substation and 12,000 s.f. fire station).
$ 19,000	Subtotal for insurance and maintenance of substation.
$ 25,000	Purchase and equip one (1) motorcycle for traffic enforcement deputy.
$ 2,500	Maintenance and fuel for one (1) new motorcycle.
$110,111	Mileage for one patrol vehicle (24/7) at 93,666 estimated miles at $0.95 per mile ($88,983) and mileage for one patrol vehicle for CSO (patrol) at 22,240 estimated miles at $0.95 per mile ($21,128).
$ 2,083	Vehicle rental cost for one (1) BSU deputy at 50% cost (City to pay other 50%).
$139,694	Subtotal for motorcycle purchase and vehicle fuel.
$227,136	Training cost for sworn positions (Tribe charged 50% for one (1) BSU deputy).
$ 2,100	Training cost for traffic enforcement motorcycle deputy in use of motorcycle.
$229,236	Training costs for sworn positions

$ 4,000	DUI testing fees to increase by 50%
$ 19,350	Use of Records Management System to increase by 50%.
$ 8,000	T-1 line for substation
$ 19,320	County booking fees estimated to increase by 50%.
$ 250	Communications equipment maintenance – motorcycle unit
$ 1,500	Nextel charges for one (1) CSO (patrol) and 50% of one (1) BSU deputy.
$ 52,420	Subtotal for fees and communication equipment and charges.
$2,055,793	TOTAL FOR POLICE DEPARTMENT SERVICES

CITY OF RANCHO MIRAGE FIRE DEPARTMENT SERVICES, PROVIDED BY CONTRACT WITH THE RIVERSIDE COUNTY FIRE DEPARTMENT

$2,101,832	One (1) engine company (3 personnel on engine) 24-hours per day, 7 days per week and one (1) paramedic crew (2 personnel on medic unit,) 24-hours per day, 7 days per week. Equates to 21.06 FTE engine company and paramedic personnel. Also includes administrative and support costs incurred by Riverside County (dispatch, data processing, accounting, personnel, public affairs, etc.)
Per incident response	Share of existing ladder truck and truck company.
$ 63,736	Fuel, maintenance and operations of fire engine ($16,050) and medic unit, including supplies and medication ($47,686)
$ 19,000	Installation of Panasonic computers in engine and medic unit to assist in response to dispatch using County's GIS.
$ 12,630	Training of paramedic personnel. Equates to 8.42 FTE firefighter/paramedics at $1,500 per FTE training cost.
$ 9,000	County charges to enroll properties, including leasehold interest [Estimated at $5,000] and fees incurred by City to administer enrollments [Estimated at $4,000].
$ 5,000	Fire prevention supplies, small tools and equipment, miscellaneous computer enhancements, furniture and equipment.
$ 92,960	Cost of insuring and maintaining fire station, including natural gas, electricity, janitorial services, pest control services, HVAC service, landscape maintenance, alarm monitoring, maintenance of emergency generator, miscellaneous contract

	maintenance and repair and maintenance supplies. Estimated at 83% of total costs for Public Safety Center (2,500 s.f. substation and 12,000 s.f. fire station).
$ 30,000	Purchase and installation of emergency generator for Center.
$2,334,158 + ladder truck per incident response	TOTAL FOR FIRE DEPARTMENT SERVICES

Revenue sharing or In Lieu Payments

The expansion of the Tribe's project presents multi-jurisdictional issues which will require an enhanced working relationship with the City. Clearly, City revenues will be affected by decreases in transient occupancy taxes paid by established hotels as well as the potential loss of sales tax due to the proposed retail shopping area identified in the Tribe's plan. To adequately mitigate this potential loss in revenue, the City expects the Tribe to pay to the City an in-lieu amount equal to the bed and sales taxes typically paid by similar businesses in the City. Without such in-lieu payments, the City will be unable to provide the current high level of general city services to its residents, businesses and the visiting public -- such as guests and patrons of the Tribe's proposed project.

Affordable Housing

The Casino Expansion Project, including its later phase retail development project, will significantly add to the need for affordable housing created by the existing casino. The Environmental Assessment for the existing casino estimated that 400 to 450 jobs would be created with an average hourly wage of $10.00. The first expansion to the casino added 13,500 square feet to the initial 30,000 square feet of gaming area. That addition is estimated to have added another 150 jobs to the casino. The Environmental Assessment concluded that the casino would increase the demand for moderately priced housing in the project vicinity.

The Casino Expansion Project EIS estimates that another 1,143 positions would be created by the proposed project (Phase I and II). Most of these jobs are classified as "relatively low-skill service sector jobs". All together the existing and proposed project are estimated to create 1,743 jobs, many of which are lower paying positions. If half of these are low skilled, low-paying non-tipped jobs paying less than $10 per hour, there is a considerable added demand for new affordable housing.

It is the City's firm position that the Tribe should mitigate the need for affordable housing attributed to the existing and proposed casino. The construction of additional affordable housing in the vicinity of the casino can be a mutually beneficial effort between the Tribe and the City. To that end, the City proposes to partner with the Tribe to facilitate the development of affordable housing near the casino.

The City's Housing Authority has bond proceeds and housing set-aside funds available for the construction of affordable housing. These monies must be spent within the municipal boundaries

of Rancho Mirage pursuant to state law. We propose that the Tribe contribute or acquire 40 acres to be transferred to the Housing Authority as mitigation. The Authority will be responsible for the construction of approximately 250 affordable family housing units.

In order to satisfy the location requirements for the expenditure of Housing funds, the Tribe must either (1) annex Tribal land to the City or (2) acquire property already in the City. Tribal land in Section 24 would satisfy the first alternative. The second alternative could be fulfilled in the northern portion of Section 19. The City is about to undertake the preparation of a specific plan for Section 19. An affordable housing site in the northern portion of Section 19 near the casino would be an appropriate location.

A City-Tribal partnership for the development of affordable housing to mitigate the casino's impact and to help the City meet its affordable housing requirements at the same time would be a precedent-setting arrangement. A partnership for this purpose would be well received by the State in a review of a renegotiated compact and by its affordable housing advocates.

County Health Department Inspections

Food safety oversight is a significant concern for destination resorts. For the health and safety of guests including patrons from Rancho Mirage, the City strongly believes that the food service facilities should benefit from the same inspections that food service facilities County-wide submit to. The City seeks assurance of an agreement for the County Health Department to inspect food services at the casino.

Building, Design and Land Use Standards set out in City Ordinances

To assure uniform compliance for public safety in structures contemplated for construction with the project, the City is very interested in assurances for compliance with local building standards. This can be accomplished by the Tribe adopting the building standards set out in all Uniform California Building Codes as adopted or supplemented by the City. There is a need to ensure the safety of the public to the use of any structure constructed on the Reservation lands within the City's sphere of influence.

The City does not favor Tribal land uses not otherwise permitted in Rancho Mirage. Aside from organized gaming, the City prefers only compatible uses on the property which are allowed in the Resort Hotel and Community Commercial zones in the City.

As identified in comments on both the Notice of Preparation and Draft EIS, the City requests that a meaningful Project Alternative be analyzed. The alternative would be similar to the hotels in Rancho Mirage: a series of low-rise structures and prepared with consideration for land use compatibility. Our height regulations are as follows:

> In all zoning districts the maximum building height is twenty (20) feet or one (1) story (whichever is less) when meeting standard setback requirements. However, this provision may be modified by the Council as part of a development plan application, subject to the following standards:

1. In addition to the minimum required setbacks for one (1) story or twenty (20) foot high buildings, the setbacks shall be increased a minimum of two (2) feet for each one (1) foot of additional building height above twenty (20) feet; however, the Council in exercising their discretion may require significantly greater setbacks.
2. Enhanced buffering to surrounding properties and the appropriateness of understructure parking shall be evaluated.
3. A visual and spatial analysis relating building proportions, massing, height, and setback shall be conducted to preserve and enhance the scenic view shed.
4. The need and appropriateness of the additional height shall be demonstrated.
5. Compatibility and harmony with surrounding development, land uses designations, and zoning shall be demonstrated.

18 Acre Sunaire Parcel

The City questions the process by which the 18 acre parcel in Section 24 south of the existing casino was converted to Trust land which is a part of the casino expansion plans. It was fee land and is within the City Limits. The City requests that the Tribe provide documentation which demonstrates the Sunaire parcel was properly converted from fee land to trust land pursuant to the Administrative Procedures Act and all other applicable state and federal regulations.

Support of Increase in Gaming Machines

In recent months the debate over the definition of Class II machines and the impacts which they present in the development of Tribal-State compacts has continued to escalate. The City realizes that this debate affects the long-term stability of the tribal gaming industry. In an effort to resolve the debate we understand the United States Department of Justice has released a discussion draft amending the Johnson Act which includes a definition of Class II machines that is intended to restrict and promote regulation of Class II gaming machines on federal lands.

Provided that the Tribe agrees to mitigate the proposed project's impacts as set forth in this letter, the City could support the lifting of the Class III cap on the number of gaming machines. The City is also prepared to actively oppose the expansion of the definition of Class II machines.

In addition to the above, the City would support a renegotiated compact which affords the Tribe primary responsibility over regulation of it's gaming facilities in a manner that will enhance economic development and self-sufficiency provided the new compact protects the interest of the City, its residents and businesses by incorporating a requirement of a judicially enforceable mitigation agreement as contemplated in this letter and required by the most recent compacts approved by the Governor.

Most Favored Nation

Current Federal Legislation presents the potential for consolidation of invited tribal governments to develop new gaming facilities on established tribal reservations. The City therefore seeks to require any future casino development beyond the project discussed here, to meet or exceed the standards set in this agreement.

Conclusion

The City looks forward to meeting with the Tribe to negotiate a comprehensive intergovernmental agreement that will include meaningful and fully funded measures necessary to avoid or mitigate the Project's negative impacts on the City. The City looks forward to working with the Tribe to ensure the resulting Project moves swiftly through the EIS process and becomes a benefit to the Tribe and Rancho Mirage.

In light of the foregoing, we are requesting the Tribe delay its approval of the final environmental impact statement and all construction and other activity with respect to the project until the City of Rancho Mirage and the Tribe mutually agree and conclude a comprehensive agreement.

Sincerely,

Patrick M. Pratt
City Manager