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**SECTION:** LOCAL; Pg. B01**LENGTH:** 757 words**HEADLINE:** Strife nags city officials;

DESERT HOT SPRINGS: A recall and a call for a federal audit are among their troubles.

**BYLINE:** WES WOODS II; THE PRESS-ENTERPRISE**BODY:**

Desert Hot Springs officials, who recently heralded the city's emergence from bankruptcy, now find themselves dealing with a call for a federal audit, mounting criticism of the former city manager's last contract, and efforts to recall members of the City Council.

With elections approaching in November, what all of this means for Desert Hot Springs' future financial health is uncertain.

On Wednesday, the Desert Hot Springs City Council voted in closed session to ask the U.S. Department of Justice to audit its finances for the past five years.

Gabriel King, who runs a Desert Hot Springs Web blog, said he asked the city to request the audit, which Councilman Hank Hohenstein confirmed Thursday.

King was dismissed with the rest of the city's Planning Commission in 2004. He ran unsuccessfully for City Council in 2003.

It's unclear whether the federal government would even have a role in such an audit.

"I've never heard of this happening. I'm not sure what arm of the department would handle this," said Thom Morzek, spokesman for the U.S. Attorneys' Office that handles seven counties including Riverside County, in a phone interview Friday.

At the City Council meeting on Wednesday, council members Hank Hohenstein and Mary Stephens were served with recall papers. Some residents protested the city's process to find a new city manager to replace Jerry Hanson, who resigned this year.

Residents at the meeting said one candidate was favored unfairly when he met with several city officials and others at a party hosted by Dorothy "Dot" Reed.

Hohenstein called the recall effort politically motivated, adding that the Fair Political Practices Commission is already investigating him for a potential conflict of interest in a land holding.

With 60 days until the election, he questioned the recall's

timing.

Hohenstein has taken responsibility for failing to disclose the potential conflict of interest he had in a vote on the 2,000-home StoneRidge project. The councilman, who owns property near the project, has publicly apologized for voting on it without disclosing his land holding.

Desert Hot Springs businessman Patrick Gillespie helped organize the recall, but King served Hohenstein and Stephens at the meeting.

"When I submitted that, it wasn't just me and Pat, it was 30 other people," King said in a phone interview Thursday.

Toward the end of Wednesday's meeting, the final contract for Hanson, worth thousands more dollars than his 2004 contract for \$ 323,000, was voided by the City Council. A California Public Employees' Retirement System retirement benefit of \$ 20,000 a month had been included in the contract, interim City Manager Patricia "Corky" Larson wrote in the staff report.

After the contract was canceled at about 11 p.m., some of the few remaining audience members applauded.

Dave Huntoon, a senior fellow for the **Rose Institute** of State and Local Government at Claremont McKenna College who studies the Coachella Valley, said the political problems are unlikely to hurt the pace of development in Desert Hot Springs.

"There is so much positive going on, in terms of the economic situation, it shadows over," Huntoon said from Claremont, noting that he has not followed the recent political fights in the city.

Other observers had a different take.

Desert Hot Springs' image is suffering from the ongoing turmoil, said Bob Marra, owner of Wheeler's Publishing, a demographic and economic information company based in Indian Wells.

"The brand associated with it, the feel with Desert Hot Springs, is in a bad situation," he said.

Marra said commercial development is lagging behind single-family residential building in the area.

"If they're not getting commercial development, especially for retail to follow . . . it becomes a real problem. Housing costs more money than it makes money for (the city)."

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#### RECENT EVENTS

The Desert Hot Springs City Council on Wednesday approved in closed session a request to have the U.S. Department of Justice conduct an audit of the city's finances. The council, in public session, also voted 5-0 to reject former City Manager Jerry Hanson's final contract, which had included a California Public Employees' Retirement System retirement benefit of \$ 20,000 a month, according to interim City Manager Patricia "Corky" Larson.

**LOAD-DATE:** September 12, 2005

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