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Severance deal called 'malarky'

Hanson's pact with Desert Hot Springs unusual, says head of city manager group

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The severance pay deal that pushed Desert Hot Springs City Manager Jerry Hanson's 2004 reported income to \$322,000 is unlike any other city manager deal in the Coachella Valley and didn't "pass the smell test" for the leader of the state's city managers group.

"That's a new one to me," said Bill Garrett, executive director of the California City Manager's Foundation, which is comprised of about 220 city managers in the state. Garrett, who served for eight years in El Cajon and six in Corona as city manager, said "I'm not familiar with any other similar situation where a city manager is paid his severance pay before he's fired.

"Sounds like he has a good contract," said Garrett, but it doesn't "pass the smell test." Garrett said a severance package that is paid out to an employee who has not been terminated is "malarkey."

The amount, some say, also seems large when the city's recent bankruptcy and low median income and hotel occupancy tax rates are considered. Desert Hot Springs has the lowest hotel tax revenues in the valley - about \$760,000 a year.

Earlier this week, Hanson's private W2 tax form was leaked to the media. The Desert Sun does not have a copy of the W2, but Hanson confirmed that it showed \$322,809 in total 2004 earnings, \$106,000 of which is half a severance pay-out, even though Hanson is not being fired or leaving the city of his own accord.

And, a review of the eight other city manager contracts in the Coachella Valley revealed that no other city manager has such a severance payout clause in his contract.

Many on the City Council, the city attorney and the mayor of Desert Hot Springs didn't return calls requesting comment on the severance payout.

Income broken down

Hanson Wednesday issued a statement saying the leaked W2 showed he earned \$322,809 in 2004, with a base pay of about \$132,000.

Hanson explained the higher sum by saying he cashed in about 700 hours of vacation time and also received half of a severance package that came to \$106,000.

NO RESPONSE

Four of five Desert Hot Springs City Council members and the City Attorney did not respond to calls for comment regarding this story.

Vice Mayor Mary Stephens, Councilman Will Pieper and City Attorney Corky Larson did not return calls for two days.

Councilman Hank Hohenstein did not return calls Thursday but gave an interview Wednesday.

Mayor Matt Weyuker could not be reached either day for comment.

The entire package is worth \$220,000 and is due him whether he is fired or decides to leave the city himself, Hanson and city council members said.

"I've done more than an exceptional job for Desert Hot Springs," said Hanson, who in addition to being the city manager is also the director of redevelopment and city engineer. "Everything I've done is on my contract."

Some of his colleagues support this view. Byron Woosley, former city manager of the city of Coachella, said, "I am not aware from anything that I read in the Sun or from anything I've seen on TV that Jerry Hanson has done anything wrong. For people to confuse his annual salary to other benefits that have no relation to his annual salary is ill-informed. I just think he's being vilified unfairly."

The city of Desert Hot Springs has begun an official investigation into the leak of the W2 form, which Hanson himself has said may be linked to his firing of the popular police chief the previous week.

Contract negotiation

Hanson and at least one other person - Mayor Matt Weyuker - renegotiated Hanson's expiring contract, which already included the \$220,000 severance package. Hanson told the mayor he wanted to be paid up-front for the severance, even though he was neither fired nor was leaving on his own terms.

The payment would, in effect "buyout" the rollover of the severance clause on the old contract.

The contract presented to the five-member City Council for approval in early February stated the city would pay in two parts the severance value, thereby removing it from his contract, Hanson and council members said.

The City Council voted unanimously to accept and paid Hanson the first half, or \$106,000, last year.

His new contract - without a severance clause, but with a \$40,000 "golden handshake" that buys him two years of time in the CalPERS retirement system - went into effect Feb. 12.

The new contract grants Hanson \$115,000 for his role as city manager and an additional \$10,000 for directing the Redevelopment Agency. In California, it is common for the city manager to also serve as the head of the Redevelopment Agency.

Annual pay increases raise the base to about \$132,000, Hanson said.

Additionally, Hanson receives 400 hours of vacation/sick/leave time a year.

The new contract gives Hanson the option to go part-time (20 hours a week) at a rate of \$60 an hour in May.

Three jobs for the city

Garrett said not only does he question how a severance payout is justified in this case, he also said Hanson's three jobs seemed unreasonable.

"Usually the city manager/redevelopment agency director is more than enough work for any one person," Garrett said. "So to be taking on another job is not common."

Hanson said he works 60 to 70 hours a week for the city.

Indeed, the city, one of the valley's poorest - with a median income of about \$30,000 and the lowest home prices and hotel tax revenues in the region - has left some key city hall positions empty as Hanson and the council have worked to remove a \$12 million deficit and bankruptcy left by a lawsuit over a housing development.

Hanson is credited by many with helping the city put in place the housing boom that is on its way in Desert Hot Springs. For the month of November 2004, the city's new building valuations were the fourth highest in the valley at more than \$12 million.

Councilman Gary Bosworth said that because Hanson also works as a city engineer, which was his job before he was promoted to city manager, the city saves on what it would cost to hire a new employee.

Bosworth said originally he was opposed to including a severance package on Hanson's contract as it was worded because it would roll over. Paying it out, he said, was the safest action to take.

"We had a contract in front of us to vote on and we voted on it and I stand by that vote," Bosworth said.

Of why he voted to approve the contract, though he didn't like what he was seeing, Bosworth said, "you've got five people to vote on it and all it takes is a count to three to get your way."

Councilman Hank Hohenstein said Wednesday that Hanson was instrumental in pulling the city out of bankruptcy in 2004 and credits him with myriad improvements in the city as well as making Desert Hot Springs a place for business once again.

"Jerry works hard," Hohenstein said. "I would not consider him overpaid."
