



City of Isleton

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Isleton, California 95641

August 12, 2025

Sacramento County – Board of Supervisors

700 H Street

Sacramento, CA 95814

Dear Sacramento County Board of Supervisors,

The City of Isleton is one of the smallest municipalities by size and population within the state of California, and certainly the smallest within Sacramento County. While we value our small size and independence, our city recognizes the importance of strategic partnerships to overcome significant challenges. Our partnerships and collaborations with the county have always been a great help to our small community. We are committed to continuing and strengthening these connections as we ask for your support in addressing our current financial challenges.

As you likely know, the fiscal state of our city is in great disarray. There are many factors that contribute to that position. These challenges arise from a combination of legacy management decisions, unforeseen economic impacts, and uncontrollable external factors such as flood and weather damage.

Late last year we realized the potential depth of these concerns and brought in outside professionals to assess our fiscal state and legal options, including the option of bankruptcy filing. We currently owe approximately \$4.7 million across multiple creditors, which is down from \$5.1 million earlier this year. We have implemented significant corrective actions to help stabilize our finances, including reductions in force, asset sales, and restructuring our fire services back to primarily volunteer based. We are balancing maintaining public health and safety for our citizens while exercising fiscal discipline. Unfortunately, these measures alone cannot fully resolve the city's imminent cash flow crisis, particularly concerning a hard money loan that is now due.

We respectfully request that the county treasury extend a loan in the amount of \$800,000.

We propose extending the loan over a 10-year term to safeguard the city's cash flow and its long-term viability. Additionally, we request a 6-month deferral on repayments to alleviate short-term cash flow constraints during this critical stabilization period.

To protect the county's interest and ensure full repayment, this loan would be secured by an agreement tying repayment directly to the taxes collected and disbursed at the county level, with payments made prior to general disbursements. We further request that the interest rate not exceed the county pool rate plus one percent, which we believe to be fair and reasonable given the circumstances.

This cash infusion would primarily be used to resolve or reduce three major outstanding debts:

1. The first is a \$500,000 bridge loan secured by past city management, currently under an extension/forbearance without a viable repayment plan. Failure to refinance this instrument before its November maturity will likely force the city into bankruptcy.
2. The second is approximately \$195,000 owed to the Employment Development Department for assessed unpaid taxes, penalties, and interest for periods spanning June of 2007 through September of 2013.
3. Any remaining funds would be applied to the \$145,000 in arrears owed to the Small Cities Organized Risk Effort.

The city's current cash flow situation does not allow us to manage these debts effectively. Each of these debts pose a unique and challenging impediment to the city's ongoing operations. Without refinancing or assistance with these debts, Isleton may be forced to file bankruptcy or cease operations entirely, which would have severe repercussions for county residents and taxpayers.

This council and the new management team are fervently committed to restoring and maintaining fiscal stability for the current residents and future generations of residents. We believe in the viability of our city and respectfully ask the county to invest in this future with us.

Sincerely,

The City of Isleton

City Manager – Jon Kennedy