



**MEETING DATE:** December 9, 2025

**AGENDA ITEM:** 7. Grand Jury Finding Response

**FROM:** Jessica Bigby

**RE:** Grand Jury Findings Response - Update to Council

---

**BACKGROUND:**

The Sacramento Grand Jury released a report entitled ON THE BRINK OF BANKRUPTCY: ISLETON'S FAILURE TO GOVERN on June 18, 2025. Within that report there were nine findings. The Isleton City Council and Management formally responded to those findings on August 12, 2025. Work is continually ongoing to improve Isleton's financial situation, documentation, and compliance. Staff has compiled a brief update on progress specific to each finding.

---

**FINDING 1 - BUDGET ADOPTION:**

The 2025/26 budget was adopted by the city council June 10, 2025 for the sewer fund and general fund. A half year budget update will occur in early 2026 assessing accuracy and changes that need to occur moving forward. The budget was sent into Sacramento County and will be included in the associated financial audit. Staff intends to utilize the budgeting process again for 2026/27.

---

**FINDING 2 - ANNUAL FINANCIAL AUDITS:**

The City hired a Chief Resiliency Officer. Two council members served on the hiring panel and one of the two interviewees was unanimously selected to help restore our grant readiness. He began mid-September and jumped right into working with the auditors on the 2021/22 independent financial statement audit. The Prepare California/JUMPSTART grant through CalOES is funding the position as well as any necessary supplies. At this time, we believe we are on track to complete the 2021/22 and 2022/23 audits by the end of the 2025/26 fiscal year as stated in the grand jury response.

---

**FINDING 3 - RESTRICTED FUND ACCOUNTING:**

The City's Finance Director and Chief Resilience Officer are working through the books year by year and continually gain a better understanding of how to reconstruct the necessary controls and bookkeeping around restricted funds. As each audit is completed the restricted balances will become clearer as well.

---

#### **FINDING 4 - ASSESSMENT OF BANKRUPTCY OR DISINCORPORATION:**

City staff has met with Sacramento County politicians and staff, Sacramento County Local Agency Formation Commission (LAFCO) staff, and pertinent consultants to investigate and evaluate the options the City has before it. The City Manager, Finance Director, and Attorney explored this information with the council and public at a dedicated meeting held on October 22, 2025, within the timeline reported to the grand jury.

Bankruptcy is an expensive endeavor and the experts we conferred with stated that avoiding the costs of bankruptcy court would be in our best interest as exhausting funds on bankruptcy would only take longer to extinguish the debt.

Disincorporation does not seem to be a viable path either. The costs associated with the initial studies are high and the procedure doesn't seem likely to be successful. The resulting entities need to make sense as a viable economic entity and the debt would need to be dealt with. The voting citizens of Isleton seem unlikely to vote to levy a tax onto themselves to discharge the debt, which is the main path outlined by LAFCO.

City staff and council agreed that the best option available to them currently is to stay the course of slow and steady debt pay-off unless variables change.

---

#### **FINDING 5 - CANNABIS ORDINANCE ENFORCEMENT:**

City staff has evaluated the active cannabis businesses and compiled their conditional use permits and developers agreements. Letters will go out within the next few weeks contacting these businesses and informing them of the city's intention to review and update entity documentation and audit collections and amounts due. City staff is utilizing outside consultants (graciously provided) to design our processes going forward and ensure proper revenue is collected.

---

#### **FINDING 6 - FINANCIAL UPDATES:**

City staff aims to reports warrant registers and revenue summaries to the council at the first meeting of each month. This has allowed council to have a greater understanding of what is being spent monthly. In the half year budget review that staff intends to take to council in early 2026 there will be a budget to actuals assessment.

---

## **FINDING 7 - COUNCIL TRAINING:**

The City Attorney and a partner with Prentice|Long presented a Brown Act and Governance Training to the council and public at the July 22, 2025 council meeting. David Kent, Cara Pellegrini, Aleida Suarez, and Pam Bulahan attended.

Council members asserted that they would like to determine and handle their individual training and education plans. Each will have the opportunity to present on their progress.

---

## **FINDING 8 - CODE OF CONDUCT:**

Please see separate agenda items and staff reports.

---

## **FINDING 9 - RECORDKEEPING:**

City staff has made good strides in the improvement and rebuild of the necessary recordkeeping for the City. There is still ground to cover, but management and the council is no longer flying as blind and staff is catching up with state and federal reporting.

Sewer utility billing has been reviewed and adjusted for double billing and recording errors. Rates have been internally audited to rates and multipliers, as passed by council action. Staff, along with volunteer help, intends to perform an audit of billing by parcel to ensure no properties have been missed and that multipliers are being fairly and properly assigned.

---

## **RECOMMENDATION:**

Receive and file this report summarizing the City's review of Findings 1 - 9 of the 2025 Grand Jury Report.

---