



Sacramento County

GRAND JURY



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February 13, 2008

To the Citizens of Sacramento County:

Historically, Grand Juries usually issue a report near the end of their term which covers issues investigated during their tenure. The 2007-2008 Sacramento County Grand Jury is issuing this report early in order to call attention to serious issues surrounding the level of governance and the quality of delivered civic services in the City of Isleton.

The Grand Jury opened its Isleton inquiry in response to a number of specific citizen complaints. As it progressed, the investigation encountered reactions ranging from indifference to – in some cases—outright hostility.

When the Grand Jury questioned the indifference, we were presented with a troubling response. A “business as usual for Isleton” reaction was given, citing the nonexistent impact and absence of any changes from several prior Grand Juries’ reports. Many citizens, elected officials, and City employees seemed to be saying “So what? Nothing is going to change. Nothing changed when past Grand Juries made their report—they left and nothing changed, and nothing will after this Grand Jury is finished and files its report.”

It was determined that, in fact, after reports of prior Grand Juries were filed, some things were done to minimally meet the appearance of responsiveness and accountability. Overall, the way in which Isleton conducts its public governance work and delivers its services has remained the same. Citizens, elected officials and staff continue to be skeptical about the Grand Jury’s efforts and its ability to impact local commitment and responsibility.

There are numerous challenges for Isleton to improve in the legal, fiscal, civic and legislative arenas which require a level of expertise not currently or entirely found within the resources of the citizens of Isleton. This report contains several findings which address those specific challenges.

A Grand Jury can only recommend changes to correct the serious governance problems that afflict Isleton. It is only the people of Isleton who can bring about that change. Taken together, the Findings and Recommendations in the 2007-2008 report provide a plan to assist Isleton in the creation of a viable form of governance will allow the city to survive

and to thrive in the years ahead.

This report on Isleton is released now so the appropriate authorities and responsible parties will respond within 90 days as required by law and before this Jury's term of service ends on June 30, 2008. Only in that way will the citizens and leadership in Isleton understand that our recommendations are not hollow or unilateral since this Grand Jury will have the ability to comment upon the responses in our final report on June 30, 2008.

Very truly yours,

Foreperson

DONALD PRANGE, SR, Foreman
2007-2008 Sacramento County Grand Jury

DP/bc

Isleton

Small City - Big Challenges

Issue

Can Isleton correct its long-standing governance, management, and fiscal problems?

Reason for the Investigation

Upon receiving a number of complaints from several residents of Isleton – including city employees – the 2007-2008 Grand Jury launched an in-depth investigation into the workings of Isleton’s city government. This report documents the facts and findings of the Grand Jury’s investigation. This Grand Jury urges the appropriate authorities to take the corrective actions recommended in this report.

Method of Investigation

The Grand Jury interviewed current and past City Council members (including those who served as mayor), city managers, city attorneys, city department heads, an officer and employees of the Bank of Rio Vista, developers, and a number of other present and past city employees and volunteers. Grand Jury members attended City Council meetings and reviewed minutes of prior City Council meetings.

In the conduct of routine business a municipality leaves an extensive paper trail. Budgets, invoices, accounts and checkbooks, policy and procedure manuals, minutes of meetings, audits, mail, appointment calendars, media reports, grant applications, and reports on activities they support, are a partial list. The Grand Jury reviewed numerous documents provided by the City of Isleton, including, with consent of the City Council, documents from its several city attorneys, as well as from organizations that interact with the city.

The information gathered from all these efforts will be discussed at relevant places and is intrinsic to this report.

Background and Facts

The City of Isleton is located in the southwest corner of Sacramento County, on the east bank of the Sacramento River, at the gateway to the Sacramento River Delta. Founded in 1874 and incorporated in 1923 as a “general law” city, Isleton reached a population of

approximately 2,000 during the 1930s.¹ As of January 1, 2007 its population was 815, according to the Demographic Unit of the California State Department of Finance. Isleton is the smallest incorporated city in the County.

Isleton is located in an idyllic setting and possesses a unique historic character. Together with Locke, Walnut Grove, Ryde, Rio Vista, as well as Grand and Brannan Islands, the area is a popular weekend destination. Isleton's Crawdad Festival, held each June, draws thousands of visitors. A number of boats on, and houses near the Sacramento River, add to the relaxed Delta atmosphere. In recent years there has been increased interest in real estate development.



**Downtown
Isleton**

Running a general law city government is a complex task in California. Regardless of size, the legal and fiscal requirements are unbending and identical.

Isleton's challenges are compounded by its size and fiscal limitations. The City's inability to utilize expertise, and its long history of inaction, as exemplified by failing to respond to prior Grand Jury investigations and recommendations over the last 16 years, have left Isleton in a state of perpetual crisis.

Past Grand Jury Investigations and Reports

In recent years a number of issues have arisen regarding management of the City of Isleton. Most of these issues, even though addressed by previous Grand Juries, have not been resolved. Relevant portions of past Grand Jury reports and the city's inability to comply are cited below.

1990-1991 Absence of Policies and Procedures

The 1990-1991 Grand Jury examined a complaint about the lack of policies and procedures in the Police Department. The Grand Jury found the lack was endemic throughout city government and recommended: "The Isleton City Council should ensure that personnel policies and procedures are in place in city government and are being followed." (p. 10.) In September 1991, a manual specific to the Police Department had: "...been submitted to the City Council and will be adopted in October ..." (response letter to the Grand Jury from the Police Department, September 20, 1991.)

¹ A "general law city" is bound by the state's general law regarding municipalities.

1991-1992 Absence of Policies and Procedures Manual

The 1991-1992 Grand Jury's follow-up report noted: "While the ... process was underway, other problems in the City of Isleton surfaced ... Some of these problems were exacerbated by the absence of written policies and procedures." (pp. 18-19.)

On April 8, 1992, the City Council passed Resolution 1202 authorizing a contract to prepare such a manual. No further communication to the Grand Jury regarding this matter was received.

1994-1995 Absence of Policies and Procedures

This Grand Jury found, among other things: "Only employee vacation and sick leave policies have been adopted following previous grand jury recommendations. There is no written policy regarding administrative procedures to be used consistently in the City of Isleton. For example, in December 1994, the Council found it necessary to borrow money from its Redevelopment Agency in order to pay operating costs for that month. There is no written policy guiding inter-fund borrowing." (p. 16.)

The Grand Jury recommended: "The City of Isleton seek assistance from the California League of Cities in drafting appropriate policies guiding municipal operations." (p. 17.)

On September 15, 1995, the City of Isleton responded: "It is conceded that the City lacks written policies guiding inter-fund borrowing..." and "The City Council agrees that such policies are desirable and will comply with this recommendation." No mention was made of seeking assistance from any other body.

1997-1998 Absence of Policies and Procedures

Once again a lack of policies and procedures was found. The Grand Jury recommended: "The City immediately seek assistance of the California League of Cities to develop personnel policies and procedures for each entity of the City." (p. 4.)

The Grand Jury also found that no directives existed which would ensure that POST (Peace Officers Standards and Training) standards be instituted, including the necessity of providing a manual to each officer.² POST correspondence dated February 1997 stated: "...to allow this condition to remain places unnecessary risk on the Department and the City. This kind of risk can lead to civil and criminal penalties." (p. 4.)

On September 28, 1998, the city responded: "The City will have a Personnel Policy and Procedure Manual in place by November 10, 1998 that will cover all employees."

² POST certifies police officers and sets standards for police departments.

On February 18, 1999, the City Attorney advised he would have the manual ready within 90 days.

In 2007 the current Grand Jury investigation found that, although the Police Department has a policy and procedure manual, it has yet to be approved by the City Manager and the City Council.

2005-2006 Behavior of Members of the Police Department

The Grand Jury found: “The City of Isleton and the Isleton Police Department have a long history of non-compliance with California Law and POST regulations in the selection and appointment of peace officers. If the City of Isleton intends to continue to operate its own police department, the citizens of Isleton deserve to have POST-qualified, properly trained police officers.” The Grand Jury recommended that the City seek and accept professional assistance from other law enforcement agencies in securing POST accepted training for both its regular and reserve police officers.

Contrary to the City’s response to the 2005-2006 Grand Jury (included in the 2006-2007 report), POST certification was not realized in May 2007 due to delays and personnel changes in the Police Department.

This history demonstrates the City of Isleton has longstanding problems which have never been resolved.

Current Grand Jury Investigation

Volatility in the Office of the Mayor and the City Council

Isleton city government consists of an elected city council of five members, one of whom is selected by the others to serve as mayor. Since 2004, there have been many mayors: One was recalled, one resigned because of residency requirements, one resigned for personal reasons, and one was voted out of office. The current mayor took office on July 11, 2007.

Following the recall of the mayor in the summer of 2004, the city’s government continued in a state of turmoil. During the next 30 months, the city’s debt dramatically increased due to unbudgeted and unauthorized expenditures and poor management of the Crawdad Festival under city auspices. Additionally, there was a lack of adequate accounting procedures, uncontrolled billable access to the city attorney, and a failure to forward residents’ refuse payments to the service provider.

The same 30-month period after the mayor’s recall was also characterized by multiple staff turnovers and an unclear delineation of responsibility between management and Council.

The Isleton City Council is an unpaid, elected body of five members serving four-year terms. A maximum of two appointed members is permitted when vacancies occur between elections, i.e., the majority of the Council may not be appointed.³ Turnover of City Council membership has been turbulent. At least eleven people have filled the five seats since 2004.

At various times the Council consisted of only three members. Three Council members constitute the minimum for a quorum. Therefore, any vote had to be unanimous for the Council to conduct the City's affairs. During that time, many decisions were passed by the Council on illegal 2-1 votes. The advice of the City Attorney and other experts on this issue was ignored.

The city experienced many troubles before 2004. By the end of 2006 the situation had deteriorated to an extreme. Audits and financial reports were inadequate or lacking. Council minutes were delayed for months at a time. Budgets were not passed until months into a fiscal year. Monies were transferred from one account to another to cover current expenses without proper procedures in place to track or replace the moved monies.

The responsibility for this downward spiral rests upon those decision-makers who failed to uphold the duties of their office. The endemic power struggles within the Isleton community still exist.

The City Council

Grand Jury members attended many City Council meetings. Members of the Grand Jury read public agendas and several hundred pages of minutes of the meetings of the City Council for the years 2003 through 2007. The minutes of the City Council are not a clear reflection of the discussions and actions at the meetings. They do not provide an accurate record of the information reported to the Council by City departments or citizens, nor of the actions of the Council itself. For example, on January 11, 2006, a list of bills to be paid was presented and approved. In at least eight other instances the minutes only note "...bills approved for payment. . ." without any details.⁴ No mention of bills was made in the minutes of five other meetings during this same time frame.



City Hall

³ Government Code § 36512(d) (1).

⁴ Isleton City Council minutes: March 8, April 12, May 1, May 24, June 14, June 28, August 23, and September 13, 2006.

The City Council minutes for the May 1, 2006, meeting state, in part, with names redacted:

“Approval of Credit Card Policy: City Attorney...addressed the Council and spoke about the changes made in the Policy that gave the Council the authority to approve the issuance of the cards. Discussion was held and a motion was made by Mayor...to approve the policy, seconded by Councilmember. . .and carried on a unanimous roll call vote...”

No statement of the credit card policy has been found.

Office of the City Manager

The position of City Manager, filled at the pleasure of the City Council, and the persons occupying that position, have changed frequently in the last four years. The title has changed from “Temporary City Manager” to “Office Manager” to “City Manager” to “Interim City Administrator” then back to “City Manager”. There have been six persons in the position since the beginning of 2003. The position was vacant from September 2006 to March 2007, when the incumbent was hired.

Administrative staff changes also were frequent. The City Clerk, Accounts Payable clerk, Deputy City Clerk and at least one other account clerk, all left their positions during times when the city manager/administrator changes were occurring. Two City Planners resigned as well as the Public Works Department Chief.

The Grand Jury’s research disclosed several changes in the operating structure of the City. At times there would be a city manager present and he/she would function most often with the consent and close cooperation of the mayor. At other times there was no city manager and, depending on the preference of the then mayor (there were six different mayors over a four year period), other city staff would assume the city manager position on a temporary basis without proper authority.

Even when the city manager position was filled by a person approved by the City Council, his/her authority was often undercut by an overactive mayor or by contentious, opposing City Council members. Often the mayor would contend he/she should be the final arbiter on issues relating to city affairs, and the position of the city manager should be more like that of a clerk, carrying out the decisions, functions, and instructions of the City Council.

Confusion existed over a period of years, depending on who was the incumbent mayor, the incoming mayor, the outgoing mayor, and whether the city manager position was filled by a qualified person.

In March 2007, the City Council hired a City Manager. Since then, progress has been made, due partly to the personalities and skills of the individuals involved in the key

positions of City Manager, Mayor, and City Council. There has been an evolution of thinking that a strong City Manager, given authority and discretion with proper oversight, can provide better government

The Police Department

Past Grand Juries recommended changes to Police Department functions and the certification of its officers. In the past, there has been friction between the Department and the City Council. The current City Manager seems to have improved the relationship.

The Isleton Police Department consists of the Chief, a Sergeant, and four officers. This staffing is needed to cover the one-half square mile city on a 24-hour basis without overtime. The Police Department is fairly well equipped. Although the Department is recognized by SCORE (Small Cities Organized Risk Effort), it lost POST certification in 2004.⁵ However, considerable progress has been made by the Department over the last year. A Police Policy and Procedures manual has been published but not approved by the City Council. Police officers have received on-going training. The Department is expected to be certified by POST in 2008.

The Isleton Fire Department

Members of the Grand Jury interviewed fire personnel in the Isleton area. The 2007-2008 Grand Jury's initial concern was with the City of Isleton's Fire Department and its ability to provide effective and efficient services. In the process of its investigation, the Grand Jury discovered several conditions that need to be addressed.

Isleton established a fire department in the early 1920s. Its headquarters are across the street from City Hall. The department is an all volunteer force, except for the Fire Chief. A new Chief was appointed in 2007 by the City Manager and approved by the City Council. He resigned within a month, citing lack of clerical support. At this writing there is no Fire Chief.

The volunteer Fire Department and the Isleton Firefighters Association are staffed by residents of the city and surrounding area. For many years the Association, the volunteers, and the previous Fire Chief seemed to believe they were running the Department independent of City oversight. They would take action and make purchases without approval from the City Council or the City Manager. For example, they committed the City to the purchase of an SUV as the Chief's car without authorization.

A previous Fire Chief, when resigning from the Department, asked by the City Manager for a letter of resignation, responded: "I do not work for you. I am the Chief of the volunteers."

⁵ SCORE provides risk management and insurance to small cities.

In September 2006, a full-time employee in the Public Works Department was a volunteer firefighter acting as Fire Chief. He proposed a separate employment contract that additionally paid him \$43,000 per year as Fire Chief. This contract was accepted by the Mayor and was illegally approved by only two of the three members then serving on the City Council. This was done after the City Attorney advised that the proposed action of the City Council would not be valid. This contract was later rescinded.

Fire Protection and Emergency Services in the Isleton Region

This rural area has a divergence of fire protection interests and needs. These differences have been met by an array of fire protection agencies in cities, communities, and special districts and included the extensive use of volunteers.



**Isleton Fire Department (Left)
River Delta Fire District (Right)**

There are seven separate fire protection and emergency related service groups in and around Isleton. Ironically, there is a River Delta Fire District station located across the street from the Isleton Fire Department station. (See Attachment 1 for a map listing the fire and emergency agencies in this area of the Delta.)

Overlapping Jurisdiction and Confusion in Responsibility

Although small geographically, the Isleton region's fire and emergency services are often duplicative, overlap, and operate with resulting inefficiency. This part of the Sacramento County Delta is approximately 65 square miles with a service population of around 5,700 people. Campers and tourists can greatly increase the service needs in this area.

The enthusiasm and dedication of individual officers and volunteer firefighters, as well as the training and certification of some of this region's fire personnel, is a noted strength.

The challenge for this area is to balance the benefits of improved coordination and organization with local citizen involvement and service.

Personnel Policy and Procedures

At least four Grand Juries have reported that Isleton has no written personnel policy and procedures manual and have recommended that such a written manual be adopted.

In response to the 1997-1998 Grand Jury report, the City indicated progress was being made developing a manual. In a follow-up letter dated February 18, 1999, the City Attorney anticipated completing a Personnel Policy and Procedures manual within 90 days. The Grand Jury is not aware that it was ever completed or adopted.

To date, no city-wide policy and procedures manual exists.

The Budget

By law, Isleton's budget must be submitted and adopted at the beginning of each fiscal year (July 1). For the past several years Isleton has been unable to adopt a timely budget. The budget for fiscal year 2006-2007 was not adopted until July 2007, thirteen months after the beginning of that fiscal year. The budget for fiscal year 2007-2008, in the amount of \$1,400,000 was adopted in October 2007, four months after its due date.

Income and Expenditures

The continuing absence of timely budgets and accurate financial statements has made it difficult for Isleton to effectively develop and implement realistic fiscal plans.

Isleton has incurred uncontrolled and unapproved expenditures without regard to actual receipts from reliable sources, such as known property taxes, sales tax receipts or other predictable funds. This occurred over a number of years, perpetuating the growth of unserviceable debt.

Isleton also made unrealistic assumptions on future revenue growth, and used these questionable assumptions to justify current expenditures.

Isleton incorrectly negotiated impact fees substantially below the amount needed to meet and maintain infrastructure requirements emanating from the completion of residential units.

When faced with fiscal pressures resulting from these expenditures and assumptions, Isleton further complicated its problem by improperly transferring monies from protected accounts. In some instances, Isleton diverted monies, properly owed to third party providers of essential city services, to the General Fund to meet ongoing monthly obligations.

The City had no cost controls or guidelines on the scope and use of attorney services. For example, outstanding attorney fees for legal services currently exceed \$330,000. The City allowed itself to incur attorney fees without establishing any controls.

The result of all these actions is that Isleton has grown an unmanageable debt in the amount of \$870,000, the repayment of which is insurmountable from current city revenues.

Waste Management

Waste collection is performed by contract. In the past, the city billed residents and businesses every other month, retaining a franchise fee of \$3,500 per month from the monthly gross receipts to cover its expenses resulting from the waste management collection service, e.g., the wear and tear on its streets. The remainder was to be forwarded to the waste management service provider.

In the last half of 2004 through the first half of 2006 the city stopped remitting payments, presumably placing all of the money collected into its General Fund.

The waste management agreement was amended in January 2007. The City agreed that the provider would bill and collect all fees for its services, retaining the franchise fee in order to begin to reduce the outstanding debt. The amendment further states that the city is indebted to the provider in an amount now in excess of \$156,000 for failure to make past payments, and that any indebtedness shall bear interest in the amount of 15% per annum.

Development Impact Fees

There are several housing developments planned or underway in Isleton. One developer has 80 units approved, with 18 under construction.



**New Residential
Construction in Isleton**

All new construction is subject to impact fees. These are one-time fees paid to compensate a city for additional expenses, including sewers, roads, police and fire protection, and other services resulting from development. The engineer retained by Isleton, realizing that city representatives lacked the experience to negotiate these complex issues, hired a consultant to educate Isleton officials and staff on impact fees as they relate to city services. However, the officials and staff failed to take advantage of the free training.

Fees of \$11,430 per unit were agreed to by Isleton representatives and the developer. Similar developments in the Sacramento County area currently pay impact fees in the range of \$30,000 to \$40,000 per unit.

The impact fees agreed upon by the inexperienced representatives and staff are inadequate and place a further burden on the city's finances.

Use of Credit Cards

Credit cards were issued to various city staff, including members of the Police and Fire Departments. Purchases were made using credit cards without approval by the City Council. Available records indicate that cards were used for personal purchases. Incomplete reimbursement records prevented the Grand Jury from determining if all such charges were repaid to the City.

The Crawdad Festival

The annual Crawdad Festival has been a major event in Isleton since at least 1986. Held in June, the Festival was sponsored and operated by the Isleton Chamber of Commerce until 2005. Until 2004 the profit ranged from \$20,000 to \$35,000 per year. In 2004, the net profit was approximately \$2,000. Because of a shortage of funds, largely due to insurance costs, the Chamber chose not to sponsor the Festival in 2005. The City Council agreed to operate the Festival in 2005. For various reasons, the City did not realize a profit on the Festival that year.



Crawdad Festival Sign

The Chamber of Commerce, in conjunction with City support, resumed sponsorship of the Festival in 2006. Festival organization and security do not appear to have been well planned. For example, funds collected for admission, parking, and sales were brought to City Hall where they were counted and bagged. Deposit slips were made in duplicate for each bag, one slip going to the bank with the bag and the other kept by the Chamber. Later, upon reconciling the accounts, it was discovered that three deposits, in an amount of approximately \$12,000, were either short or never deposited.

The Chamber of Commerce resumed sole sponsorship of the Festival in 2007.

Grant Funds

The City tried to cover its lack of budget projections, poor fiscal management and revenue shortfalls with other maneuvers. Grant funding was used for operational expenses or other costs, and dedicated funds were transferred to the General Fund.



Isleton Waterfront Park

Isleton sought grants as a way to increase revenues. Grant funds are different from other entitlements. They must be used for the purposes specified in the grant. These funds are not intended as panaceas to solve a city's fiscal conditions and dilemmas. Some grants provided to Isleton in past years include: *Parks and Recreation Grants for the Ball Park; Water/Riverfront Development Project and Riverfront Dock Improvements; and Fire Department Equipment.*

Redevelopment Funds

The City Council is the governing body for the Isleton Redevelopment Agency. The City has a history of improperly using Redevelopment funds to supplement general funds, as cited in the 1994-1995 Grand Jury Report:

“...in December 1994 the Council found it necessary to borrow money from its Redevelopment Agency in order to pay city operating costs for that month. There is no written policy guiding interfund borrowing.”

For several years Isleton's Redevelopment Funds were improperly transferred to the General Fund. Due to inadequate or missing historical records, balance sheets, and financials reports, the Grand Jury was unable to determine all of the purposes and extent of past budget account transfers. It is known that in January 2006, \$150,000 was transferred to cover shortages or loss of anticipated income and has not been replaced.

Role of the County

If Isleton were a financially sound community with strong reserves to retain outside assistance, the City's problems might not be so challenging. Since they do not have those resources, help must come from somewhere.

Isleton can move forward with appropriate assistance. Individuals and organizations with the expertise, experience, and access must be enlisted to assist the City, even in an informal and *ad hoc* fashion.

Sacramento County is not charged with rescuing the City of Isleton. However, should Isleton fail and disincorporate, its public service needs will fall on County leaders as they do for all other unincorporated areas of Sacramento County.

Sacramento County can establish a liaison to Isleton to assist the current City Manager and staff in their ongoing efforts.

The Option of Disincorporation

The 1994-1995 Grand Jury recommended, in its report at page 18:

“In view of the present economic condition of the City and the fact that favorable conditions for the future are not apparent, the Council give serious consideration to adopting a resolution of disincorporation. If approved by the voters of Isleton, vital services now provided by the city could be provided by county departments or special districts.”

The City responded by letter dated September 15, 1995, which stated in part:

“5. Disincorporation.

This is an extreme recommendation in view of the relatively minor failings identified in the Report and the City Council rejects it. The punishment does not fit the crime. If the City disincorporated, the governmental functions will be performed by the County and the governmental decisions will be made by the Board of Supervisors. There is no assurance that the Isleton citizens would be better served. To the contrary, it can be argued that because of the City’s distance from the County seat and its extremely small portion of the population of the supervisorial district in which Isleton is located, its citizens would have great difficulty in making their views heard, especially in the sensitive area of planning. Isleton’s financial condition has recently improved and there is no reason to believe that in the future it will not be an effective service provider. Sacramento County already has the fewest cities of any urban county. Its policy of opposing municipal incorporation and annexation has not translated into more efficient and less costly government, no [*sic*] resulted in better planning. There is no reason to believe that the County can or would do a better job of governance than the City of Isleton.”

There is little precedent to guide disincorporation of a city. There has not been a disincorporation since the law governing such actions was substantially rewritten in the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000. Such

proceedings could be initiated by the City Council or by a petition signed by 25% of the registered voters, with the substantial costs incurred by the Sacramento County Local Agency Formation Commission (LAFCO) to be borne by the initiating party.

Disincorporation is the final option for the City and would require approval of LAFCO. The process of disincorporation is lengthy and expensive. These costs could exceed \$250,000, particularly if a local election is held. During the disincorporation process the City of Isleton would remain responsible to provide services to the community until the process is completed.

Findings and Recommendations

GOVERNANCE

Finding 1. Isleton's elected officials and city staff have, over a period of years, demonstrated an unwillingness, either through intention or negligence, to follow minimum standards providing governance services to the community.

Isleton's governance problems are long-standing. They are not the product of merely one or two officials or staff members, but rather a cumulative and continuing series of bad decisions, often made contrary to specific legal advice.

Isleton has been plagued with long-term vacancies in key staff positions. They were often filled on a temporary basis by people who were unqualified, people who held other city positions, or people who had conflicts of interest. One key position, City Manager, was filled without proper authorization by the City Council. A listing of inappropriate decisions and unsupported actions follows:

- The City operated without an authorized or approved budget for several years, ignoring the specific advice of the City Attorney that decisions made on fiscal items were not authorized and thus void.
- At full strength the Isleton City Council is comprised of five members. There were, however, long periods when the City Council was comprised of just three individuals, only one of whom was elected. The others had been appointed to fill vacancies. Government Code §§ 36512(d)(1) limits the number of vacant slots which may be filled without election to two. When the City Council was comprised of only three members, it needed a unanimous vote, i.e., a majority of the total authorized membership of five, to pass binding legislation. Ignoring the advice of the City Attorney in several instances, votes taken were 2-1, yet the mayor went forward on those votes. Such votes were meaningless, unenforceable, and subject to challenge.
- Fees collected from residents by the City to pay the contract waste hauler were co-mingled with the General Fund to pay other expenses. As a result the waste hauler contract payments fell in arrears by over \$160,000.
- Redevelopment Grant Funds were improperly transferred to the General Fund and used for other purposes. Those monies have not been fully repaid, even though Council members have acknowledged in open meetings that the monies are owed to the Redevelopment Fund.
- The City has not been able to conduct an acceptable audit of its books and records, even in the face of repeated requests from State and Federal authorities.
- An employment contract was entered into by a sitting mayor and the then Acting Fire Chief. It was not legally approved by the Council and was subsequently reversed by the Council. Nevertheless, the contract was used by the Fire Chief in a real estate loan application to substantiate financial capability. Upon review by

the City Attorney, this contract was described as having the appearance of collusion and bordered on fraud.

- The City has been unduly influenced by, and improperly paid monies to, the Isleton Firefighters Association, an entity which has no legal standing in the City.
- The City sent an inexperienced team of representatives, which did not include the City Attorney, to negotiate impact fees for a proposed housing development. Completion of this development with fees as presently negotiated will unduly burden current infrastructure and future budgets.
- The City has gone for varying lengths of time without the essential services of in-house planning staff or a City Attorney, relying instead on contract personnel to meet those needs. Currently, these contracts are in substantial default.
- City staff is insufficient to handle numerous required tasks. At times citizens suffer because services are incomplete or are handled incorrectly.
- In the past four years there has been a palpable level of tension and dysfunction within the City Council and between some Council members and City staff.

Recommendation 1. Training in proper procedures for the conduct of government business must be provided by Isleton for current and future elected officials and City staff. Such training must include specific accounting practices and proper methods of sequestering special purpose funds.

DEBT

Finding 2. Past financial mismanagement, lack of expertise, and frequent animosity among City leaders has brought Isleton to a state of serious indebtedness.

Sacramento County is able to assist Isleton with the management of its accounts. However, the County requires an acceptable audit before assuming that task.

There have been several attempted audits over the past few years. Due to missing records, the City has been unable to produce an acceptable audit.

Recommendation 2. Isleton must immediately enter into negotiations with Sacramento County to provide account management services.

The City of Isleton should hire a professional accounting firm, and provide all assistance necessary to produce an audit acceptable to the County.

RENEGOTIATE FINANCIAL OBLIGATIONS

Finding 3. Isleton has incurred debt which is oppressive and could bankrupt the City.

Long-term financing for debt consolidation appears to be the only practical solution to resolve the City's outstanding obligations. Some creditors have expressed a willingness to renegotiate their accounts.

The City Manager is currently attempting to secure a loan to consolidate the major debts of the City. He is investigating opportunities with several lenders which may be agreeable to work with the City if assured of the cooperation of City leaders.

Recommendation 3. The City Council and the City Manager must work in concert to secure long term financing to consolidate debts, which financing must be serviceable within the City's budget.

City Manager must proactively seek to renegotiate outstanding obligations wherever possible.

CITY MANAGER

Finding 4. Isleton has an uncertain form of governance which often pits the office of the City Manager against the office of the Mayor or other City Council members. This causes conflict.

Recommendation 4. The Isleton City Council must adopt whatever ordinances necessary to affirm a "strong" City Manager form of government and remove from existing ordinances any ambiguous or competing language.

The City of Isleton should have a full-time City Manager. The City should contract for a specific term for a City Manager, as opposed to "at will" employment. The City Manager's contract should have specific provisions for removal only "for cause," defined to include, at a minimum:

- A felony conviction;
- Moral turpitude as defined in Black's Law Dictionary; or
- Acts without authority from the City Council when obligating funds in excess of \$25,000, or an amount determined by the City Council.

DEVELOPMENT AGREEMENT/IMPACT FEES

Finding 5. Isleton representatives failed to consider current and long-term consequences to the City when negotiating a residential housing development agreement and the impact fees to fund and maintain resulting infrastructure improvements.

The negotiating team was untrained and inexperienced for this complex task.

- When offered training to become proficient in the type of negotiation required, City representatives refused.
- The City Council, Mayor, and the then Acting City Manager ignored professional advice from the City Attorney and others when considering impact fees arising from the development proposal.

Recommendation 5. The City Manager and other responsible city representatives must acquire expertise through appropriate training to calculate impact fees adequate to fund infrastructure and maintenance required as projects proceed. The City should seek to renegotiate existing impact fees, which are inadequate. The City Manager should incorporate liquidated damages and indemnification clauses into the development agreements to protect Isleton.

REDEVELOPMENT GRANT

Finding 6. In January 2006, there was a transfer from the Isleton Redevelopment account to the City's General Fund in the amount of \$150,000. These funds have not been repaid. City officials refused to repay these funds, even after being advised by legal counsel on numerous occasions that such a transfer was unlawful. The following are documented instances of the City's longstanding awareness of its wrongdoing in transfers of this nature:

- A legal memorandum dated September 19, 2000 from the former Isleton City Attorney expressed concern that the City was not following the requirements for use of Redevelopment Funds as set forth in the June 25, 1997, agreement between the City and the Redevelopment Agency. The funds were to be placed in a separate account and not comingled in the City's General Fund. The City was advised to stop comingling funds, but continued to do so.
- A letter dated November 7, 2003, from the California State Attorney General to the Mayor informed the City of an investigation for a possible "major violation" of the California Community Redevelopment Law (Health and Safety Code § 33000 et seq.), for failing to submit required annual audits to the State Controller regarding use of Redevelopment Funds.
- Another legal memorandum dated January 23, 2006 from the City Attorney informed the Isleton Mayor that a loan or transfer of tax increment funds (Redevelopment Funds) to the City's General Fund was unlawful under existing California statutes. The City was also advised to maintain accurate records of Redevelopment Fund expenditures and to submit annual audits.
- A third legal memorandum, on February 22, 2006, from the City Attorney to the then City Manager and City Clerk, informed them that the transfer of tax increment funds (Redevelopment Funds) to the City's General Fund was unlawful and such a transfer should be reversed and the practice stopped. If there was a resolution memorializing such a transfer, it should be reversed. It was not authorized by law.

Recommendation 6. Members of the City Council who refuse to follow legal counsel's advice relative to the use and misuse of Redevelopment Funds should be held accountable. Steps must be taken to reverse the comingling of Redevelopment Funds with the City's General Fund.

FIRE PROTECTION AND EMERGENCY SERVICES

Finding 7. Many calls for fire and emergency services in the Isleton area require multiple fire agency responses. At present, several area fire agencies have restricted or qualified mutual aid assistance agreements with Isleton. This region's fire and emergency services, primarily delivered by volunteer firefighters, lack uniformity of equipment and training to meet the objective of mutual aid.

Recommendation 7. Unrestricted mutual aid agreements in fire and emergency services should be restored immediately. Guidelines for mutual aid, established by the California Fire Service and Rescue Emergency Aid System, must be followed. Collaborative interagency training, certification, communications, water sharing, and familiarity with different agencies and their equipment must be developed.

FIREFIGHTERS ASSOCIATION

Finding 8. The City has been unable or unwilling to control its relationship with the Isleton Firefighters Association. The relationships and interactions between the City's Fire Department and the Firefighters Association are awkward at best. With limited dollars, the City's salaried Fire Chief, charged to organize a response to fires and medical emergencies, must rely on volunteer firefighters. None of the firefighters are paid by the Association, yet the Association receives money from the City for their services.

To complicate matters, the Association is politically active. One of its members is an elected City Councilman who votes and promotes the Association's special interests at Council meetings. A recent Fire Chief with conflicting salary and employment interests with the City has been a very active and vocal leader of the Association.

Recommendation 8. No City funds should be provided to the Firefighters Association, and the City should sever its relationship with that group. The use of City facilities by the Association should follow the same guidelines and procedures used by other groups. The City Council and staff should separate themselves from the political activities of the Association.

COORDINATION OF SERVICES

Finding 9. There are seven separate fire protection and emergency related service groups in and around Isleton. (See Attachment 1.)

River Delta Fire District maintains a fire station directly across the street from the Isleton Fire Department. Neither of the two fire agencies (the Isleton Fire Department or the River Delta Fire District) has a stand-alone fire protection and emergency services capability for the Sacramento County side of the Sacramento River.

Recent concerns regarding bridge safety and bridge closures at the Rio Vista Bridge present a serious barrier to ensuring quality fire and emergency services in the Isleton

area. For example, the California Department of Transportation closed the bridge from 9:00 p.m. to 6:00 a.m. for three weeks this past November. This bridge is also raised and lowered for boat traffic on a daily basis.

Currently, Isleton is unable to fully and reliably staff an efficient and consistent response for fire and emergency services.

The combination of all these factors makes the delivery of reliable fire and emergency services to Isleton residents very uncertain.

Recommendation 9. Isleton should aggressively explore its options to improve fire protection and emergency services to its residents as soon as possible. Isleton could internally restructure its Fire Department, hire professional full-time staff, or independently recruit, enroll, and train sufficient volunteers to meet its needs independent of its reliance on the River Delta Fire District. Given Isleton's current fiscal limitations and other management problems and priorities, one of the following options should be selected by the City:

- Merge the Isleton Fire Department with the River Delta Fire District, combining all the assets of the two entities;
- Contract for Isleton fire and emergency services with the River Delta Fire District and liquidate the Isleton Fire Department assets;
- Contract for fire and emergency services with the City of Rio Vista to provide services on the Sacramento side of the Sacramento River; or,
- Authorize and appropriate funding for full service fire and emergency service by the City of Isleton independent of the River Delta Fire District through additional funding sources, including taxes, grants, bonds, or other revenues controlled or collected by Isleton.

POLICE

Finding 10. The Police Department is well equipped. Costs are rising for gas, equipment, uniforms, vacations, sick leave, and accidents. Some City Council members appear biased against the Police Department.

Recommendation 10. The City should aggressively seek and apply for police grants to supplement existing grants. The Police Chief should work with the City Manager to explore areas to cut costs. City Council members should take their concerns about the Police Department to the City Manager.

CRAWDAD FESTIVAL

Finding 11. Isleton is well known for its annual Crawdad Festival, sponsored by either the City or the Chamber of Commerce. Started in 1986, this is the most socially significant event for the community and draws approximately 50,000 people each year, generating substantial revenue.

The City's fiscal and accounting policies and procedures when the City operated the Festival were inadequate. City officials did not know exactly how much revenue was generated or what operating expenses were incurred. Security, collection, and safeguarding of these funds were all insufficient. Thousands of dollars remain unaccounted for.

City leaders have taken an indifferent attitude toward investigating this issue.

Recommendation 11. As a significant fiscal and social event for Isleton, the Crawdad Festival should continue. While the City should benefit financially from the Festival, it should not operate it.

SENIOR COUNTY EXECUTIVE

Finding 12. The City of Isleton faces many fiscal and organizational challenges that require the immediate and continued attention of City leaders as well as the citizens.

Recommendation 12. Sacramento County should identify a senior county executive familiar with government operations to assist Isleton in resolving problems where county assistance might be effective.

Absent the above, Sacramento County should prepare to assume the civic, administrative, and public safety needs of the residents of Isleton in the event of disincorporation.

COUNTY ASSISTANCE

Finding 13. Sacramento County can assist Isleton in its accounting and record-keeping.

The county can provide experienced program personnel to help Isleton identify, secure, and administer all grants or other public monies available.

Recommendation 13. The Grand Jury urges that Sacramento County give these actions a high priority.

DISINCORPORATION

Finding 14. Without immediate improvements such as suggested in this report, Isleton may be unable to properly operate and maintain the necessary city services and governance required of a general law city.

Recommendation 14. The City Council and City Manager, if unable to provide the necessary city services to Isleton residents as required by law, must investigate disincorporation.

Response Requirements

Penal Code sections 933 and 933.05 require that specific responses to both the findings and recommendations contained in this report be submitted to the Presiding Judge of the Sacramento Superior Court by May 16, 2008, from:

- **Isleton City Council, Findings 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, and 14; Recommendations 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, and 14.**
- **Sacramento County Board of Supervisors, Findings 12 and 13; Recommendations 12 and 13.**