

ON THE BRINK OF BANKRUPTCY: ISLETON'S FAILURE TO GOVERN

June 18, 2025



SUMMARY

In this tenth investigation within the past 35 years, the Sacramento County Grand Jury takes yet another look into the City of Isleton's (City) governance, after receipt of multiple complaints from various sources alleging a wide range of problems, including but not limited to:

- Financial mismanagement by the Isleton City Council (Council) or city management staff;
- Failure by the Council to provide oversight of city operations and to properly account for the spending of public funds;
- Failure by one or more members of the Council to follow state law and the City's Municipal Code; and
- Council members ignoring their Code of Conduct.

All of these issues contributed to a growing financial crisis. While the responsibility for this did not begin with the most recent Council, the Grand Jury found all Council members require a better understanding of city governance oversight and the City's now dire financial condition.

The previous Council did not ensure a timely adoption of budgets or performance of annual audits of the City's financial records and operations. This hampered the Council's confirmation of City assets, debts, expenses and revenues, a benchmark which a city council relies upon in making financial decisions.

Further, the previous Council did not effectively oversee its city manager or city operations. The most egregious example of ineffective oversight occurred in November 2023, when the Council was asked to approve a \$500,000 "bridge loan" from private lender Red Tower Capital, using three city-owned properties as collateral.

Notwithstanding this loan, the City was unable to pay its bills shortly thereafter.

Additionally, the City lost major revenue because of the Council's failure to oversee and ensure compliance with regulations for local permitted cannabis businesses, another example of ineffective oversight.

The Council declared a fiscal emergency in November of 2024, hired bankruptcy attorneys and approved the filing of a Chapter 9 petition. The City then faced dramatic staff turnover at this critical time, which resulted in the hiring of an outside contractor to provide city management services and a municipal advisory firm to restructure the city's debt. As of the date of this report, the City is still working on fiscal stabilization, and a petition for bankruptcy has not been filed.

Lastly, the grand jury also found that Council members failed to obey their own Code of Conduct by violating state law and city ordinances, and failed to adhere to the Council-Manager form of government. This conduct created, at the very least, the appearance of impropriety. This is not in keeping with the high standards required of an elected official.

All residents of Sacramento County deserve effective municipal government. It is the residents of Isleton who suffer by facing increased taxes or a lower level of service, or both, when they don't have a competent city council.



BACKGROUND

The City of Isleton is the smallest city in Sacramento County. Home to 800 residents, it is situated in an isolated southwestern region of the county in the area known locally as “the Delta”.

The five members of Isleton’s City Council are elected volunteers, and the Council elects the City Mayor. The Council is responsible to oversee the operation and management of the City through a paid, part time City Manager, and also sets city policy through the adoption of ordinances and the approval of budgets, major expenditures, contracts, and fund transfers. The City Manager reports directly to the Council and implements its policies. This is commonly known as the Council-Manager form of governing.

ISLETON CITY COUNCIL MEMBERS

2024	2025
Pamela Bulahan, Mayor	Pamela Bulahan
Iva Walton	Iva Walton, Mayor
David Kent	David Kent
Kelly Hutson	
Paul Steele	
	Aleida Suarez
	Dean Dockery (Resigned)
	Cara Pelligrini (Replaced Dockery)

In the past two years, the city has had five City Managers: Charles Bergson (2017-24), Scott Baroni (2024), Uyiosa Felix Oviawe (2024), Sectaris Partners (2025), and Jon Kennedy (2025, formerly with Sectaris Partners).

2023: Governance and The Impact of Natural Disasters

In early January 2023, California experienced a series of intense rain and wind storms, including atmospheric rivers. Sacramento County was one of the hardest hit counties in the state. In Isleton, the heavy rainfall threatened the structure of the City’s sewer ponds. The City contracted with trucking firms to remove wastewater from the ponds to prevent pond walls from collapsing, and incurred extraordinary expenses in doing so.



In early winter 2023, Isleton applied to the California Office of Emergency Services (Cal OES) and to the Federal Emergency Management Agency (FEMA) for financial assistance with the storm-related expenses. Cal OES approved Isleton's request and, in May, 2023, provided an advance to Isleton in the amount of \$506,000. The City also applied to FEMA for more than \$1 million with the understanding that any FEMA monies approved for Isleton would be used first to pay off the Cal OES advance.

In the fall of 2023, City Manager Bergson sought interim financing from Red Tower Capital, a private lender, which offered to provide the City with a one year, \$500,000 bridge loan. A bridge loan is customary to get a city through low cash periods. This was to be a twelve-month loan at 12% interest, secured by three city properties - City Hall, the Isleton Fire Department building, and City corporate yard - with additional fees of approximately \$17,000.

At the City Council's November 14, 2023, meeting, Bergson asked the Council to proceed with the loan from Red Tower. The Council's agenda packet included a staff report and a term sheet for the Red Tower loan, both of which listed the City properties that were used as collateral. Bergson asserted the City was financially stretched due to the 2023 Winter Storm Emergency, had endured large expenses for managing and mitigating damage to City facilities, and had submitted claims for those expenses to Cal OES, FEMA, and city insurance for reimbursement. The Council was told FEMA and Cal OES had committed to reimbursement for the storm expenses but would not commit to a date when these funds would be coming. The Council packet did not include any further reports detailing city finances.

According to a recording of the meeting, the Council was told “There’s no debate we will get the Cal OES and FEMA money...We have a million point something coming in in January or February”.

Until this loan request was made, Council members believed city finances were in good shape. After vigorous discussion, the proposed loan was rejected by the Council (2-3 vote). Bergson then asked the Council to reconsider their vote. Bergson provided many dire scenarios with potential financially devastating outcomes for the City if the Council did not approve the loan. According to a recording of this Council meeting, Bergson said “We don’t have cash to meet payroll; essentially we are going to run out of cash”, and “we are looking at layoff of personnel”.

These arguments persuaded two council members to change their votes. This time the Council approved the loan (4-1 vote). Although the official meeting minutes only show there was one vote, the recording clearly documents a second vote.

The Council relied upon Bergson’s verbal representations in considering the Red Tower loan.

A year later, in November 2024, Cal OES notified the City that additional emergency funds beyond the \$506,517 loan were not approved. Shortly thereafter, FEMA paid \$622,770 toward Isleton’s claim. Of this amount, the first \$506,517 was used to repay the Cal OES loan. The remainder of \$116,253 was paid to Isleton. At the time of this report, Isleton has not received further monies from FEMA related to the California Severe Winter Storms of 2022-23 and the claim is still under review. As a result, there may be no FEMA funding to repay the Red Tower loan. The loan has been renegotiated but the City is still obligated to pay interest of \$5,200 per month, and the principal balance of \$500,000 is still outstanding.

ISLETON CITY MANAGER TURNOVER

NAME	TITLE	FROM	TO
Charles Bergson	City Manager	2/27/2017	2/15/2024
Scott Baroni	Interim City Manager	2/15/2024	7/15/2024
Uyoisa Felix Oviawe	City Manager	7/8/2024	12/17/2024
Scott Baroni	Interim Assistant City Manager	7/15/2024	12/9/2024
Scott Baroni	Interim City Manager	12/18/2024	1/7/2025
Mike Wilson	Interim City Manager	Approved for Hire; did not take office	N/A
Scott Baroni	Interim Assistant City Manager	1/7/2025	01/21/2025 (Reduction in Force approved by City Council)
Sectaris Partners LLC	City Manager	1/15/2025	4/8/2025
Kennedy Solutions, Inc.	City Manager	4/8/2025	PRESENT

2024: A Critical Time

February 15, 2024: Four months after approval of the Red Tower loan, Isleton's City Manager Bergson resigned. The Council appointed Isleton's long time Fire Chief Scott Baroni as Interim City Manager and commenced a search for a new City Manager. Baroni met with Bergson before he left office and was informed the City's finances were strong with a surplus of over \$800,000 for the year ahead. Within days of this meeting, Baroni learned the City had approximately \$37,000 in its bank account, a critically low sum for operations.

March 2024: Additionally, early 2024 saw a series of warnings to the Council about Isleton's precarious finances. In March, Baroni noted that staff and overtime expenses needed to be cut. To that end, the Council's Finance Committee reported in June that "we don't have money" and "we've cut a lot of things out". No action or direction was provided by the Council to address these warnings.

June 2024: The City's Finance Director resigned effective June 2024. Baroni and City staff then discovered that Isleton's debt was likely more than \$5 million and Isleton did not have enough money to keep employees on staff. Stacks of voided checks and signed checks had not been mailed, and Isleton was delinquent in vendor payments, including workers compensation and liability and property insurance payments that should have been made to the Small Cities Organized Risk Effort (SCORE), a joint power authority.

July 9, 2024: The City Council hired a new part time city manager, Uyiosa Felix Oviawe, who supervised Baroni in his new role as the Interim Assistant City Manager. The Council was informed by staff that there was a "struggle to pay bills and make payables". Mayor Bulahan was appointed Treasurer.

July 23, 2024: The Treasurer's report indicated that the City's General Fund balance was \$34,335.

September 24, 2024: At this Council meeting, Oviawe presented budget resolutions for Fiscal Years 2021-22, 2023-24, and 2024-25; however, the Council did not approve them.

October 8, 2024: At this Council meeting, Oviawe again presented the same budget resolutions for Fiscal Years 2021-22, 2023-24, and 2024-25; however, the Council did not approve them.

October 22, 2024: At this Council meeting, Oviawe again presented these three budget resolutions. The Council finally approved budgets for Fiscal Years 2021-22 and 2023-24, and for Fiscal Year 2024-25, with conditions. In addition, the Council had a closed

session to discuss a performance evaluation for Oviawe because they were considering firing him three and a half months into his tenure.

November 5, 2024: Residents of the City of Isleton elected new Council members Aleida Suarez and Dean Dockery.

November 26, 2024: The City Council approved a resolution to set a public hearing for the Council to declare a fiscal emergency and authorize the filing of a Petition under Chapter 9 of the U.S. Bankruptcy Code.

December 9, 2024: Oviawe terminated the employment of Baroni.

December 10, 2024: New Council members Suarez and Dockery were sworn in, the public hearing on the Declaration of Fiscal Emergency was held, the Declaration was approved, and the City Council approved a contract to retain bankruptcy attorneys Prentice Long LLC to file a Petition under Chapter 9 of the U.S Bankruptcy Code on Isleton's behalf.

December 16, 2024: The Council provided notice of a Special Emergency Meeting to discuss in closed session these agenda items:

- Public Employee Performance Evaluation/Discipline/Dismissal Release: City Manager
- Public Employee Appointment: City Manager/Interim City Manager;
- Public Employee Discipline/Dismissal/Release, Appointment/Engagement: City Attorney

December 17, 2024: Oviawe notified the City of his immediate resignation, along with the immediate resignations of two long time City employees.

December 18, 2024: The Council reappointed Baroni as Interim Assistant City Manager, and dismissed its City Attorney.

January 7, 2025: At this meeting, the Council:

- Conditionally approved a final budget for Fiscal Year 2024-25;
- Retained Prentice Long to provide city attorney services in addition to bankruptcy filing services;
- Retained Jessica Bigby through Prentice Long as the City's Finance Director

January 15, 2025: The Council retained Sectaris Partners LLC (Sectaris), Jon Kennedy and Adam Cox, to provide City Manager services. Sectaris informed the Council that in about six months' time, the City will be at risk of losing grant awards and insurance funding. Sectaris' also stated "We can no longer operate unlawfully and misspend tax dollars. This firm will act as a rescue CEO and stabilize the City."

January 21, 2025: The Council received a briefing on the City's debt and status of its bankruptcy filing, it partially approved a proposal to reduce the City's workforce and it retained Ridge Line Municipal Strategies to restructure Isleton's debt. City staff informed the Council the City was spending 150% of revenue, it "would run out of cash in three to five months", and that although bankruptcy had been approved, it had not yet been filed and was a "last resort".

The Council was further advised that insurance coverage was the "#1 issue" because the City could not operate without the protection of insurance. The Council was told the City was delinquent in payments and SCORE's Executive Committee had just voted to terminate Isleton's membership. Sectaris advised the Council of its plan to attend the SCORE board meeting in person on January 24, 2025, to plead for continued coverage, an extension of time to pay amounts in arrears, and to hand deliver a check.

The Council approved parts of the Reduction in Force proposal, laying off Baroni, the Accounts Payable Clerk and Building inspector. The Council neither approved laying off all paid Fire Department staff nor agreed to give Sectaris permission to negotiate services with River Delta Fire District; rather it asked Sectaris to come back at the next meeting with a proposal to restructure fire services.

January 24, 2025: Sectaris and Councilmember Kent met in person with SCORE's Board, delivered a partial payment, and asked for an extension of time to pay the balance and continue coverage. SCORE voted to terminate Isleton's membership effective April 30, 2025, with the condition that the termination would be automatically rescinded if Isleton paid \$45,000 by March 28, 2025, and provided an approved budget.

February 11, 2025: The Council received a "City Fire Services Update" from Sectaris advising the City had extended the employment of paid firefighters from two to four weeks allowing additional time to assess volunteer staffing levels. The Council took no action to stop Sectaris from its intention to lay off current paid Isleton firefighters at the end of the stated four-week period.

The Council further received a briefing from Bigby as follows:

- Progress on fiscal stabilization had been made;
- Bankruptcy was not an immediate need
- Payment priorities had been established
- The financial situation was showing improvement
- City management was keeping up on incoming and outgoing cash flow
- Cost cuts were being made

Bigby stated a "loose" budget for the coming fiscal year could be ready by March 28, 2025, to comply with SCORE's requirements for continuance of the City's insurance. The

Council approved the sale of fire equipment to reduce debt and to obtain funds to pay some past due insurance premiums.

Councilmember Dockery resigned from the Council, for personal reasons, at the conclusion of the February 11, 2025 meeting.

February 25, 2025: The Council announced Dockery's resignation and voted to move forward with appointing a new member to fill the vacancy. Bigby told the Council at this meeting "filing bankruptcy was still a possibility, but as a last resort" and "staff was continuing to fix the financial situation." Bigby reported the City had made the obligated payments to SCORE and a third payment was coming due. Bigby advised the Council the City's debt total was still close to \$5 million.

March 11, 2025: The Council was advised that while Isleton was still in a financial crisis because of the March 28 insurance payment deadline, the City's debt was closer to \$4 million after sale of fire equipment.

March 25, 2025: The Council appointed Cara Pellegrini to fill the vacant City Council seat.

March 28, 2025: Sectaris, Bigby and Councilmember Kent attended SCORE's Board meeting and presented a \$45,000 check, a budget, and an update on Isleton's financial condition. SCORE voted to continue Isleton's membership and insurance with the requirement that Bigby and Kennedy meet with SCORE's Executive Committee over the next three months to provide financial updates and work out a payment plan, with Isleton coverage to be revisited at SCORE's June 2025 Board meeting.

April 8, 2025: Council members approved acceptance of Sectaris' contract termination notice and contracted with Kennedy Solutions, Inc. (Jon Kennedy) to provide City Manager services at a lower rate.

April 11, 2025: Bigby identified substantial financial liabilities under two general categories, City Sewer Improvements and General Fund totaling almost \$5 million. The proposed budget for Fiscal Year 2025-2026 shows a balanced budget of \$1.8 million in revenues and \$1.8 million in expenses which include debt service payments of \$432,939.

April 24, 2025: Bigby provided the City Council with an update to Isleton's fiscal stabilization efforts in which she stated, "The community, council and management remain committed to forging the best path forward, which unequivocally means remaining outside of bankruptcy."

METHODOLOGY

The 2024-2025 Grand Jury received multiple complaints regarding the governance of Isleton. During its investigation, the Grand Jury reviewed or obtained information from many sources, including, but not limited to:

- Interviews with complainants, former and current Isleton staff, former and current elected officials of the City of Isleton and Sacramento County, current Isleton contract management staff, Isleton's independent CPA, and outside contractor(s)
- Virtual attendance at City Council meetings
- In-person visits to Isleton City Hall to review records
- Minutes and agenda packets for City Council meetings for multiple years
- California statutes
- Isleton's Code of Conduct and Municipal Code
- Isleton's independent audits, including the latest audit for Fiscal Year 2020-2021
- Isleton's budgets
- Isleton's financial and operations records
- Isleton's claim to California Operation of Emergency Services (Cal OES) for reimbursement of disaster related expenses
- Previous Sacramento County Grand Jury reports (1990 to 2022)
- Information available from federal, state, county, city and other websites pertaining to claims, grants and cannabis

DISCUSSION

The Obligations of the City Council

Members of a City Council are at all times *trustees of the public welfare*. Before commencing any term, a council member must take and subscribe to the oath of office specified in the California Constitution. Elected officials must also comply with California law, their municipality's Code of Ethics and Code of Conduct, as well their city's charter and municipal code.

Each member of the Isleton City Council took an oath of office, promising, among other things, to ". . . well and faithfully discharge the duties upon which I am about to enter".

In 2008, the Council unanimously adopted a Code of Conduct which provides the "minimum standards for city council conduct". This Code of Conduct, which the City has posted for public viewing on its website, requires Council members entering office to affirm they have read and understood this Code and to annually review the Code.

Among the duties and responsibilities required by the Code of Conduct, the Council members must:

- Work for the common good of the people of Isleton and not for any private or personal interest
- Not exceed their authority, breach the law or City policy, or ask others to do so
- Adhere to the Council-Manager form of government where the Council sets policy and the City Manager implements

- Not interfere with the administrative functions of the City or the professional duties of City staff, such as disrupting staff from the conduct of their jobs or by creating a hostile work environment
- Not involve themselves in administrative functions without the approval of a majority of the Council

In 2020, the City Council adopted Ordinance 2020-08 by which it enacted the Isleton Municipal Code (IMC), a compilation of the City's rules, regulations and standards. Council members and city staff must comply with the City's municipal code.

Failure to Adopt Budgets in a Timely Manner

Under California law, a public agency may not spend public funds without the authority to do so. A budget appropriates public funds, thereby providing the legal authorization from the governing body to expend those funds. Many provisions of the Isleton Municipal Code reference an adopted annual budget and presume the Council will adopt one each year. Isleton's fiscal year begins on July 1 and ends on June 30. Proper management requires each budget to be adopted prior to the commencement of the fiscal year, i.e., by June 30.

Specifically, the Grand Jury found:

- City Council did not adopt a final budget for Fiscal Year 2021-22 until October 22, 2024, which was nearly two and a half years late;
- City Council did not adopt a final budget for Fiscal Year 2022-23 until December 13, 2022, which was nearly 7 months after the start of the fiscal year.
- City Council did not adopt a final budget for Fiscal Year 2023-24 until October 22, 2024, which was nearly a year and a half late; and
- City Council has only given conditional approval of the proposed budget for Fiscal Year 2024-2025 (on October 22, 2024 and January 7, 2025).

The Council has operated without approved budgets for long periods of time and Council members could not explain why they were not approved in a timely manner.

This is not the first time this Grand Jury has found Isleton was operating without budgets. The Grand Jury investigations in 2005-2006 and 2007-2008 found Isleton was operating without budgets for several years.

Failure to Ensure Timely Independent Audits

The Isleton Municipal Code requires there to be an audit of the City's accounting records every year. "The audit should be performed not later than six months following the close of each fiscal year of the city" (IMC section 3.04.100). A financial audit ensures transparency, accountability and integrity of a government's operation.

Isleton's last independent audit was for the fiscal year ending June 30, 2021 (2021 Audit). The 2021 Audit found material weakness in the City's internal controls over financial reporting and year-end closing procedures. The 2021 audit was "qualified" because the City had spent restricted Redevelopment Funds and had no apparent means to pay those monies back. The Council was presented with the 2021 Audit on October 10, 2023, and voted unanimously to accept it. However, the Council did not provide any direction to remedy the deficiencies noted in the independent audit.

Audits for Fiscal Years 2021-22, 2022-23 and 2023-24, are drastically behind schedule and still incomplete. Auditors are hampered by poor record keeping due to missing records and insufficiently trained staff. Because of not having a current audit, Isleton may not qualify this Fiscal Year to receive federal funds or other grants.

This is not the first time this Grand Jury has found Isleton City Council failed to ensure timely completion of audits. The Grand Jury investigations in the years 2005-2006 and 2007-2008 found the City had not been able to obtain acceptable audits of its books and financial records.

Comingling of Restricted Funds with General Funds

State law and the Isleton Municipal Code require restricted funds to be kept separate from general funds and only expended for the stated purposes. Restricted funds include redevelopment funds, sewer funds, and Measure B (Fire Department) funds. In violation of these laws, Isleton has not kept restricted funds separate for at least 10 years. Specifically, the city's financial records show sewer and Measure B restricted funds commingled with the general fund.

This is not the first time this Grand Jury has found Isleton failed to properly segregate or account for restricted funds. The Grand Jury investigations in 1994-1995, 2005-2006 and 2007-2008, also found Isleton commingled and did not repay funds which should have been kept segregated for their intended use.

Failure to Monitor City Finances

The City is in a state of serious indebtedness. Because of the Council's failure to understand and monitor the City's finances, the Council made uninformed financial decisions pertaining to those finances. For example, the Council approved the Red Tower loan without requesting current bank statements, documentation showing reliability of anticipated revenues (FEMA), or information about the City's long-term debt and anticipated expenditures. They also allowed City properties to be used as collateral.

The Grand Jury has learned that the City has approximately \$5 million in debt and that the new Fiscal Year 2025-2026 budget only shows payments of \$432,939 toward this debt.

SIGNIFICANT FUND LIABILITIES AND DEBT		
<i>Reported as of April 11, 2025</i>		
SEWER FUND		
2012 Wastewater Revenue Bond / US Bank	\$1,760,000	
2004 Certificates of Participation	\$801,700	
State Water Board	\$19,290	
TOTAL SEWER FUND		\$2,580,990
GENERAL FUND		
Redevelopment Agency	\$912,612	
Red Tower Financial (Bridge Loan)	\$500,000	
Sacramento Sheriff Contract	\$427,534	
Employment Development Dept	\$183,017	
SCORE (Payments estimated)	\$166,781	
State Compensation Insurance Fund	\$58,865	
TOTAL GENERAL FUND		\$2,248,809
TOTAL		\$4,829,799

Failure of Oversight of Cannabis Businesses

Isleton adopted ordinances in 2018 to allow the operation of cannabis businesses in the City to increase revenues. The businesses were approved to operate under business licenses and the terms of Conditional Use Permits (CUPs), which were subject to annual and five-year reviews. Isleton has not performed the required annual or five-year reviews of its cannabis businesses. In addition, the City has not collected quarterly sales tax revenues from these businesses for well over a year. Some cannabis businesses have “ghosted” the city, closing and leaving town without paying their outstanding sales tax and fees. There is little recourse for the city beyond revocation of a CUP, which doesn’t matter if a business leaves town.

The City has lost the anticipated revenue because of its failure to oversee appropriately its cannabis businesses.

City Council's Duty of Oversight of City Manager

The City Manager works at the general direction of the City Council and is responsible for the efficient administration of the affairs of the city (IMC section 2.12.020). The City Manager reports to, and is supervised by the Council. A City Manager can only be removed by the Council (IMC section 2.12.060(B)).

The Municipal Code requires its City Manager to present a yearly report concerning the city's finances and fiscal activities to the Council (IMC section 2.12.020(G)). The Council did not ensure that it received this yearly report.

The City Council also failed to ensure the City Manager was carrying out his duty for the "efficient administration of city affairs" (Isleton Code of Ordinances, Title 11, Chapter 2, City Manager, section 2.12.020) in light of the finding made after the City Manager resigned that Quick Books entries had not been kept current, bank statements and invoices were missing, bank statements were not reconciled; all checks were not entered into City records, uncashed checks were found in office drawers; records were described to be in "a mess", and the City's finances were described as being in "chaos". The lack of complete detailed records and missing records greatly hampered the Grand Jury in its investigation.

City Council Members Lacked Training to Govern

The only requirement to be on City Council is being a registered voter in the City of Isleton. That means you must be 18 years of age, a resident of the City, and eligible to vote in the next election. Based on these minimal requirements to serve on the Council, training is critical in order for Council members to fulfill their duties. Admissions from Isleton Council members point to a lack of training about:

- Governance duties
- Ethics
- Harassment and Discrimination Prevention
- Oversight of the City Manager
- Monthly financial reporting
- Code of Conduct

Council members acknowledge a "lot of incompetency" and "failures" on their part. Training in governance is available for council members through SCORE, the League of California Cities, and other organizations. State training is also mandated for all council members in Ethics and Harassment and Discrimination Prevention.

This is not the first time this Grand Jury has found the City Council did not have proper training for the conduct of government business. The Grand Jury investigations for each of the years 1995-1995, 1997-1998, 2005-2006, and 2006-2007 recommended training resources for the City Council to use to assert better governance.

Failure to Follow Code of Conduct, Local Ordinances, and State Law

The Isleton Code of Conduct directs complaints alleging a code violation to the City Manager or City Attorney for a determination of the appropriate response to correct the violation. It also authorizes the Council to, in a public meeting, impose specified sanctions. These sanctions include reprimand, censure, loss of committee assignments or liaison assignments, and other penalties as warranted.

Two examples illustrate Code of Conduct violations, with no sanctions yet being considered:

- 1) In October 2024, Council member Kent attempted to undermine Oviawe's authority by contacting and requesting Baroni circumvent Oviawe when making City-related decisions. Baroni would not commit to Kent's request.

- 2) Current Mayor Walton has been a member of the Council since 2018 and operates the Mei Wah Beer Room at 35 Main Street in Isleton. Prompted by the need for outdoor seating during COVID, Mayor Walton requested an encroachment permit in 2020 to build a seemingly permanent area on F Street which abuts the bar. F Street is a public street which runs north/ south next to Walton's bar.



During the Covid period of 2020 through 2021, many restaurants and bars in Sacramento County and California were allowed to use public sidewalks and portions of streets for outside seating. Mayor Walton paid \$234.50 for an "Encroachment permit bar outside", per an invoice dated September 22, 2020. However, records of its approval, and the permit itself, are missing. Soon after, in 2021, Walton began using the entire street adjacent to the seating area for special events blocking the public's access. On June 13, 2023, Walton obtained another Encroachment Permit for the seating area. Walton made a payment of \$50 for this permit. This permit for the seating area expires on June 13, 2025. Unless it is renewed, she will be in violation of

the City ordinances for the partial use of F Street. Walton has no permit for the use of the entire street. The painted "STOP" letters at F and Main streets are partially covered by Walton's outdoor seating area.

Mayor Walton wrote to Oviawe on October 16, 2024 to request an expansion of her encroachment permit "to include the entire lot [street] at F and Main for 50 days a year". That permit has not been issued. Walton continues to use the entire street without a permit which is a violation of the City's ordinances

Walton's use of public land for her personal gain violates the following sections of the Isleton Code of Conduct for City Council members:

Acts in the Public Interest

"City Council members will work for the common good of the people of Isleton and not for any private or personal interest, and they will assure fair and equal treatment of all persons, claims, and transactions coming before the City Council." (Code of Conduct, section 1)

Dedicated Service in Compliance with the Law

"City Council members will not exceed their authority, breach the law or City policy, nor ask others to do so. They will work in cooperation with each other, other public officials and staff". (Code of Conduct, section 2)

Fair and Equal Treatment

"Preferential consideration upon the request or petition of any individual shall not be given. No person shall receive special advantages beyond that which are available to any similarly situated citizen or staff member. . . ." (Code of Conduct, section 3)

In addition, coverage of the STOP lettering on F Street puts the public at risk.

Council's Behavior Created the Appearance of Impropriety

When Dockery was elected to the Council in November 2024, he was the Fire Chief. On November 12, 2024, Council was told its City Attorney had advised the position of Fire Chief and Council member were incompatible under Government Code section 1099. Council took no action nor gave any direction to the City Manager upon receiving this information. Shortly thereafter, Oviawe changed Dockery's position from Fire Chief to Assistant Fire Chief while allowing him to retain the same salary and benefits. At the same time, Oviawe appointed an unpaid volunteer to serve as Interim Fire Chief.

While this title change may have provided a technical remedy to the Government Code conflict, it created the appearance of impropriety and resulted in a loss of public trust.

City Council's Historical Failure of Governance

The City of Isleton is no stranger to Grand Jury investigations. The Sacramento Grand Jury has received many complaints about Isleton's governance over the last 35 years and has initiated 10 investigations since 1990. The common denominator underlying the complaints is poor governance. Recurring recommendations of previous Grand Juries include:

- Adopt written policies and procedures and follow them
- Adopt annual budgets and monitor them closely
- Ensure timely independent audits of city financial books and records and operations
- Attend training on city governance

All of these failures have contributed to the present financial distress of the City of Isleton.

The Council members failed to hold themselves to the high standards required by their office.

Three Council members are up for reelection in November of 2026.

FINDINGS

F1: The Grand Jury finds the Isleton City Council repeatedly failed to timely adopt final budgets denying the City the necessary tool to track and assess its financial position. (R1)

F2: The Grand Jury finds the Isleton City Council violated state law and the City's own municipal code by not ensuring the completion of an annual independent audit in a timely manner, which created an obstacle to securing grants and resulted in the loss of revenues for the city. (R2)

F3: The Grand Jury finds the lack of oversight of the City Manager resulted in delayed discovery of the violation of state laws relating to misusing and comingling restricted funds. (R3)

F4: The Grand Jury finds members of the City Council did not adequately monitor the City's finances, thereby contributing to a state of serious indebtedness. (R4)

F5: The Grand Jury finds the City Council failed to provide appropriate oversight of the City's cannabis program to ensure collection of revenues and timely review of compliance with conditional use permits, thereby resulting in a loss of revenue to the City. (R5)

F6: The Grand Jury finds the City Council failed to provide appropriate oversight of the City Manager to ensure the City Manager carried out his duty to keep the Council

continuously apprised of the financial state of the City, which resulted in the City Council making uninformed financial and operational decisions (R6)

F7: The Grand Jury finds members of the City Council lack experience and training in city governance thereby denying the residents of Isleton of effective representation. (R7)

F8: The Grand Jury finds the City Council did not follow its own Code of Conduct which created a public distrust in city officials and added stress to City staff members resulting in several leaving their positions. (R8)

F9: The Grand Jury finds that City staff failed to maintain complete and accurate records of City finances and other City operations which hampered the City's ability to complete audits, enforce ordinances, and make sound financial decisions. (R9)

RECOMMENDATIONS

R1: The Grand Jury recommends the City Council annually adopt a final budget, including a separate accounting for restricted funds, no later than June 30 for the coming fiscal year, beginning with Fiscal Year 2026-2027. (F1)

R2: The Grand Jury recommends the City Council ensure an independent annual audit of City operations and accounting occurs no later than 6 months following the end of the fiscal year, and that the City work with a licensed CPA with experience in municipal accounting, to conduct missing audits by March 30, 2026. (F2)

R3: The Grand Jury recommends the City Council require the City Treasurer to ensure restricted funds are segregated (rather than co-mingled) and create and implement a plan with the City auditor to account for restricted funds, with progress reports every quarter, beginning no later than December 31, 2025. (F3)

R4: The Grand Jury recommends the City Council continue to closely monitor the City's financial position and assess whether bankruptcy or disincorporation is in the best interest of the residents of Isleton, and report out on their conclusion in a public meeting by December 31, 2025. (F4)

R5: The Grand Jury recommends the City Council enforce its ordinances related to cannabis enterprises, beginning no later than December 31, 2025. (F5)

R6: The Grand Jury recommends the City Council require the City Manager and Finance Director to keep Council continuously apprised of the financial state of the City by providing account balances, expenditures, debts, investments, and reports that compare

budget to actual results, on a monthly basis, beginning no later than December 31, 2025. (F6)

R7: The Grand Jury recommends each City Council member undergo comprehensive training on their duties and responsibilities as council members, and publicly provide verification of their completion of this training and understanding of their roles, by no later than December 31, 2025. (F7)

R8: The Grand Jury recommends the City Manager, City Attorney, and City Council determine an appropriate course of action, including sanctions, for violations of the Code of Conduct and announce those actions at a public meeting, beginning no later than December 31, 2025. (F8).

R9: The Grand Jury recommends the Council direct the City Manager to ensure complete and proper recordkeeping for all city operations by December 31, 2025. (F9)

REQUIRED RESPONSES

Pursuant to Penal Code sections 933 and 933.05, the grand jury requests responses from the following elected officials within 90 days, for all Findings and Recommendations:

Isleton City Council
City of Isleton
P.O. Box 716
Isleton, CA 95641

Mail or Deliver a Hard Copy Response To:

The Honorable Bunmi Awoniyi
Presiding Judge
Sacramento County Superior Court
720 9th Street
Sacramento, CA 95814

Email the Response To:

Ms. Erendira Tapia-Bouthillier
Sacramento County Grand Jury Coordinator
Email: TapiaE@saccourt.ca.gov

INVITED RESPONSES:

Supervisor Pat Hume, District 5
Sacramento County Board of Supervisors
700 H Street, Suite 2450
Sacramento, CA 95814

Jose Henriquez, Executive Director
Sacramento County LAFCo
1112 I Street, Suite 100
Sacramento, CA 95814

City Manager
Jon Kennedy, City Manager
City of Isleton
P.O. Box 716
Isleton, CA 95641

Prentice Long, PC, City Attorney
City of Isleton
P.O. Box 716
Isleton, CA 95641