



City of Isleton

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Isleton, California 95641

August 12, 2025

Sacramento County – Board of Supervisors
700 H Street
Sacramento, CA 95814

Dear Sacramento County Board of Supervisors,

The City of Isleton is one of the smallest municipalities by size and population within the state of California, and certainly the smallest within Sacramento County. And while we treasure our size and our independence, there are times when we realize help is needed. Our partnerships and collaborations with the county have always been a great help to our small community. We hope to continue and strengthen these connections as we ask for your help with our financial troubles.

As you likely know, the fiscal state of our city is in great disarray. There are many factors that contribute to that position. Some are related to bad advice and management decisions, while others have been outside of our control, like flood and weather damage.

Late last year we realized the potential depth of these concerns and brought in outside professionals to assess our fiscal state and legal options, including the option of bankruptcy filing. We currently owe approximately \$4.7 million across multiple creditors, which is down from \$5.1 million earlier this year. We have made many changes to help stabilize our cash flow like reductions in force, asset sales, and shifting our fire services model back to primarily volunteer. We are juggling maintaining public health and safety for our citizens with cutting what we can. Unfortunately, this work isn't enough to keep the city from potentially slipping into bankruptcy. There is a need for some cash flow relief from a hard money loan that has become due.

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

Ideally this loan would extend over a 10 year period to ensure the viability of the city's cash flow for operations. We also request a 6 month deferment to start the repayment to help ease cash flow concerns during this stabilization period.

To ensure repayment this debt will be tied to the taxes collected and disbursed at the county level, with the payments taken out before disbursement occurs. We request that the interest rate not exceed county pool rate plus one percent.

This cash infusion would primarily go towards paying off or down three major debts. The first is a bridge loan secured by past city management without a viable plan for repayment with the principal amount of \$500,000. If Isleton does not find a way to refinance or alter this instrument within the next few months, the City may need to file bankruptcy when it becomes due this November. The second is owed to the Employment Development Department for assessed unpaid taxes, penalties, and interest for periods spanning June of 2007 through September of 2013 amounting to approximately \$195,000. Any remaining funds would go towards paying down the \$145,000 currently in arrears with the Small Cities Organized Risk Effort. The city's current cash flow is not in a state to be able to handle these debts appropriately at this time. Each of these debts pose a unique and challenging impediment to the city's ability to continue effective operations. Without refinancing or other assistance with these three major issues, the city may be forced to file bankruptcy or cease operations entirely.

This council and the new management in place are fervently committed to ensuring fiscal stability for the current residents and the generations of residents to come. We believe in the viability of our city and hope you will invest in that future with us.
Sincerely,

The City of Isleton



City Manager – Jon Kennedy