



City of Banning Office of the City Council

August 14, 2026

The Honorable Jacqueline C. Jackson, Presiding Judge
Superior Court of California, County of Riverside
4050 Main Street
Riverside, CA 92501

RE: Response to Riverside County Civil Grand Jury Report 2025-2026

Dear Judge Jackson,

Please find enclosed my response to the Civil Grand Jury's report titled "BANNING: A CITY ALARMINGLY MISMANAGED" dated June 8, 2026, confidentially issued to the City on June 17, 2026, and publicly issued on June 24, 2026, with a response due date of August 16, 2026.

Should you have any questions, please contact me at cwallace@banningca.gov.

Sincerely,

Colleen Wallace
Council Member

CC: Banning City Clerk
Riverside County Grand Jury's Office
Riverside County Clerk-Recorder

ATTACHMENT 1

Grand Jury Report

2025 – 2026
RIVERSIDE COUNTY CIVIL GRAND JURY REPORT



BANNING: A CITY ALARMINGLY MISMANAGED

June 8, 2026

SUMMARY

The City of Banning is experiencing a significant financial and administrative crisis that appear to be the result of substantial mismanagement and lack of appropriate oversight. The 2025–2026 Riverside County Civil Grand Jury (Grand Jury) conducted an investigation that has uncovered numerous fiscal, governance, and operational issues that have led to systemic failures in many areas of the City.

The Grand Jury found the citizens, employees, and current elected officials care deeply about their community and the City is taking many steps to reduce the turmoil. Transparency, humility, and a renewed commitment to ethical governance will be essential to regain public trust and correct the long-term mismanagement practices that have left the City of Banning significantly distressed.

The Grand Jury initiated this investigation due to concerns regarding the Banning Electric Utility (BEU) experiencing large financial deficits and possible transference of restricted funds in violation of state law (Propositions 218 and 26).¹ The Grand Jury’s research led to numerous matters that required further examination including an operational deficit in management of the general fund that reflects chronic mismanagement between government revenue and spending. This report’s primary focus will concern financial issues with the BEU, policy and procedure violations, bond ratings, billing crisis, and personnel issues in regard to the City of Banning. The Grand Jury will also briefly discuss areas of operation within the City that may require further research in the future.

The Grand Jury is concerned for the citizens of Banning due to past practices of the city management and City Council that have left Banning with long-term financial insecurity. Systemic mismanagement and negligence have resulted in catastrophic billing failures, increased utility bills, large deficits in risk management, high staff turnover in key positions, and many other financial and administrative challenges. The consulting firm Sloan, Sakai, Young and Wong, LLP, is currently conducting strategic planning workshops for staff and elected officials that outline goals for various departments within the city. The Strategic Plan Workshop (SPW) document² was presented at an all-day training session in November 2025 and is currently being utilized as a guide for the city’s strategic planning. The Grand Jury has requested a copy of the final strategic plan, but it had not been provided at the time of this writing. The current SPW document discusses a plethora of crisis within the City of Banning that require immediate action and states there are “simply not enough revenues to cover ongoing expenses.” To achieve true transparency the Grand Jury believes past mistakes should be acknowledged and tangible interventions should be established in order to rebuild a culture of trust in this well-deserving community.

¹ <https://www.calcities.org/docs/default-source/city-attorneys/propositions-26-and-218-implementation-guide.pdf> Proposition 26 and 218, accessed May 12, 2026.

² www.swotanalysis.com/cityofbanning, accessed May 12, 2026.

BACKGROUND

The City of Banning was incorporated in 1913 as a General Law city.³ General Law cities operate under the general laws of California and have less autonomy than those that adopt their own charter. General Law cities follow laws set forth in the State of California Government Code §34102.

Banning is located in the San Geronio Pass, approximately thirty miles east of the City of Riverside, between Mount San Geronio to the north and Mount San Antonio to the south. The city has experienced somewhat slow growth in the past several decades. According to the 2010 U.S. Census, Banning had a population of 29,603 residents. The 2020 Census indicated a population of 29,505 residents while a 2024 Census report showed an estimated population of 31,929.⁴ Research indicates that 18.75% of the population live below the poverty level.

Banning has a council-manager form of government with five councilmembers, elected from individual districts. The Councilmembers serve staggered terms with three members chosen during one election cycle and two at another. The Councilmembers serve as the legislative branch of city government and vote on laws and proposals relating to community issues. Councilmembers make decisions dealing with topics such as allocating funds to provide for public services, community development projects, issues of land use, and budget matters.

The City Manager is the chief administrative officer, hired by the Councilmembers and is retained on an “at-will” negotiated contract. The City Manager is responsible for the day-to-day operations of the city, including but not limited to:

- preparing and monitoring the city budget
- supervising the various city departments and staff through respective department heads
- overseeing recruitment, discipline, and dismissal of employees
- serving as the primary professional and technical advisor to the City Council on government operations

³ <https://legalclarity.org/what-is-a-charter-city-vs-a-general-law-city/> Charter City vs General Law City, accessed May 12, 2026.

⁴ <https://www.census.gov/programs-surveys/decennial-census/decade/2020/2020-census-results.html> 2020 Census Results, accessed May 12, 2026.

METHODOLOGY

Various methods were used to gather data, information, policies and procedures. Those methods are outlined below:

Interviews

The Riverside County Civil Grand Jury conducted twenty-three interviews:

- elected City officials
- past and present city management personnel
- past and present Finance Department personnel
- past and present Human Resources Department personnel
- financial analysts
- former BEU executives
- consultants

Documentation

- City of Banning Administrative Policy (AP)
- disciplinary actions – Rules of Procedures AP-09; effective October 25, 1993
- harassment, including sexual harassment AP-14; effective November 16, 1993
- hiring procedures AP1993-10; effective September 3, 1993
- hiring procedures – supplemental AP10-Supplemental; effective October 23, 2012
- Rule III
- Budget & Finance Committee Policy & Procedures
- Manual of Procedural Guidelines
- Rosenberg’s Rules of Order Revised 2011
- California Public Funds Doctrine
- fiscal years 2018–2024 BEU Financial ledgers
- California Public Funds Document (League of California Cities Annual Conference – October 5–7, 2016)
- Purchasing Credit Card (P-Card) Program Policy
- P-card Invoices
- City of Banning Budget & Fiscal Policies
- Standard & Poor’s Global Rating Reports
- bank statements
- Strategic Plan Workshop, November 25, 2025
- Propositions 218 & 26
- Measure P
- 2024 Eide Bailly Audit
- GHJ Forensic Investigation – Public Report, February 27, 2024

- Urban Futures Inc., engagement letter for analysis of the electric utility plan and timeline
- LSL contract, October 14, 2025
- numerous staff reports
- invoices for consultants
- Cost of Services Analysis–NewGen Strategies & Solutions, LLC
- cost allocation plans
- budgets
- bank reconciliation schedules
- warrant lists
- subpoenas
- harassment complaints
- Municipal Code ordinances

Websites

- City of Banning <https://www.ci.banning.ca.us>
- S & P Bond Rating spglobal.com
- California League of Cities www.cacities.org

Numerous newspaper articles

Various emails and telephone communications

Remotely Accessed

- City Council Meetings 2018–2026
- Budget and Finance Meeting

DISCUSSION

Banning Electric Utility (BEU)

The City of Banning owns and operates its own municipal electric utility, known as Banning Electric Utility (BEU). In March 2024, the *Patch News* reported that the BEU went from a \$31 million surplus in 2018, to a deficit of \$9 million by 2022.⁵ While the Grand Jury identified a multitude of concerning issues within the BEU, the focus of this portion of the discussion will concentrate on possible illegal transfer of funds, cost allocation plan weaknesses, a substantially downgraded bond rating, and the current utility billing crisis.

Possible Illegal Fund Transfers: City of Banning

Proposition 26 was passed in 2010 and significantly affected how city-owned electric utilities can utilize revenue. Key provisions include:

- avoid charging rates above the cost of service
- avoid using excess funds for services unrelated to the electric utility

If an electric utility has any excess funds after providing the cost of electric services, that surplus portion could be considered a tax in the State of California that carries legal requirements. The city must be able to prove charges do not exceed the reasonable cost of providing service. Voter approval is needed if the city intends to transfer surplus revenue into a general fund.⁶

As a not-for-profit publicly owned entity, the City of Banning may not use the BEU as a source for profit or additional revenue to the City without voter approval. In 2018, Measure P was proposed to the citizens of Banning addressing the City's budget needs. This measure would have authorized limited transfers of funds from the BEU surplus to the City's General Fund to help pay for public safety and essential City services. Those transfers if allowed, would have been capped at 7.5% of the annual gross electric revenue for the first three years, then less afterward. The citizens of Banning rejected Measure P and the City did not receive authorization to transfer any surplus revenue from BEU to the General Fund.

It is commonly agreed upon by City of Banning employees that the BEU is the principal moneymaker of the City. Elected officials and many of those interviewed refer to the BEU as the "cash cow" of the City. The current Strategic Plan Workshop (SPW) document written by consulting firm Sloan, Sakai, Young and Wong, LLP, discusses the utility billing crisis and states "the utility billing program is solely responsible for collecting over half of the city's revenue" and "the electric billing department is responsible for bringing approximately \$58 million of revenue (2022–2023 budget) out of a total citywide budget of \$104 million." During the Grand Jury's investigation, the current deficit in the BEU was often attributed to overspending for capital improvement projects and mismanagement. The Grand Jury believes it is possible that

⁵*Banning Electric Utility Under Scrutiny Amid \$9 Million Shortfall /Banning, CA Patch.*
https://ballotpedia.org/banning_california, accessed May 12, 2026.

⁶ <https://www.calcities.org/docs/default-source/city-attorneys/propositions-26-and-218-implementation-guide.pdf>
Proposition 26 and 218, accessed May 12, 2026.

large fund transfers from BEU revenue to aid other City departments may have also been a contributor to this deficit.

One concern of the Grand Jury is whether the City of Banning used excess revenue from BEU to fund other areas of the government after Measure P was rejected by the citizens in November, 2018. The Grand Jury discovered large monetary transfers from the BEU to other City departments that seemed to be abnormal. Numerous interviews conducted with City officials and employees (past and present) disclosed knowledge of possible illegal transfers, and these individuals believed this practice occurred within the City of Banning. The Grand Jury also conducted a thorough review of pertinent documents that revealed testimony of elected officials indicating their awareness of illegal fund transfers. Ledgers and audits from 2018 through 2024 also revealed concerning trends in regard to fund transfers, cost allocation plan discrepancies, bond rating downgrade and noncompliance issues, bank reconciliations, inventory counts, internal controls, and other financial concerns.

The City of Banning is currently taking positive steps to renew public confidence and build trust within the community. While City officials appear to be making progress in many areas, transparency should also include proactive disclosure of information that may have an impact on the residents of Banning. The Grand Jury requested a final report from the accounting and advisory firm Green, Hasoon and Janks, LLP, (GHJ)⁷ that conducted an internal investigation of the BEU when it became apparent that the department was facing a multi-million-dollar deficit. While the report made findings such as lack of oversight by management, and non-disclosure of the BEU financial deterioration to the City Council, the full report was not released to the Grand Jury or the public. Line 17 of the GHJ report states, “Based on the direction from the City Attorney, we performed certain other procedures that are protected by legal privilege.” The Grand Jury was told that the City of Banning would not release the contents that were left out of the GHJ report due to attorney-client privilege. It is concerning that the City discusses transparency as a core value but will not release findings of a public report that was a \$153,000 cost to the citizens of Banning.

In addition, the consulting firm, Urban Futures Inc. was contracted with the City of Banning to analyze the BEU and write a report on a recovery plan in 2025. Multiple requests were made for this report over the duration of this investigation and the Grand Jury was recently informed that Urban Futures Inc. was no longer writing the report and that the organization is now focusing on another area of the City. The compensation for Urban Futures, Inc. was \$275 per hour and the firm was working on this project for an extensive period of time before abruptly changing course and not providing a report. Further, the Grand Jury was told by interviewees and an elected official that this report would provide information to the public regarding the possible BEU illegal fund transfers.

The Grand Jury requested and was provided a copy of the City of Banning Budgetary and Fiscal Policies on September 30, 2025. This document contained an Electric Administrative Transfer Policy that states, “The Electric Operation Fund’s administrative transfer to the General Fund is

⁷ Banning, Electric Utility Under Scrutiny Amid \$9 Million Shortfall /Banning, CA Patch.

authorized at 10% of operational revenues. The rate will be reviewed by the City Council during the budget process.” This policy is suggestive of a percentage of revenue being transferred out of the BEU without a specific allocation or authorization by voters.

Cost Allocation Plan

A Cost Allocation Plan (CAP) is a documented method for a city’s finance department to assign direct and indirect costs from one department/fund/program to the general fund in order to support the city’s central services. Under Proposition 26, a city’s CAP must show that any and all fees charged to utilities must not exceed the reasonable cost of providing service. Some typical costs that may be allocated to various departments include finance, IT, city attorney, human resources, payroll, etc.

Several problems were uncovered during the Grand Jury’s investigation regarding the BEU utilizing a CAP strategy to account for fund transfers out of the BEU. First, after a review of the BEU ledgers the Grand Jury was immediately able to identify some alarming transfers that seemed out of place. In one randomly chosen month (December 2018), the Grand Jury was able to see numerous transfers for costs that appear reasonable to allocate such as maintenance, fleet, utility billing, and more. Then in this same time period, the Grand Jury saw an additional interfund transfer for \$1,840,636 that says “Administrative Services.” In a recent interview with an interim Finance Director, it was revealed that perhaps proper costs were not allocated in the CAPs for the City of Banning. The interviewee shared that it appeared the CAP’s may have been manipulated. When asked about the \$1,840,636 transfer from BEU to Administrative Services as seen on a BEU ledger, they stated it seemed out of place. Further, a prior electric utility executive disclosed to the Grand Jury that questionable fund transfers could be located in the BEU ledgers under “Administrative Transfers.” The current budgetary and fiscal policy also indicates approval for 10% of the Electric Operations Fund to be transferred to the General Fund.

The Grand Jury has determined that the City of Banning may have utilized funds from the BEU to assist other areas of the City under the guise of a CAP. Several interviewees, including a former city manager and former finance director said Banning was utilizing a CAP for transferring funds in support of other departments

The Grand Jury only reviewed a small sample of the ledgers and immediately discovered interfund transfers that appeared unusual. A more thorough review of the ledgers and other documentation may provide greater insights as to the reasons for large transfers of monies from the BEU to other funds in the City after Measure P was rejected by Banning citizens in 2018.

In addition, the current Banning Strategic Plan Workshop document and the Eide Bailly Audit allude to serious errors with the City’s CAPs. It states, “Very few staff understand the indirect cost allocation plan and it appears various errors occurred in its latest version.” Eide Bailly reports, “No control was in place to true-up the budgeted amounts to actual, either in the current period or as a carryforward amount in a subsequent cost plan.” The firm recommended strengthening the policies and procedures to ensure cost allocation plan charges are “properly supported and reasonably allocated.”

In conclusion, Proposition 26 restricts cities from using utility rates as a revenue generating tool. The Grand Jury held multiple interviews with current and former City employees and elected officials who disclosed the BEU may have been illegally transferring large sums of money to the General Fund after Measure P was rejected, in violation of Proposition 26. It appears the City suffered from serious mismanagement resulting in large financial deficits in several funds, including risk management and the internal services fund which currently has a \$12 million deficit. After depleting the BEU funds, the electric utility eventually ended up \$9 million in the negative in 2025, following a \$31 million positive cash flow in 2018.

Bond Rating

In 2007, the City of Banning issued electric system revenue bonds for financing improvements for the Banning Electric Utility (BEU). These improvements included new substations, underground feeders, circuit breakers, as well as land and other improvements. The total of the electric system series 2007 bonds were \$45,790,000. When the bonds were issued, they carried an A- rating by Standard & Poor's Global (S&P).⁸ In March 2024, the city was notified by S&P that the bond rating had been lowered from A- to BBB and had been placed on credit watch. In May 2024, Banning received another notice from S&P that the bond rating was lowered from BBB to BB, indicating an "outlook for this rating as negative." Currently, the rating has been lowered from B+ to B which is considered "junk status." This downgrade is highly concerning and reflects the weak financial position of the BEU and lack of internal control processes.

Credit Rating Scales by Agency, Long-Term

Moody's	S&P	Fitch	
Aaa	AAA	AAA	Prime
Aa1	AA+	AA+	High grade
Aa2	AA	AA	
Aa3	AA-	AA-	
A1	A+	A+	Upper medium grade
A2	A	A	
A3	A-	A-	
Baa1	BBB+	BBB+	Lower medium grade
Baa2	BBB	BBB	
Baa3	BBB-	BBB-	
Ba1	BB+	BB+	Non-investment grade speculative
Ba2	BB	BB	
Ba3	BB-	BB-	
B1	B+	B+	Highly speculative
B2	B	B	
B3	B-	B-	
Caa1	CCC+	CCC	Substantial risk
Caa2	CCC		Extremely speculative
Caa3	CCC-		Default imminent with little prospect for recovery
Ca	CC	CC	
C	C	C	
/	D	D	In default

WOLFSTREET.com

"Junk"



⁸ Corporate Credit Rating scales May 12, 2026.

Billing Crisis

Banning is currently experiencing a monumental billing crisis that has deeply affected the citizens.⁹ While the billing predicament is being blamed on a failed software rollout in late 2024, the Grand Jury believes financial mismanagement of the BEU is the primary reason for the fallout.

The citizens of Banning have been deeply affected by the poor decisions made by previous management and lack of oversight by the prior City Council. The residents were being double billed monthly for electric service after not receiving an electric bill for numerous months due to an antiquated and problematic billing system. This ultimately resulted in a catastrophic issue when management finally decided to make a change. This new system was never fully vetted and subsequently failed, forcing the department to return to the oldest version of their current system. In addition, electric rates have recently been raised with further increases proposed, which is deeply impacting the citizens of Banning.

Despite consensus from staff and elected officials that the BEU is and was the “cash cow” of the City, it is concerning that the billing system was never upgraded to the latest technologies that were available to them. It is widely understood that upgrading systems immediately upon release is critical to maintaining optimal performance. The question rises of whether improper transfer of excess revenue from the BEU to other departments, hindered upgrades and needed services and consequently played a role in the catastrophic billing failure.

Personnel Issues

The City of Banning has been experiencing deeply challenging personnel issues. Over the previous twelve years, from 2014 through present day, Banning has employed ten City Managers. This is even more alarming when it was found that one of these City Managers held their position for more than six years. Further, eight of the ten held the position as “Interim City Manager.” This frequent change in management has caused disruption to many areas of operation within the City.

In addition, the Finance Department is deeply distressed due to significant staff turnover which has greatly diminished its operational capacity and productivity. There have been four Finance Directors in the past five years and recently, there was a succession of two annuitants to temporarily fill the position. One example of the effects includes the Eide Bailly, LLP, CPA and Business Advisory firm that was contracted by the City of Banning to prepare the 2024 audit. Due to lack of staffing, the firm had to bring in its own personnel to gather data and documentation in order to finalize the audit which added an additional \$145,000 cost to the City.

⁹ *Banning residents fall several months behind on utility payments after new billing software fails* February 26, 2026 [abc7.com > post > banning-residents-fall-several](https://abc7.com/post/banning-residents-fall-several) (added)

Many other key positions and departments have been impacted by employees terminating employment with the City of Banning. The losses have weakened and disrupted services and financial processes leading to inefficiencies in many sectors of the City.

Policies and Procedures

Policies and procedures are fundamental guidelines in city government that are essential for reducing liability and ensuring accountability and equality for all citizens, staff, and elected officials. Neglecting to follow or update policies can lead to serious operational deficiencies, high employee turnover, and loss of public confidence. It also exposes the city to lawsuits and legal issues.

The Grand Jury discovered outdated policies and procedures within the City of Banning and instances where policy was not followed or enforced. A few examples include sharing confidential employee information with councilmembers, direct violations of credit card purchasing policies, mishandling of harassment complaints, and concerning hiring practices. A small selection of illustrations are as follows:

- The Grand Jury found numerous violations of credit card purchases. The City's Purchasing Card (P-Card) Program Policy adopted on September 8, 2020, establishes guidelines for cardholders.¹⁰ Strictly prohibited restrictions include meals, gas, Uber/Lyft services, and items for personal use. The language in the policy adds that a waiver can be granted and policy overridden by the City Manager or Administrative Services Director. One staff member had a \$5,000 monthly purchasing limit, clearly breaching this policy. The Grand Jury obtained a signed agreement specifically stating this cardholder agrees that the certain restricted items mentioned above, will not be purchased. However, a review of receipts for this individual showed numerous meals and Uber/Lyft rides, large gift card purchases and many other questionable purchases. No waiver was located indicating a direct violation of policy.
- During the Grand Jury's investigation, it was discovered that a City official filed a harassment complaint with the Human Resources Department in March 2025. This complaint was never investigated or followed up on in any manner. An interview with Human Resources staff revealed the complaint was received and then delegated to the very person who the grievance was filed against. When asked for a copy of the current policy and procedures for harassment the City provided a policy dated 1993 that was grossly outdated but still not being followed. A more current policy, dated 2014, was later sent to the Grand Jury. A review of the policies revealed a complaint against particular City officials should be submitted to the City Clerk for consideration by the City Council during a closed session and that "All incidents of harassment and

¹⁰ <https://banning.ca.gov/DocumentCenter/View/6928/Policy-No-B-30---Procurement-PoliciesProcedures> accessed May 12, 2026.

discrimination that are reported must be investigated.” The Grand Jury found that all of these procedures were disregarded for this particular complaint.

- A harassment complaint was later filed against a City official where a fair and impartial analysis of the evidence was not conducted. Several interviewees disclosed that inappropriate disciplinary action was immediately taken against this individual without an investigation being carried out. The accusation against the official was also publicly announced during a City Council meeting, breaching their confidentiality prior to having had a chance to disclose their side of the story. To date, this individual has not been interviewed regarding the incident and continues to face consequences without due process ever occurring.
- Hiring practices were another area of concern with regard to violation of policy and procedures. The City of Banning has a clear policy regarding the hiring of felons. It states that conviction(s) of certain Penal Code sections shall be grounds for disqualification or termination. Some of those include Section 211 (robbery), Section 459 (burglary), Section 484 (theft), Section 503 (embezzlement). The Grand Jury reviewed police and staff testimony that disclosed they were told to overlook a discrepancy of a date of birth that did not match an applicant’s identification when conducting a pre-employment Live Scan. They were specifically directed by a former City Manager to not use the date of birth that was put on the individual’s state identification card but instead use the date of birth that was on the application. Staff expressed concern but did not know how to proceed as the directive was coming from the highest level of authority. Public records disclosed this employee, who was in a position of authority, was hired in spite of an extensive felony criminal record that included grand theft, burglary, forgery and other convictions. This individual was also given a purchasing card with a \$5,000 monthly limit and was eventually investigated for wrongdoing.

These breaches and disregard of policy are just a small example of failure to maintain operational integrity and may place the City of Banning at significant risk. Adherence to policy and current updates are necessary to maintain internal controls and safeguard public resources.

Conclusion

The current 10-year Strategic Plan Workshop document written by the consulting firm, Sloan, Sakai, Young & Wong, LLP, discusses a myriad of crises currently occurring in the City of Banning. Lack of a strategic plan was listed as a key factor that can be attributed to a variety of problems. The Eide Bailly 2024 audit posits “The City is currently in a severe financial crisis” and found material weaknesses in inventories, internal control problems with financial reporting, bond covenant violations, bank reconciliation issues, cost allocation plan weaknesses, and other concerning matters.

The deficit in the Banning Electric Utility (BEU) appears to have multiple causes that may include long-term illegal funds transfers after Measure P was defeated in November 2018. While discussing poor past financial practices, Urban Futures Inc. disclosed the path forward will provide many difficult decisions and could require resource measures that “may require voter approval.” This statement may be alluding to a proposal of a ballot initiative similar to Measure

P that would allow for legal transfer of revenue from the BEU in the future. In addition, the antiquated billing system has created a billing crisis due to operational inefficiencies and a failed software transition that has left the citizens to bear the burden of the failure. The Grand Jury also found that negative bond ratings and high staff turnover have greatly added to the financial turmoil the City is currently facing. Finally, following and updating policies and procedures is needed to ensure the City of Banning has ethical guidelines that will help rebuild internal controls and establish trust among staff, elected officials, and citizens.

Transparency and accountability are a vital foundation for rebuilding community and employee trust. The City government is currently experiencing an exceedingly high employee turnover rate which can often be the direct consequence of low transparency. Citizens need to be able to trust the leadership of their city to provide a solid foundation for resiliency and to have confidence in the future of their community. While current City officials are taking steps to improve transparency, practices should disclose all activity past and present that may have effects on the residents of Banning.

The Grand Jury identified other areas of concern in the City of Banning regarding mismanagement and possible legal issues, but was unable to investigate further. Some areas for further consideration include problems with internal controls over financial reporting, inventory reconciliation that may be in violation of Proposition 26, significant delays in bank account reconciliations, grants, contracts, rental property transactions, and others.

The City of Banning is a community filled with warmth and pride. While steps are being taken to strengthen the financial and organizational weaknesses, the Grand Jury has concerns regarding the volume of problems the City is facing and feels a solid strategic plan (that is adhered to), strict fiscal discipline, disclosure of past mistakes and future open and honest communication will help to avoid future negligence and allow this well deserving community to prosper.

FINDINGS

- F-1** The Banning Electric Utility (BEU) went from a \$31 million surplus in 2018, to a \$9 million deficit in 2022.
- F-2** Multiple sources have stated that the City of Banning may have transferred revenue from the BEU to the General Fund. These transfers would be in violation of Propositions 26 and 218 after Measure P was rejected by the voters in November 2018.
- F-3** The Cost Allocation Plan utilized from 2018 to present contains serious errors and lack internal controls.
- F-4** Per Standard & Poor's Global Rating Report, the electric system revenue bond rating has been downgraded from A- in 2007 to B (junk status) in 2026.
- F-5** The City of Banning is currently experiencing a monumental billing crisis due to an antiquated billing system and failed software rollout.
- F-6** The City of Banning has experienced a substantial turnover of essential personnel.
- F-7** Human resources policies and procedures are outdated and not enforced, leaving the City vulnerable to litigation.
- F-8** The City of Banning is currently operating without a strategic plan.

RECOMMENDATIONS

- R-1** Conduct a transparent audit of all BEU finances and ledger activity to determine if any fund transfers violated the terms of Propositions 26 and 218 after Measure P was defeated.
- Based on Findings: F-1, F-2, F-4
Implementation: January 1, 2027
Financial Impact: Low/Moderate
- R-2** Distinctly separate the BEU financial data from other City departments by reviewing best practices of other cities that operate their own municipal electric utilities.
- Based on Findings: F-1, F-2, F-4
Implementation: December 31, 2026
Financial Impact: Low/Moderate
- R-3** Manage Cost Allocation Plans to ensure current, accurate, and transparent documentation.
- Based on Finding: F-3
Implementation: January 1, 2027
Financial Impact: Low/Moderate
- R-4** Improve the financial management practices beginning with immediately balancing the budget and bolstering internal control processes. Complete all annual financial reports on time.
- Based on Finding: F-1, F-3, F-4, F-5, F-8
Implementation: July 1, 2027
Financial Impact: Moderate
- R-5** Review, compare, and implement a newer software application including Cloud solutions to update the current billing system.
- Based on Finding: F-5
Implementation: Immediately
Financial Impact: Moderate/High
- R-6** Initiate a comprehensive onboarding and offboarding program to include appropriate training, transfer of knowledge, and clarity for job responsibilities. Take all necessary steps to improve the culture through transparency, training and collaboration.
- Based on Finding: F-6
Implementation: Immediately
Financial Impact: Low

- R-7** Create a central policy location on SharePoint or similar program, organized by department, that is accessible and easy to locate. Update all policies and procedures to reflect current city, state, and federal guidelines and review and revise annually as needed. Enforce policies through staff training and accountability mechanisms.

Based on Finding: F-6 and F-7

Implementation: January 1, 2027

Financial Impact: Low/Moderate

- R-8** Promptly establish an impartial, thorough, and efficient investigation process for all harassment complaints utilizing qualified and trained personnel to ensure due process for every employee including elected officials.

Based on Finding: F-6 and F-7

Implementation: Immediately

Financial Impact: Low/Moderate

- R-9** Draft and implement a strategic plan to address all issues related to financial and personnel matters existing within the City of Banning.

Based on Finding: F-4 and F-8

Implementation: Immediately

Financial Impact: Low/Moderate.

REQUIRED RESPONSES

Governing bodies have ninety days to respond to Grand Jury report findings and recommendations. Elected officials have sixty days to respond to Grand Jury reports. Both governing bodies and elected officials must submit their written responses to the Grand Jury report findings and recommendations to their county's Presiding Judge. California Penal Code §933(c) and §933.05 outlines the parameters within which governing bodies are permitted to respond and how responses are structured.

Required Respondents:

60-90 day Respondents	Findings	Recommendations
Mayor Richard Royce Council Member Cindy Barrington Council Member Sheri Flynn Council Member Leroy Miller Council Member Colleen Wallace	F1 – F8	R1 – R9
City Treasurer Sue Savage	F1-F4	R1-R4

Invited Respondents:

60-90 day Respondents	Findings	Recommendations
City Manager, City of Banning 99 East Ramsey Banning, CA 92220	F1 – F8	R1 – R9
Riverside County Board of Supervisors Member, District 5	F1 – F8	R1 – R9

Courtesy copy:

Courtesy Respondent	Findings	Recommendations
California Attorney General	F1 – F8	R1 – R9

Reports issued by the Grand Jury do not identify individuals interviewed. Penal Code section 929 requires that reports of the Grand Jury not contain the name of any person or facts leading to the identity of any person who provides information to the Grand Jury.

Report Issued Date: 6-17-2026
Report Public Date: 6-24-2026
Report Due Date: 9-24-2026

ATTACHMENT 2

While we respect the valuable role the Civil Grand Jury can fulfill, and we agree with many of the findings in this report, this relatively new City Council and City Manager have already been hard at work trying to understand the nature of what it inherited, developing a road map to recovery, and then doing the most difficult work of executing on its plans.

The Council formed a team of experts in 2025 that have nationally recognized experience in repairing distressed public agencies. We have hired a new City Attorney and a City Manager. We adopted a comprehensive strategic plan called Banning 2030-- Designing our Future NOW! which represents the most in depth and transparent assessment of any public agency that we have seen¹. It resulted in various Strategic Initiatives that form our path forward. We were already immersed in its execution when receiving this Grand Jury report. Thus, the Grand Jury Findings and Recommendations are already being addressed.

If there are differences of opinion in our responses to the Grand Jury Findings and Recommendations, it is because we have thoroughly evaluated our inherited problems with subject matter experts. And the speed of implementing Grand Jury Recommendations may be different because of resource constraints of our distressed city, especially upon executing the first phase of our Workout Plan to Fiscal Sustainability. This will require unprecedented reductions in the City's budget to live within our current means.

The road to recovery for the City of Banning will be a multi-year effort that will require painful cuts in the near term and a complete community rethinking of desired service levels and how to pay for them in the future.

¹ [Banning 2030 – Designing the Future Today!](#)

GRAND JURY FINDINGS:

F-1 *“The Banning Electric Utility (BEU) went from a \$31 million surplus in 2018, to a \$9 million deficit in 2022.”*

F-1 **Response: Agree in part/Disagree in part**

The reason for the City's partial disagreement with this finding is because the financial details supporting the Grand Jury finding do not correspond to the City's financial records. However, the City agrees with the Finding's overall implications.

BEU Fiscal Data Extracted from Audited Financial Statements

	06/30/2018	06/30/2022	06/30/2023
Unrestricted Net Position	\$22 Million	\$4.9 Million	<-\$3.7 Million>
Cash	\$22 Million	\$4.3 Million	<-\$9.0 Million>

Our records show the BEU had an “Unrestricted Net Position” of \$22 million and Cash of the same amount at year end June 30, 2018². Unrestricted Net Position generally means unrestricted assets less liabilities. It reflects roughly how much spendable assets that it has available minus what it owes to others. We were unable to confirm how the Grand Jury determined that there was a “\$31 million surplus” in 2018.

The BEU had an Unrestricted Net Position of \$4.9 million and \$4.3 million in Cash at year end June 30, 2022³. BEU did not have a “\$9 million deficit” as stated in the Grand Jury Report.

However, on June 30, 2023, from a layperson's perspective, the BEU cash position was negative \$9 million before informally borrowing from other City Funds. Its Unrestricted Net Position was negative \$3.7 million⁴.

Despite the clarification regarding the factual financial data, the City generally agrees with the Finding's implication i.e., that the BEU finances went from a relatively healthy financial position to an unacceptable and greatly impaired one. Based upon the current financial data, the most substantial fiscal degradation occurred from 2021 to June 30, 2023.

In 2024 and continuing into 2025, the City identified and evaluated the causes of fiscal degradation of the BEU. The City has implemented various fiscal,

² [City of Banning FY18 Financial Statements](#)

³ [City of Banning Fiscal Year 2021-22 ACFR](#)

⁴ [City of Banning Fiscal Year 2022-23 ACFR](#)

operational, and managerial changes and controls to ensure that history does not repeat itself and that the BEU fiscal health is restored. The City anticipates that the BEU fiscal health will be completely restored on or before June 30, 2028.

As generally noted in the Grand Jury Report, we believe the primary causes of this crisis were due to a general lack of management controls and a corporate culture of decentralization from departmental management up to the City Manager's Office. The excessive BEU expenditures that contributed to the fiscal degradation were for improvements to the utility infrastructure that should have been funded by the issuance of debt rather than cash. Simply stated, it was cash that the BEU simply did not have on account. This occurred under a prior administration. The relevant management positions during that period have been filled with new individuals.

The current City Council hired a City Manager in February 2026 that has a proven track record of fiscal prudence and ethical governance. The City Council has adopted fiscal and organizational controls that will ensure the BEU fiscal health is restored. In addition, the City Council and the City Manager have and will continue to engage in open and transparent discussion at noticed public meetings to discuss the fiscal crisis currently facing the City.

F-2 *"Multiple sources have stated that the City of Banning may have transferred revenue from the BEU to the General Fund. These transfers would be in violation of Propositions 26 and 218 after Measure P was rejected by the voters in November 2018."*

F-2 **Response: Disagree in part**

The City partially disagrees with this finding. The City is not currently transferring revenue from the BEU to the general fund in violation of Proposition 26 or 218. In addition, the City can unequivocally state that the transfers alleged in the Grand Jury Report have not occurred over the last few years.

The City will do additional research regarding the potential of any historic transfers and address those transfers, if any exist, with the Council. The timing of that research is addressed in our response to Grand Jury Recommendation 1.

However, the following is offered to provide context, information, and explanation regarding the charges to the BEU. BEU is a separate Enterprise Fund that receives two charges, not unlike other special Funds in the City. There are certain internal services (self-insurance, fleet maintenance, utility billing, etc.) that are provided directly to the BEU and accounted for within the Internal Service Funds (ISFs). There are other indirect services that are funded by the General Fund and provided to the BEU, and other special Funds. These indirect costs are

calculated in the City's Cost Allocation Plan. Some examples include a share of the City Manager's Office, Human Resources, Finance, and other costs.

Outright "transfers" between the BEU and the General Fund are another matter. In our research of the past, we need to differentiate between transfers and Cost Allocation Plan charges.

Both service types (ISF and Indirect Costs) are allocated via Banning's Cost Allocation Plan (CAP). This is not unlike how cities and counties allocate their costs to Enterprise funds that charge user fees. The goal is to recover direct and indirect costs incurred. Our User Fee Schedule uses the same process.

We believe the present Cost Allocation Plan (CAP) appropriately allocates costs between the appropriate funds. The City identified and made various revisions to the CAP in FY 23-24 which was reviewed and accepted by the City's independent auditors. In addition, the CAP will be reviewed on an annual basis to ensure the CAP allocations are appropriate. See response to F3 for additional information regarding the CAP allocations.

In response to other Grand Jury assertions, Urban Futures Inc. was not contracted to conduct an audit of alleged "illegal transfers" nor was it asked to complete a "recovery plan for the BEU". They provided two deliverables: 1) a high-level assessment of the City's General Fund and Electric Utility along with a strategy to address the negative findings and 2) a 10-year fiscal forecast for the General Fund. The first deliverable was presented to the City Council on March 11, 2025⁵, and the second was presented to the City Council on May 14, 2026⁶.

It is important to clarify that the City does not have a policy that states:

"The Electric Operation Fund's administrative transfer to the General Fund is authorized at 10% of operational revenues. The rate will be reviewed by the City Council during the budget process."

It appears the Grand Jury was given a copy of an old version of "City of Banning Budgetary and Fiscal Policies" on September 30, 2025. This document and its language were in effect prior to the November 2018 election. The policies were later changed, and this language was removed. The last time the City has published a Budget document was for Fiscal Years 22-23 and 23-24⁷. On the 13th page of that PDF document, one can read the "General Budget and Fiscal Policies." Upon reading it, you will note the language referred to by the Grand Jury was eliminated. This information can be found on Banning's Webpage for Fiscal Services.

⁵ [City Council Video](#)

⁶ [City Council Video](#)

⁷ [Biennial Budget for Fiscal Years 2022-23 & 2023-24](#)

F-3 *"The Cost Allocation Plan utilized from 2018 to present contains serious errors and lack internal controls."*

F-3 **Response: Agree in part/Disagree in part**

The City partially disagrees with this finding. We believe the present Cost Allocation Plan (CAP) appropriately allocates costs between the appropriate funds. The City identified errors and made various revisions to the CAP in FY 23-24 CAP which was reviewed and accepted by the City's independent auditors. Given the current fiscal crisis and lack of available resources, the City has not had the opportunity to review the CAPs that predate FY 23-24.

The present CAP has been reviewed by the new Finance Director, and the appropriate modifications have been made to the CAP with costs being allocated to the appropriate funds. The new Finance Director has the expertise to audit and adjust the CAP, when necessary. The new City Manager has the fiscal prudence and experience to provide appropriate oversight and administration of the CAP to ensure it is properly implemented.

In addition, Banning used an outside vendor to develop the annual CAP in FY 22-23. The vendor developed the annual Cost Allocation Plan (CAP) using public sector best practices, which should have resulted in an equitable and appropriate allocation of costs among the relevant funds for that year.

F-4 *"Per Standard & Poor's Global Rating Report, the electric system revenue bond rating has been downgraded from A- in 2007 to B (junk status) in 2026."*

F-4 **Response: Agree**

The City agrees with this Finding with some clarification.

The bond rating is unacceptable and is a direct result of prior poor fiscal management and a lack of general management controls as we previously shared. Besides the well documented degradation of the BEU fiscal fundamentals, the General Fund fiscal distress also has an indirect impact on the bond ratings, along with the City's failure to timely file our audited financial statements. We have made it a priority to catch up on the timely filing and publishing of our financial statements, and we are working diligently to improve the condition of our General Fund. We have hired new staff with skills and values to implement the necessary and proper internal controls.

As a point of clarification, the BEU bonds' A- rating was reaffirmed in June 2022. Standard & Poor subsequently downgraded the rating from A- to BBB on March 20, 2024, from BBB to BB on May 2, 2024, and then to B+ in November 2025. It was ultimately lowered again to B in February 2026⁸.

The City Council hired a fiscally prudent City Manager and Finance Director that will lead the City out of the current fiscal crisis. In addition, the BEU now reports to a long time, engaged Public Works Director who in conjunction with the City Manager and Finance Director have and will continue to implement the necessary fiscal and operational changes necessary to restore the fiscal health of the BEU.

BEU also has a (City Council adopted) multi-year Workout Plan that is midway through its execution and implementation. Full implementation and realization of the City Council adopted Workout Plan is intended to restore BEU's finances to a healthy level by June 2028 or earlier. We anticipate this will eventually lead to a bond rating upgrade, once the bond rating agencies receive assurances that the City's governance, management, operations, and fiscal data are reliable and stable.

F-5 *"The City of Banning is currently experiencing a monumental billing crisis due to an antiquated billing system and failed software rollout."*

F-5 **Response: Agree in part/Disagree in part**

The City agrees that the City experienced a billing crisis from November 2024 to April 2026 but disagrees that the crisis is ongoing. We also disagree with the attempt to tie BEU fiscal mismanagement and the alleged inappropriate transfers with the Utility Billing crisis.

First and foremost, the City Council and the current leadership team want to acknowledge the hardship that was created by the billing crisis and apologize for the same. The City appreciates the patience and understanding that our customers have shown during the billing crisis.

The City wants to clarify that from November 2024 to April 2026 the City experienced an unprecedented billing crisis. As of April 2026, the City's utility billing processes are current, and the City is billing for utility consumption one month at a time.

However, because of the billing crisis and in fairness to bill payors who were negatively impacted by the billing crisis there were numerous requests for

⁸ [S&P Global February 3, 2026](#)

customer payment plans (at City Hall) to catch up on past due utility bills. This backlog has been greatly reduced.

On July 14, 2026, the City Council approved a modification to extend, through August 31, 2026, the chance to use the temporary payment plan that was adopted because of the billing crisis⁹. In addition, the City Council approved opening the utility billing department on two Saturdays during the month of August to assist those customers who wish to participate in the special payment plan but have been unable to do so because the utility billing counter is only open Monday – Friday from 8:00 am to 5:00 pm. Finally, the City Council is not charging for late fees as it did under normal circumstances.

The City reviewed, acknowledges, and understands the failures in both the purchasing and the roll out of new billing software which resulted in an unsuccessful transition from one software system to another. Additional information regarding the City's response to the billing crisis and next steps can be found in our response to Recommendation 5 of this report and in the City Strategic Plan that was adopted in February 2026.

The City strongly disagrees that poor fiscal management and alleged inappropriate transfers from the BEU to the General Fund has anything to do with the utility billing crisis. It is clear the errors occurred in the purchase of the new billing software and its implementation.

With respect to the Grand Jury's response to the City "double billing" for electrical services; it is important to put that reference in the proper context. Due to problems with the new software billing system, the City did not issue any utility service bills for a six-month period. To catch up, the City then issued the six missed bills, until the backlog was resolved and billing returned to its normal monthly cycle for current consumption only. As a result, over the twelve months following the outage, customers received a total of eighteen bills: six bills that had been missed and were being caught up, followed by the twelve bills for current usage during that period.

F-6 *"The City of Banning has experienced a substantial turnover of essential personnel."*

F-6 **Response: Agree**

The City agrees with this Finding. There are numerous reasons for this negative trend. The City's Strategic Plan has discussed this fact and has recommended various initiatives to reduce turnover; however, near-term efforts will be hampered by the fact the City has to make unprecedented budget cuts in the General Fund to address an inherited fiscal crisis. The City is hiring excellent and

⁹ [City Council Video](#)

experienced executives and attempting to reinforce a new sense of stability, transparency, and ethical governance. Our new Strategic Plan is a key part of reinforcing the City's long-term stability, transparency, and ethical governance.

F-7 *"Human resources policies and procedures are outdated and not enforced, leaving the City vulnerable to litigation."*

F-7 Response: Agree in part/Disagree in part

The City agrees with the Finding that its Human Resources policies are outdated. We disagree with the Finding that procedures are not enforced.

It appears the Grand Jury's Finding is related to four basic cases.

1. The current staff that are pertinent to the P-Card program (Finance Director, Purchasing Manager, and City Manager) are all new to the City and take their fiduciary responsibility very seriously. Any clear illegal activity will be forwarded to law enforcement as appropriate. The principals (Finance Director, Purchasing Manager, and City Manager) will participate in updating the P-Card policy and practices along with providing proper training as found in our response to Recommendation 7.
2. A City Official complaint that was filed in March 2025 was inaccurately described in the Grand Jury report (page 11-12). The City followed appropriate practices including, but not limited to, forwarding the complaint to our Joint Powers Authority (JPA) for employment practices claims.

This process is consistent with our Memorandum of Coverage (MOC) that clearly defines coverage as "any person who is an Employee of a Covered Party...whether compensated or not, while acting in an official capacity for or on behalf of such Covered Party, including while acting on any outside board at the direction of such Covered Party." Furthermore, the MOC defines "Employee" as any person whose labor or services is engaged and directed by a Covered Party, whether past, present or future, including a volunteer, official, or applicant for employment. This includes part-time, seasonal, temporary labor or services, as well as any person employed in a supervisory, managerial, or confidential position."

The JPA thoroughly reviewed the complaint and took the appropriate steps regarding the same. There was no "disciplinary action." It is critical that we follow and comply with the MOC to maintain our insurance coverage.

3. The Grand Jury report also highlighted an "harassment complaint", which again, is inaccurately described in the Grand Jury report (page 12). We

disagree with the assertion that this case was handled inappropriately. This incident was appropriately reviewed, the City official apologized to the complainant and appropriate action was taken to ensure a Safe Workplace for City employees. The City takes complaints of harassment including inappropriate physical contact, and/or bullying behavior seriously. Once the City is aware of inappropriate behavior/conduct, we will follow the procedures set forth in our MOC with our JPA and the City will implement proactive risk management processes to ensure the safety of City employees.

Additional clarification is warranted to a Grand Jury assertion that: "The accusation against the official was also publicly announced during a City Council meeting, breaching their confidentiality prior to having had a chance to disclose their side of the story." This is simply inaccurate. It was actually the official that publicly broached the complaint at the Council meeting. And since it was inaccurately described and confusing to the audience, additional context was provided to correct the official's inaccurate comments.

4. Finally, the Grand Jury discussed (page 12) the hiring decision of an employee with a criminal record that appeared to violate City policy. And when a background check was initiated, it was asserted that the City Manager directed staff to use an incorrect birth date (the City has not been able to corroborate this assertion), leaving the reader to assume this was an attempt to avoid discovering the applicant had a criminal past.

The Grand Jury asserts that City hiring policy and procedures were violated when the above-mentioned hire was consummated. However, that policy was last updated on October 23, 2012, and ultimately conflicted with a new State law (The Fair Chance Act¹⁰) that was effective January 1, 2018.

Much like most City policies, the 2012 policy anticipated potential state law changes thus it included "Section 8. Consistency With Present Law". This section is unequivocal--when a change in Federal or State law renders the policy inconsistent, the new law will govern.

The Fair Chance Act essentially is designed to reduce barriers for people with conviction histories. It limits background checks until after a conditional job offer and provides guidance on when an employer moves forward with hiring or withdraws a conditional job offer. The Act is very clear--an employer cannot refuse to hire someone just because they have a criminal record. The employer must do an "individualized assessment" of the criminal facts vs. the job duties.

The City's act of hiring a person with a record did not specifically violate City policy per se. However, our review of the City files cannot find with certainty that the best practices as outlined by the CA Civil Rights Department for

¹⁰ [Govt Code 12952](#)

compliance with the Fair Chance Act were indeed followed by the hiring authority.

The employee in question is no longer employed with the City.

F-8 *"The City of Banning is currently operating without a strategic plan."*

F-8 Response: Disagree

The City disagrees with this Finding. Banning's Strategic Plan "Banning 2030 Designing our Future NOW!" was thoroughly discussed at an all-day City Council Workshop on November 25, 2025¹¹ (video on the City Webpage) and formally adopted on February 24, 2026¹². The completed Strategic Plan has been posted on the City Webpage¹³ since its adoption along with videos that captured the Workshop and adoption discussions. We attempted to send a copy of the Strategic Plan to the Grand Jury in late April, immediately after it was requested. It is apparent that the Grand Jury knew about the Plan given their reference to the Strategic Plan workshop.

The Plan reflects an unprecedented and transparent self-assessment along with a detailed road map for Banning's best future. It covers most of the topics in this Grand Jury report.

One of its Strategic Initiatives, the Workout Plan to Fiscal Sustainability is again, a transparent discussion about the fiscal management errors of the past and the difficult road to fiscal recovery. On May 14, 2026, a City Council Workshop on this Workout Plan was publicly held, and direction was given by the Council going forward¹⁴. The Council adopted a Fiscal Emergency on June 23, 2026¹⁵, and recently provided direction to the City Manager when compiling the FY 26-27 Budget, the first phase of the Workout Plan. Other Strategic Initiatives are being implemented in accordance with the Strategic Plan and as the City's finances permit.

¹¹ [City Council Video](#)

¹² [City Council Video](#)

¹³ [Banning 2030 – Designing the Future Today!](#)

¹⁴ [City Council Video](#)

¹⁵ [City Council Video](#)

RECOMMENDATIONS

- R-1 *“Conduct a transparent audit of all BEU finances and ledger activity to determine if any fund transfers violated the terms of Propositions 26 and 218 after Measure P was defeated.”*

Based on Findings: F-1, F-2, F-4

Implementation: January 1, 2027

Financial Impact: Low/Moderate

R-1 Response: To Be Implemented

The City will conduct a thorough review of the accounting activity mentioned in the Grand Jury recommendation by January 1, 2027. The results will be shared at the appropriate City Council meeting.

- R-2 *“Distinctly separate the BEU financial data from other City departments by reviewing best practices of other cities that operate their own municipal electric utilities.”*

Based on Findings: F-1, F-2, F-4

Implementation: December 31, 2026

Financial Impact: Low/Moderate

R-2 Response: Implemented

The City has already separated BEU financial data consistent with Generally Accepted Accounting Practices (GAAP)¹⁶. Nonetheless, we will reach out to other cities with their own electrical utilities to see if improvement is warranted, prior to the completion of the Fiscal Year 2025/26 Audit and preparation of the Annual Comprehensive Financial Report for that same year.

- R-3 *“Manage Cost Allocation Plans to ensure current, accurate, and transparent documentation.”*

Based on Findings: F-3

Implementation: January 1, 2027

Financial Impact: Low/Moderate

R-3 Response: Implemented

¹⁶ [Governmental Accounting Standards Board](#)

This recommendation was implemented by the Finance Director in June 2026. The CAP will be reviewed by the Finance Director on an annual basis to ensure the CAP allocations are appropriate as part of the annual budget process.

R-4 *“Improve the financial management practices beginning with immediately balancing the budget and bolstering internal control processes. Complete all annual financial reports on time.”*

Based on Finding: F-1, F-3, F-4, F-5, F-8

Implementation: July 1, 2027

Financial Impact: Moderate

R-4 Response: To Be Implemented

Our view of this Recommendation is partly driven by our disagreements on the underlying Findings for this Recommendation.

The current new Finance staff have already improved the financial management practices, including internal controls. Staff proposed new Budgetary and Fiscal Policies at the Council’s Workout Plan Workshop on May 14, 2026. The City Council has recently declared a Fiscal Emergency and has directed the City Manager to submit a proposed budget that is structurally balanced, i.e., ongoing revenues cover ongoing expenditures with accurate estimates for incoming revenues. There will be Council budget workshops in August with budget adoption anticipated on September 8th. At these budget workshops, staff will ask the Council to discuss and adopt the proposed new Budgetary and Fiscal Policy document, which is specifically designed to prevent a repeat of the fiscal crisis that we are dealing with today. However, given the estimated structural General Fund deficit, inherited from the previous administration, is slightly over one-third of the total budget, the necessary cuts are anticipated to be significant and unprecedented.

City staff will attempt to complete all financial reports on time, by July 1, 2027, but they are reliant on the outside auditors to schedule their work to complete the Annual Comprehensive Financial Report (ACFR).

R-5 *“Review, compare, and implement a newer software application including Cloud solutions to update the current billing system.”*

Based on Finding: F-5

Implementation: Immediately

Financial Impact: Moderate/High

R-5 Response: Not warranted/unreasonable

We believe the Grand Jury's complete Recommendation is not warranted, it is too prescriptive, and it runs the risk of repeating the crisis. The utility billing software needs to properly interface with the City's finance and accounting systems. They are joined "at the hip". Any new utility billing system must be evaluated vis-à-vis our finance system for the entire City. However, we share the goal of the Recommendation, which is to provide the utility billing program with the proper tools to do the job.

The Banning's Strategic Plan has identified a different two-phase approach related to the City's utility billing program. Banning's Strategic Plan has a Strategic Initiative 4b "Two Phase Evaluation of City's Utility Billing Program". It differs with the Grand Jury's Recommendation--in its steps, thus its timeline and possibly outcomes also differ.

Phase 1--Work with Naviline, our current Finance software vendor, to install the latest utility billing software version. Estimated completion of July 2027. Utility Billing staff are currently attending weekly training sessions with Naviline support staff to understand the software more thoroughly and to implement best management practices within the system.

Phase 2--Conduct a complete business process review of utility billing. And based on the results, consider buying a new utility billing system. Estimated completion of November 2027. The pros and cons of a Cloud solution will be assessed at that time.

Again, we have thoroughly reviewed the past to inform our plans for moving forward. You will also note that we previously opined on the causes of Banning's fiscal crisis, namely the lack of management controls and the extreme decentralization of key decisions. This organizational structure contributed to the utility billing crisis as well. As recommended in our new Strategic Plan, we have changed the role and reporting relationship for the Information Technology function. It will now report directly to the City Manager's Office and take on a robust role in overseeing the purchase and implementation of new software applications.

R-6 *"Initiate a comprehensive onboarding and offboarding program to include appropriate training, transfer of knowledge, and clarity for job responsibilities. Take all necessary steps to improve the culture through transparency, training, and collaboration."*

Based on Finding: F-6
Implementation: Immediately
Financial Impact: Low

R-6 Response: To Be Implemented

The offboarding and organizational culture program recommendations have already been discussed and prioritized in Banning's Strategic Plan.

Human Resources is consumed with competing priorities which are related to the significant budget reductions that are anticipated and forthcoming. Thus, our implementation timeframes will be different than the Grand Jury's recommendation. The City's deadlines outlined below are specifically driven by the current fiscal emergency and will be reported to the City Council at a future meeting.

The City will have a new comprehensive onboarding and offboarding program ready to implement by November 1, 2026.

With respect to developing the new Banning organizational culture, Human Resources will have a detailed program to implement by January 1, 2027.

R-7 "Create a central policy location on SharePoint or similar program, organized by department, that is accessible and easy to locate. Update all policies and procedures to reflect current city, state, and federal guidelines and review and revise annually as needed. Enforce policies through staff training and accountability mechanisms."

Based on Finding: F-6 and F-7
Implementation: January 1, 2027
Financial Impact: Low/Moderate

R-7 Response: To Be Implemented (The use of SharePoint was implemented prior to this report. Updating policies will be implemented by October 1, 2026, and training will occur by November 1, 2027.)

Human Resources will update its policies to reflect current law and best practices by October 1, 2026. Finance will update their P-Card policies by October 1, 2026. This will be followed up with a training symposium soon thereafter. However, the new City of Banning Budgetary and Fiscal Policy will be presented to Council during the budget workshops in August 2026 and ultimately adopted either at the workshop or on September 8, 2026, when the final budget is adopted. With respect to the recommendation of using SharePoint, this was implemented prior to this report.

Again, we disagree with parts of Finding 7 regarding inadequate Human Resources procedures. As part of updating policies, we will review our procedures as needed, while maintaining compliance with our MOC.

R-8 *"Promptly establish an impartial, thorough, and efficient investigation process for all harassment complaints utilizing qualified and trained personnel to ensure due process for every employee including elected officials."*

Based on Finding: F-6 and F-7
Implementation: Immediately
Financial Impact: Low/Moderate

R-8 Response: Implemented

Since the City has substantial disagreement on Finding 7, we disagree with the underlying premise of this Recommendation. The Grand Jury simply erred on the facts regarding three cases, thus drawing wrong conclusions.

The Recommendation was already implemented. We will continue to use our processes and the services of our two JPAs consistent with our MOCs¹⁷. To the extent that we deviate from our MOC, we run the risk of being pushed out of the JPA, which provides us the needed insurance coverage.

R-9 *"Draft and implement a strategic plan to address all issues related to financial and personnel matters existing within the City of Banning."*

Based on Finding: F-4 and F-8
Implementation: Immediately
Financial Impact: Low/Moderate

R-9 Response: Implemented

As stated in our Response to Finding F-8, this Recommendation was already completed and implementation began February 24, 2026, when Banning's Strategic Plan was adopted by the City Council.

¹⁷ Public Entity Risk Management Authority and Employment Risk Management Authority