

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).<sup>1</sup> 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) document<sup>2</sup> 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.

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

<sup>2</sup> [www.swotanalysis.com/cityofbanning](http://www.swotanalysis.com/cityofbanning), accessed May 12, 2026.

## **BACKGROUND**

The City of Banning was incorporated in 1913 as a General Law city.<sup>3</sup> 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 Gorgonio Pass, approximately thirty miles east of the City of Riverside, between Mount San Gorgonio 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.<sup>4</sup> 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

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

<sup>4</sup> <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](http://spglobal.com)
- California League of Cities [www.cacities.org](http://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.<sup>5</sup> 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.<sup>6</sup>

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

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<sup>5</sup>*Banning Electric Utility Under Scrutiny Amid \$9 Million Shortfall /Banning, CA Patch.*  
[https://ballotpedia.org/banning\\_california](https://ballotpedia.org/banning_california), accessed May 12, 2026.

<sup>6</sup> <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)<sup>7</sup> 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

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<sup>7</sup> 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).<sup>8</sup> 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			In default
/	D	D	
/			



WOLFSTREET.com

<sup>8</sup> Corporate Credit Rating scales May 12, 2026.

### *Billing Crisis*

Banning is currently experiencing a monumental billing crisis that has deeply affected the citizens.<sup>9</sup> 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.

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<sup>9</sup> *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.<sup>10</sup> 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

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<sup>10</sup> <https://banningca.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:**

<b>60-90 day Respondents</b>	<b>Findings</b>	<b>Recommendations</b>
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:**

<b>60-90 day Respondents</b>	<b>Findings</b>	<b>Recommendations</b>
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:**

<b>Courtesy Respondent</b>	<b>Findings</b>	<b>Recommendations</b>
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