

Capitola City Council

Agenda Report

Meeting: July 24, 2025

From: City Manager Department

Subject: Community Grant Program



Recommended Action: 1) Provide direction to staff on the upcoming Community Grant Program term length and other program details; 2) consider grant priorities for the use of restricted Early Childhood and Youth Programming funds; and 3) appoint City Council Members to a subcommittee to review grant applicants and prepare funding recommendations.

Background: In 2020, the City contracted with Optimal Solutions Consulting to evaluate and improve the City's Community Grant Program. In early 2022, a Council subcommittee was formed to review the City's Community Grant Program and provide recommendations on the application process and grant cycle. On May 26, 2022, the Council approved several of the subcommittee's recommendations to increase accessibility and transparency, including:

- A simplified application process
- A three, rather than two, year grant cycle (next cycle to begin Summer 2025)
- Clear funding allocations and priorities
- A simplified reporting process, requiring one presentation to Council per grant cycle, and only for Outcome Grant recipients (organizations receiving \$7,500/year or more)

In FY 2022–23, Council allocated \$125,000 to the Community Grant Program, with an additional \$64,000 set aside for Early Childhood and Youth Programming (ECYP). This funding allocation was repeated in FY 2023-24 and FY 2024-25 budgets, consistent with Council's direction for a three-year grant cycle.

In 2022, Council approved the creation of three grant categories, along with a proportional funding structure:

- Stable/Affordable Housing and Shelter: 50% of total funds
- Health and Wellness: 30% of total funds
- Healthy Environment: 20% of total funds

Two types of grants were also recommended:

- Operational Grants (up to \$7,500) *limited to 30% of total funds*
- Outcome Grants (\$7,500–\$15,000) *prioritized to receive 70% of total funds*

This direction was included in a Notice of Funding Available (NOFA) and the City accepted applications in summer 2022. The City received 24 applications from 23 organizations. Notably:

- Only two applications self-categorized as Stable/Affordable Housing and Shelter, despite this being the highest funding priority
- One application fell under Healthy Environment
- Thirteen applications were identified as Health and Wellness, exceeding the intended allocation

Council designated a subcommittee to review applications and make an initial funding recommendation. The subcommittee met with staff and, to avoid underutilizing available funding, prioritized applicant eligibility and proposed impact over adherence to the predetermined category allocations. This allowed for full use of available funds and broadened program impact; and resulted in a subcommittee recommendation for all applicants to receive grant funding. A list of 2022-2025 grant recipients is included as Attachment 1.

The subcommittee also noted that many applicants did not provide a specific funding amount in their applications. Most indicated only a preference for Operational or Outcome Grants, likely due to the fixed

ranges tied to each. Staff has created a new and improved online grant application, including a required dollar-amount request field for clarity.

Discussion: During special hearings in preparation for the now-approved FY 2025-26 Budget, Council posed questions regarding the Community Grant Program related to term length and reporting requirements, and the overall Community Grant Program funding structure. Now, staff recommends Council designate members to a subcommittee to review grant applications and make an initial funding allocation, and requests direction on the following:

1. **Grant Term Length:** The current three-year grant cycle was recommended and approved by City Council in 2022, to offer greater consistency and administrative efficiency than the previous two-year cycle. At the time of this decision, staff received positive feedback from past grantees, citing the three-year cycle meant they spent less administrative time applying for grants, and appreciated the funding stability for a longer time frame.

Staff will administer the program with a grant cycle length as directed by City Council.

2. **Grant Reporting Requirements:** The current requirement for Outcome Grant recipients (approved by Council in 2022) is to report to the City Council once within the three-year grant period. At that time, the Council's goal was to streamline the program to allow applicants flexibility so that non-profits awarded funding could focus on their programs and community services. This requirement was also developed to keep efficient Council meeting agendas in mind. If each grant recipient (23 organizations) provided a presentation to the City Council each year, this could potentially amount to three hours of meeting time per calendar year.

Staff recommends the current reporting requirement remain in place (one public presentation to Council per grant cycle, by Outcome grantees only). If Council wants to increase reporting, staff suggests adding a written summary of how Capitola Community Grant funds contributed to the success of programs, to be submitted to City Council once over the grant cycle.

3. **Grant Categories and Funding Allocation:** As previously outlined, there was a misalignment between the pre-allocated funding for the three Council-approved grant categories (Stable/Affordable Housing and Shelter, Health and Wellness, and Healthy Environment) and the 2022 applicants' self-categorization. However, if the Council is comfortable with flexibility, rather than strict adherence to pre-allocating specific funding amounts, staff suggests maintaining the three grant categories and overall budget amount, but not pre-allocating funding to each category. Applications would be reviewed through the subcommittee process, for ultimate consideration by the full City Council.
4. **Early Childhood and Youth Programming (ECYP) Funding:** Starting in 2018, the City received restricted funding from a portion of Transient Occupancy Tax (TOT). Since then, Council has allocated a portion of this restricted fund to the Community Grant Program, without specified grant priorities. In 2022, Council did not specify additional funding priorities for ECYP grant applications because the funding is restricted to applicants primarily serving children and youth.

Historically a portion of the City's Community Services and Recreation Department Scholarship Program was funded by ECYP funds, in addition to donations from the School District and Junior Guards Parents Club. The Scholarship Program fund balance is not suffice to meet projected needs, therefore staff recommends allocating \$15,000 of ECYP Funding towards the program. This would allow the remaining ECYP funds (\$49,000) to be available for the community grant program.

As discussed during the Budget Hearing, Council could establish a priority for the ECYP grants for specific community services or programming.

Next Steps: With direction from Council, staff will issue a NOFA, post the grant opportunity on the City website and on social media, collect applications, and work with the Council-appointed subcommittee to bring an initial funding recommendation to the whole Council early this fall. If Council makes formal grant awards by the end of October, staff will have time to process and issue grant payments before the end

of 2025. Typically, grantees receive funding in two payments: half in December and the second half in June.

Fiscal Impact: None. City Council approved FY 2025-26 Budget, which allocated \$133,000 in general funds and \$64,000 in ECYP funds to the Community Grant Program.

Attachments:

1. List of Past Grant Recipients

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