TOWN OF LOS GATOS
COUNCIL AGENDA REPORT

MEETING DATE: 11/17/2026
ITEM NO: 13

DATE: November 10, 2026

TO: Mayor and Town Council

FROM: Chris Constantin, Town Manager

SUBJECT: **Adopt a Resolution Finding the FY 2026-27 Sustaining Grants Serve a Public Purpose and Authorize Disbursement of Sustaining Grants Contingent on Verification of Good Standing**

RECOMMENDATION: Adopt a resolution finding that the FY 2026-27 Sustaining Grants serve a public purpose and authorize the Town Manager, or designee, to disburse approved grant funds upon verification that each recipient satisfies the good-standing requirements identified in this report.

FISCAL IMPACT:

Approval of the recommended action authorizes the disbursement of previously appropriated FY 2026-27 Sustaining Grant funds totaling approximately $110,500. No additional appropriation is required because funding was previously approved through the FY 2026-27 Final Budget. Any grant funds not awarded shall remain available for reappropriation or return to the General Fund in accordance with Town budget procedures.

STRATEGIC PRIORITY:

Nexus to the top priority “Ensure prudent financial management to result in structurally balanced five-year forecasts.” Aligns to the additional priority “Develop structure to ensure accountability of how funding resources move forward the Town’s core goals and priorities.”

Some community grants may have a direct alignment and/or nexus to one or more of the following additional priorities, including:

- “Ensure all residents and visitors feel a sense of belonging in Los Gatos, maintaining and enhancing the Town as a welcoming, family-oriented, safe, and inclusive community.”
- “Continue to engage community service providers to meet the needs of older adults.”

PREPARED BY: Ryan Baker
Library Director

Reviewed by: Town Manager, Assistant Town Manager, Town Attorney, and Administrative Services Director

- "Continue to engage community service providers to meet the individualized and complex needs of unhoused residents, while pursuing a more coordinated regional approach."

BACKGROUND:

The Town has been awarding Community Grants since 1992, with numerous changes to the program over the following decades, with significant program changes beginning in 2020 and the most recent changes to the program coming before Council on August 19, 2025.

The Sustaining Grants amounts were set and unanimously approved by the Town Council at their regular meeting on August 19, 2025, in the following amounts:

- $23,000 for Live Oak Nutrition for hot meal services
- $2,500 to St. Vincent de Paul for the laundry program
- $20,000 to West Valley Community Services for human services support
- $20,000 for rental assistance (with staff to work with St. Vincent de Paul and the Los Gatos Anti Racism Coalition to fairly appropriate)
- $10,000 for Counseling and Support Services for Youth (CASSY)
- $10,000 for Next Door Solutions to Domestic Violence
- $6,000 for St. Luke's for food pantry support
- $7,800 to the Los Gatos United Methodist Church for the shower program

Additionally, supplemental funds and modifications to the above were approved in a 3-2 vote by the Town Council on August 4, 2026:

- Additional $1,200 to St. Vincent de Paul for towel and laundry vouchers
- Additional $5,000 to St. Vincent de Paul for rental assistance
- Additional $10,000 to Live Oak Nutrition for hot meal service
- Reduce CASSY funding from $10,000 to $5,000

Following these actions, concerns were raised regarding the administration and oversight of the Community Grants program, including both Sustaining and Competitive Grants. In response, the issuance of all FY 2026-27 Community Grants was placed on administrative hold pending further review. As a result, no Community Grant funds have been disbursed to any organization for FY 2026-27.

Additional concerns regarding financial reporting by the Los Gatos Anti Racism Coalition resulted in a referral of the grant to the Town's external auditor to perform a more in-depth review of any Town grants reaching back to 2022, which is anticipated to begin shortly.

The administrative hold has provided an opportunity for staff to review grant documentation, identify outstanding compliance and reporting requirements, and develop a process to ensure that previously approved Sustaining Grant funds are released only to eligible organizations that satisfy the Town's requirements. This report presents staff's recommended approach for moving forward with the FY 2026-27 Sustaining Grants while maintaining appropriate fiscal oversight and accountability.

DISCUSSION:

In response to the concerns that resulted in the administrative hold on FY 2026-27 Community Grant disbursements, staff has developed a process to address outstanding documentation and accountability requirements while allowing previously approved Sustaining Grants to move forward. The proposed approach is intended to balance the Town's responsibility to ensure the appropriate use of public funds with the desire to provide timely support to the community organizations and residents served by these grants.

Staff's recommendation has two primary components: (1) adoption of a resolution affirming that the previously approved Sustaining Grants serve a public purpose; and (2) authorization for staff to process and disburse grant funds once each organization has satisfied the good-standing requirements outlined in this report.

Public Purpose Determination

Article XVI, Section 6 of the California Constitution generally prohibits the expenditure of public funds for private purposes. However, public funds may be used to support activities that serve a legitimate public purpose and provide a substantial benefit to the community.
The Sustaining Grants previously approved by the Town Council support services addressing community needs, including nutrition, housing stability, human services, youth counseling, domestic violence prevention, food access, and hygiene services. These activities provide direct or indirect benefits to the Los Gatos community and further legitimate municipal interests. Although the Town Council previously approved the individual grant allocations, staff recommends that Council formally adopt a resolution documenting its determination that these expenditures serve a public purpose consistent with Article XVI, Section 6 of the California Constitution. The proposed resolution (Attachment 1) establishes this finding and provides a formal record of Council's determination before the previously approved funds are disbursed.

Grant Processing and Good-Standing Requirements

Because the Town Council has already taken legislative action approving the Sustaining Grant allocations, staff is not recommending that the grants undergo another competitive evaluation or grant-rating process. Instead, staff recommends proceeding with the previously approved allocations, contingent upon verification that each recipient meets the applicable good-standing requirements.

These requirements are intended to confirm that organizations receiving public funds have satisfied applicable tax-exempt, charitable registration, financial reporting, business licensing, and administrative requirements. Staff proposes the following minimum documentation and verification criteria:

a. **IRS Tax-Exempt Status and Filings:** Confirmation through the IRS Tax Exempt Organization Search that the organization is listed on IRS Publication 78 as tax-exempt; submission of the organization's applicable 2025 IRS Form 990-series return, accounting for organizations with different fiscal years and filing deadlines; and confirmation that the organization's applicable 2024 IRS Form 990-series return shows as received by the IRS. These requirements do not apply to organizations exempt from applicable IRS filing requirements.
b. **California Charitable Registration:** Verification through the California Attorney General's Registry of Charitable Trusts that the organization is listed as "current," "current – in process," or "exempt," as applicable. This requirement does not apply to organizations exempt from Registry requirements.
c. **Prior Grant Reporting:** Confirmation that all required Community Grant reporting documentation for FY 2024-25 and FY 2025-26 is complete and has been reviewed and accepted by the Finance Department. Acceptance requires that reported expenditures be sufficiently documented, consistent with the approved grant purposes, and supported by appropriate financial records. Records requiring additional information or clarification shall remain outstanding until the Finance Department confirms acceptance in writing.
d. **Town Business License:** Confirmation that the organization's Town business license requirements are satisfied, unless the organization is exempt under the Town Code.
e. **Conflict of Interest Disclosure:** Submission of a completed conflict of interest form with signature affirmation affirming potential conflict relationships.
f. **Grant Application:** Submission of a completed grant application.

Staff proposes that verification of these requirements be coordinated through the Library Director, as the program administrator; the Administrative Services Director, representing the Finance Department; and the Town Manager. Grant funds will not be released until the required documentation has been reviewed and the organization's good standing has been established.

Process for Organizations Requiring Additional Documentation

Based on staff's preliminary review, all previously approved Sustaining Grant recipients have at least one outstanding documentation or compliance item that must be addressed before grant agreements can be executed and funds can be disbursed.

To provide organizations a reasonable opportunity to satisfy the requirements without further unnecessarily delaying the distribution of community grant funding, staff recommends allowing organizations 60 days to remedy outstanding items after notification by the Town.

If an organization is unable to establish good standing within the 60-day period, it will be deemed ineligible to receive its previously approved grant allocation and will be removed from its status as a Sustaining Grantee. Any associated unissued grant funds will be returned to the General Fund.

The Los Gatos Anti Racism Coalition will be subject to a separate process due to the outstanding independent audit. The organization will have 30 days following the final audit determination to remedy any identified issues, consistent with the requirements established by the Town. Should the Council determine it wants to delay approval until completion of the audit, the Council can remove this grantee, or any other grantee, for future consideration. Grant checks will be processed directly to individual grantees once good standing has been established.

For reference, staff's preliminary review of the current standing of each previously approved Sustaining Grant recipient is summarized below:

- **Live Oak Nutrition:** Requires remedy for outstanding reports, inadequate financial documentation, and conflict of interest form.
- **CASSY:** Requires remedy for charitable trust registration determination and conflict of interest form.
- **St. Vincent de Paul (laundry):** Requires conflict of interest form.
- **St. Vincent de Paul (rental assistance):** Requires remedy for inadequate financial documentation and conflict of interest form.
- **West Valley Community Services:** Requires remedy for inadequate financial documentation and conflict of interest form.
- **Next Door Solutions:** Requires remedy for inadequate financial documentation and conflict of interest form.
- **Los Gatos United Methodist Church:** Requires conflict of interest form.
- **St. Luke's Episcopal:** Requires conflict of interest form.
- **Los Gatos Anti Racism Coalition:** Requires completion of the independent audit process and resolution of any resulting issues, as well as outstanding good-standing documentation, including the conflict of interest form.

Finance Commission Recommendations

The proposed good-standing requirements represent a more limited set of documentation and verification criteria than those recommended by the Finance Commission (Attachment 2). Staff considered the Finance Commission's recommendations and are implementing some but not all of the elements. For next year’s grants, staff will fully consider the Finance Commission’s recommendations, but for the current year due to the Town reaching the mid-year, addressing the most significant weaknesses balances the need to ensure accountability with the purpose of issuing grants to provide the funded activity.

Staff therefore recommends proceeding with the more focused verification requirements outlined in this report to address the immediate concerns associated with the FY 2026-27 Sustaining Grants. The broader recommendations of the Finance Commission can be considered separately as part of a future review of the Community Grants program and its ongoing administrative and oversight structure.

CONCLUSION:

The proposed approach provides a path to move forward with the FY 2026-27 Sustaining Grants while addressing the concerns that resulted in the administrative hold. It establishes a formal public-purpose determination, requires verification of each recipient's good standing before funds are released, and provides a defined process and timeframe for organizations to resolve outstanding documentation and compliance issues.

Staff believes this approach appropriately balances fiscal accountability, administrative capacity, and the Town's interest in ensuring continuity of community services supported through the Sustaining Grants program.

Adoption of the recommended resolution (Attachment 1) and staff's proposed processing requirements does not guarantee that any organization will receive its previously approved allocation. Disbursement remains contingent upon each organization satisfying the applicable good-standing requirements within the established timeframe. Any funds associated with organizations that fail to meet these requirements will remain undistributed and will be returned to the General Fund, consistent with Town budget procedures.

ALTERNATIVES:

If Council does not wish to proceed with the staff recommendation, staff suggests that the Council instead suspend Sustaining Grants for FY2026-27 and revisit the program structure in its entirety at a later date.

COORDINATION:

This item was coordinated between Town Management, the Finance Department, the Town Attorney, and the Library Department.

ENVIRONMENTAL ASSESSMENT:

This is not a project defined under CEQA, and no further action is required.

Attachments:

1. Draft Resolution of the Town Council of the Town of Los Gatos Finding that the Fiscal Year 2026-27 Sustaining Grants Serve a Public Purpose Consistent with Article XVI, Section 6 of the California Constitution
2. Board and Commission Updates for October 16, 2026