



**TOWN OF LOS GATOS
COUNCIL AGENDA REPORT**

MEETING DATE: 09/03/2019

ITEM NO: 9

DATE: August 27, 2019
TO: Mayor and Town Council
FROM: Laurel Prevetti, Town Manager
SUBJECT: Provide Direction Regarding the Town's Priorities for its Annual Community Grants Program

RECOMMENDATION:

Provide direction regarding the Town's Priorities for its annual Community Grants Program.

BACKGROUND:

The Town of Los Gatos has been awarding community grants for almost twenty-five years, creating a resolution in 1992, revised in 1993 (Resolution 1993-173), to support community groups working towards the benefit of Los Gatos residents with grant funding. Until FY2011/12, community grants were administered by the Town of Los Gatos Community Services Department. This Department administered an approximate average of \$100,000 of General Fund money for grants as well as an approximate average of \$36,000 of federal Community Development Block Grants (CDBG) funds to local non-profit agencies each year.

In FY2011/2012, the Community Services Department was dissolved. At that time, administration of the community grant program was moved to the Town Manager's Office and CDBG funds were diverted to the County of Santa Clara's Housing and Community Development Advisory Committee for distribution. In December of 2015, Town Council directed staff to evaluate and revise the grant application process and subsequent reporting requirements, which continued to use a cumbersome federal framework that had originally been necessary for CDBG funds but had since become obsolete.

In 2018, the Arts and Culture Commission (ACC), with support from the Community and Senior Services Commission (CSSC), reworked the application process to streamline workload for both Town staff and grant applicants. This new application format was utilized for the first time for the FY19/20 grant cycle and has received positive feedback from applicants. Staff is currently in

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Library Director

Reviewed by: Town Manager, Assistant Town Manager, Town Attorney, and Finance Director

BACKGROUND (continued):

the process of amending the reporting requirements to reduce additional unnecessary workload for local organizations.

Currently, applications are reviewed by the CSSC for grants pertaining to Human Services, and the ACC for grants pertaining to Arts and grants pertaining to Education. These comprise the only three categories for which community grants are currently considered. The ACC generally appoints a subcommittee to initially review each application and provide a funding recommendation to the full Commission at a public hearing in which community groups may speak on the merits of their applications and answer questions prior to the Commission making a final funding recommendation for Council consideration.

The CSSC will also generally appoint a subcommittee to perform an initial review of grant requests and provide funding requests to the full Commission. However due to Commission vacancies the past two years, the Commission held a public hearing as a special meeting, allowing community groups to speak regarding their applications, followed by deliberation and final funding recommendation at the Commission's next regular meeting. In both cases, the final recommendations of the Commissions are brought before Council during or immediately before the adoption of the Town's General Operating Budget. Council has the discretion to accept, modify, or decline the recommendations of the Commissions with the adoption of the Budget.

The 25-year timeframe of community grant giving in the Town combined with the transfer of the administrating agency, changes of funding sources, the inevitable changing of lead staff persons, and the bulk of review and recommendation being done through appointed volunteer Commissions has led to some confusion and changing priorities over time. During the Fiscal Year 2019/20 budget process, Town Council requested a review of the Town's grant program and opportunities to align it with the Town's current priorities. Staff will prepare a new community grant model based on given direction and return to Council for final approval. This report was prepared with input from the CSSC, the ACC, and a selection of past and current grant applicants.

DISCUSSION:

This section walks point by point through areas in which staff is requesting direction or clarification. It is noted here that staff does not refer to these questions/issues as problems per se, as they are all legitimate depending on how the priorities or context is defined.

- *Should the priority for community grants be one-time allocations for new projects and programs in the community, or should they cover ongoing operational costs of long-term programs, or a combination thereof?*

DISCUSSION (continued):

The existing grant guidelines (Attachment 1) list four funding categories: One-time seed funding for a new program, one-time project funding generally not exceeding a year to complete, one-time emergency funding, and undefined duration funding for programs and services. In practice, the majority of grant funds are used for ongoing operational costs of running specific long-term programs. As examples, the Art Docents program and Live Oak Nutrition program have received grant funding for twenty years, while LGS Recreation's 55+ program has received funding for seven years.

Argument: The majority of funding is utilized by the same applicants for the same programs making it difficult for a new applicant to compete and prioritizing established programs over new ideas. Conversely, established programs have a proven track record of performance and many of the programs that have come to rely on the annual funding would be in danger of severe cutbacks if the grant funding were awarded to other projects.

The CSSC felt strongly that ongoing program funding should receive priority as the requested amounts for ongoing programs were already more than the funding available. They also noted the extreme difficulty in remaining objective when considering a new program idea or community group with the knowledge that dividing funds from existing programs would greatly upset the stability of those existing programs that have become vital to the community. The ACC was largely in favor of supporting new program ideas with one-time funding, encouraging past grant recipients to try different projects, and increasing outreach to community groups that were currently not applying. However, they also noted that some established programs would likely fall apart without the continued funding and suggested that additional grant funding be allocated specifically for new projects and programs.

Staff notes an additional alternative of moving some long-established programs out of the grant process entirely and instead contracting the respective agency for the program service as a line item in the regular budget; this does have its own implications and staff would need to investigate further if it is in Council's interest.

- *Do the current grant program categories (consisting of Art, Education, and Human Services) reflect the priorities of the Council? Should additional program categories be added to reflect priorities?*

Currently the Commissions deny grant applications that fall outside of the scope of these three program categories. Other program categories that may benefit the community might include Community Vitality projects or Community Events. Alternatively, Council could establish no program categories, instead having all grant applications being judged on their individual merit.

DISCUSSION (continued):

Argument: The bulk of community groups approaching Council directly for funding during the past two years have proposed projects or events that would not qualify under the three identified project categories. Additional identified categories would allow both staff and Council to direct community groups through a single competitive grant process rather than circumventing that process. Conversely, additional program categories would likely be competing with existing categories thereby diluting current funding toward those categories.

The CSSC and the ACC both strongly felt that their current respective categories should not be altered or combined. They noted that additional program categories could be beneficial to the community but felt that additional funding should accompany any new grant categories.

- *Should organizations be allowed to apply for more than one grant in a single year (either in the same or different categories)?*

Currently there is no limit on the number of grant applications a single community group can submit either in the same or different categories. In this past grant cycle, five organizations submitted more than one application with four being awarded in the same or in a different category.

Argument: Larger or established organizations are more than capable of successfully administering multiple different programs simultaneously. Conversely, multiple applications from a single organization may adversely affect the ability of smaller or new community groups to compete and may sometimes result in some duplication of similar grants listed in different categories.

The CSSC largely felt that multiple applications were acceptable and that the existing organizations that were recipients of more than one grant had proven to be good custodians of the funds and delivered excellent results in the multiple awarded grants. The ACC was starkly divided, with some feeling that so long as the organizations were eligible to apply it did not create any conflict, while others felt that it tied too much of limited funding to single community groups, did not create a fair planning field for all applicants, and resulted in what could appear to be “double dipping” for similar programs.

- *Should it be the practice of the Commissions to award smaller amounts to applicants than requested in order to distribute limited funding to a greater number of organizations?*

The current practice of the ACC and CSSC is to allocate funds broadly, generally awarding less than applicants requested to facilitate more awards.

DISCUSSION (continued):

Argument: The amount of funding available is not sufficient to fill all requests, spreading funds in as wide a net as possible to qualified applicants allows for opportunity that would otherwise be denied. Conversely, awarding fewer and denying more grants would assist with the success of those that do receive awards. Community groups specify a dollar amount on the application needed in order to make a project or program successful. A reduced amount commits an organization to the full project described in their grant but with insufficient funding.

The CSSC was somewhat split with most Commissioners believing the benefit of broad but reduced distribution and fewer flat denials of applicants that had beneficial programs. This was compounded by the number of applicants requesting on-going funding, to which many of the Commissioners felt some degree of commitment. One Commissioner stood opposed feeling that the small award amount had no real affect to the organization but committed them to a workload obligation to the Town. After receiving some direct feedback from grant recipients, the majority of the ACC reversed their position from dividing funds broadly during the past several grant cycles to believing that the reduced awards placed the grant recipients' programs at a disadvantage. Staff notes that several of the community groups that received some, but not full, funding ultimately approached Council directly to ask for the difference stating that their proposal was not viable on the reduced award.

- *Is the current practice of community group representatives presenting their applications at a public hearing necessary and to what extent should verbal comment influence a grant competition?*

Currently, both the CSSC and the ACC hold a public hearing in which grant applicants, though not required, are encouraged to add additional information or answer questions regarding their proposed program or project.

Argument: Commissioners sometimes get additional information or clarification of issues in the written grant that should be taken into consideration in the award recommendations. Conversely, the written application should be thorough and complete in that it clearly stands on its own, and in a sense, forms a contract of what service will be delivered in return for grant funds received.

The CSSC was somewhat divided, in general they felt it beneficial to place a face to each application and found that the ability to ask questions was helpful in making award recommendations. Some noted, however, that it made the process feel unfair for grant applicants that did not attend in person. The ACC strongly wishes to do away with the practice, noting that it is awkward at best for both applicants and Commissioners. They reported receiving feedback from grant applicants that, although presenting is technically optional, some community groups felt it was obligatory, and certain community members found the process

DISCUSSION (continued):

insulting. Staff is not currently aware of any competitive grant program that requires a public hearing as part of the evaluation process and notes that any regular or special Commission meeting is open to the public and any member of the public may speak during verbal communication.

- *What funding amount should be prioritized for community grants?*

Over the past five years, the CSSC has recommended total grant amounts ranging from \$90,000 to \$113,000 in a given year in the category of Human Services, and the ACC has recommended total grant amounts from \$18,000 to \$20,000 in a given year in the categories of Arts and Education. Additionally, in each of the past three years, Council has added an additional \$5,000 to \$10,000 of award amounts to specific grant applicants beyond the amounts recommended by the Commissions. The total awarded by the Town represents only approximately one-third to one-half of the total requested by applicants in any given year. This does not include allocations that went straight to Council and did not go through the formal grant process but in most respects function similar or identical to what would be considered grant funding. In this last fiscal year, these included two allocations for the Chamber of Commerce in the amounts of \$22,000 and \$15,000, as well as one allocation to the RYDE program in the amount of \$17,000.

Both the CSSC and the ACC ask Council to consider additional funding.

Under our current system, grant awards are added into the budget late into the budget adoption process for a dollar amount that varies annually. Staff recommends specifying a set annual dollar amount for community grants that can be programmed into the budget consistently ahead of time to simplify this step of Town budget preparation.

CONCLUSION:

Based on the direction Council gives for these questions, staff will prepare guidelines and a framework for a revised community grant program that will be presented to Council for approval at a date prior to the FY 20/21 grant cycle.

FISCAL IMPACT:

No direct fiscal impact at this time. Any suggested budgetary changes would come back to Council for approval in the FY 20/21 budget.

ENVIRONMENTAL ASSESSMENT:

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

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SUBJECT: Community Grants Program Priorities

DATE: September 3, 2019

Attachment:

1. Community Grant Program Guidelines