



**TOWN OF LOS GATOS
COUNCIL AGENDA REPORT**

MEETING DATE: 04/22/2025

ITEM NO: 3

DATE: April 22, 2025
TO: Mayor and Town Council
FROM: Chris Constantin, Town Manager
SUBJECT: Consider Proposed Changes to the Community Grant Program and Provide Direction

RECOMMENDATION:

Staff recommends that the Council:

- A) **Retain the current Sustaining Grant** portion of the Community Grants program supporting select human services non-profits that align with Council Priorities; AND,
- B) Confirm the organizations listed as Sustaining Grant recipients in this report, and their listed allocations, match Council's intentions; AND,
- C) Sunset the One-Time Competitive Grants portion of the Community Grants program and redirect a portion of that funding to bolster the efficacy of the Sustaining Grants;

OR

- D) Maintain **status quo for both the Sustaining Grant and One-Time Competitive Grants** portion of the Community Grants program; AND,
- E) Assign a dollar amount from the general fund to be added to the draft FY 2025-26 budget to fund One-Time Competitive Grants.

Staff additionally recommends that Council:

- F) Direct staff to draft a resolution (with language conforming to the selected recommendation above) that establishes limitations on considerations of additional grants or gifts of public funds outside of the Community Grant process.

OR

- G) Consider **other options** implementing the Town Council's vision.

PREPARED BY: Ryan Baker
Library Director

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

STRATEGIC PRIORITIES:

The discussion pertains to Fiscal Stability. The Community Grants as a program addresses additional Core Goals or Strategic Priorities based on the specific nature of the grant. These are expressed in context within the report when appropriate.

FISCAL IMPACT:

Recommendations A, B, and C would reallocate \$43,000 from Competitive One-time Grants and \$13,800 from Unhoused Initiatives to increasing Sustaining Grants from \$73,800 to \$126,800. Ending the Competitive One-time Grants would save \$173,200 from the FY 2024-25 budget and approximately 112 staff hours valued at \$20,600. The budget will be updated based on Council direction.

BACKGROUND:

The Town of Los Gatos has been awarding grants since 1992. Prior to 2011, the program funding was provided using Federal Community Development Block Grant (CDBG) funds. Beginning in FY 2011-12, those funds were redirected to the County of Santa Clara's Housing and Community Development Advisory Committee, and the Town's Community Grants became funded entirely by general fund dollars.

In 2020, the Town Council revised the program and established three classes of grants:

- **Sustaining Grants** are operational grants to select human services non-profits with long partnership histories with the Town and strong alignment to Town priorities, and are given with the express purpose of sustaining the core service or operations of the non-profit recipient. Non-profits that are invited to apply resubmit an application every two years.
- **Competitive One-time Grants** are open to all classes of non-profits, only fund one-time projects, and no organization is ever guaranteed their application will rank high enough to receive funding. Scoring favors project proposals that are for the introduction of a new service or idea. By default, they do not impact the operating budget of any organization for their existing services, as these funds were never intended or structured to serve that purpose.
- **Innovation Grants** for students and community members. This program was discontinued in 2024.

In addition, the Town has also given grants of public funds for projects or support of non-profit organizations outside of the Community Grant process. These include grants given directly by Council at the explicit request of a non-profit organization, and also as line items captured in other departments (\$15,000 given annually from CDD's budget for rental assistance programs, and \$13,800 from the TMO's budget for services to the unhoused).

This staff report recognizes the changing nature of needs for non-profits as well as the administrative impact of managing the program. Town Council direction will be reflected in the final budget for 2025-26.

DISCUSSION:

Overview

The table below illustrates the total general fund direct dollar amounts given by the Town in the last four years:

Fiscal Year	One-time competitive grants	Sustaining grants	Innovation grants (program ended 2024)	Grants from other budget line items	Other one-time general fund direct dollar grants	Total
FY2021-22	\$78,013	\$57,000	\$4,500	\$15,000	\$0	\$154,513
FY2022-23	\$81,100	\$62,000	\$6,000	\$15,000	\$0	\$264,100
FY2023-24	\$229,000	\$66,000	\$6,000	\$15,000	\$100,000	\$316,000
FY2024-25	\$230,000	\$73,800	\$0	\$28,800	\$100,000	\$432,600

The total general fund dollars given over the last four years were \$1,167,213. This table does not include an additional \$500,000 of grants that were backfilled with ARPA replacement funding, which would raise the total amount of giving to \$1,667,213 over four years.

Staff is recommending continuing the Town's Sustaining Grants program, while sunsetting the Town's Competitive One-time Grants and directing \$43,000 of those funds to enhancing support of the Sustaining Grant program. Additionally, grant funds in the amount of \$13,800 will be shifted from Unhoused Initiatives to Sustaining Grants.

Continuation of the Sustaining Grant Program

The Sustaining Grant program funds operational needs and core services for human service non-profits. Staff believes it is beneficial to continue our Sustaining Grants to organizations that address Council's core priorities in specialized areas that the town would not be able to replicate internally. Within the draft budget for FY 2025-26, staff has earmarked \$126,800 for Sustaining Grants which includes \$20,000 transferred from the Competitive One-time Grants related to rental assistance, \$23,000 transferred from the Competitive One-time Grants related to Live Oak Nutrition, and \$13,800 shifted from the Unhoused Initiatives in the Town Manager's Office budget. This amount assumes continuation of additional funding for nutrition service and rental assistance as initiated by Council in FY2024-25, which staff recommends including in the Sustaining Grant category for reasons described below. The organizations proposed to receive Sustaining Grants will continue to be the four that the Town has supported annually on a continuous basis for operational needs since 2014, as well as two additional that were in the

past supported under the Unhoused Initiatives Town Manager's Office budget but will be included here going forward for consistency and ease of financial tracking. The organizations are:

- Live Oak Senior Nutrition at \$48,000 for hot meal and nutrition services under Council priorities "Continue to engage community service providers to meet the needs of older adults"; "Continue to engage community service providers to meet the needs of unhoused residents"; and, "Ensure all residents and visitors feel a sense of belonging in Los Gatos (etc)".
- West Valley Community Services at \$20,000 for human services support under Council priorities "Continue to engage community service providers to meet the needs of unhoused residents" and "Ensure all residents and visitors feel a sense of belonging in Los Gatos (etc)".
- West Valley Community Services at \$20,000 for rental assistance programs. This is in addition to another \$15,000 received by West Valley Community Services from CDD for the same program (for a total Town contribution to rental assistance of \$35,000). In FY 2024-25, grant funds for rental assistance were administered as a competitive application process, with the result that three separate organizations ended up providing this service with smaller/divided grant amounts. Committing to a single organization would be substantially more efficient to manage for Town staff. This item has a nexus to Council priority "Continue to engage community service providers to meet the needs of unhoused residents", as it is intended to proactively prevent residents from becoming unhoused.
- Counseling and Support Services for Youth (CASSY) at \$12,500 for mental health and crisis support for students under a nexus to Council priority "Ensure all residents and visitors feel a sense of belonging in Los Gatos (etc)".
- Next Door Solutions to Domestic Violence at \$12,500 for support of domestic abuse victims in our community under a nexus to Council priority "Ensure all residents and visitors feel a sense of belonging in Los Gatos (etc)".
- St. Luke's Episcopal Church \$6,000 for their Pantry Program under Council Priority "Continue to engage community service providers to meet the needs of unhoused residents". Note that this program serves as core function for how the eligibility list of unhoused community members are determined as it pertains the Town's Hotel Program for temporary shelter and was listed under the Unhoused Initiatives line item in FY2024-25.
- Los Gatos Methodist Church at \$7,800 for their Shower Program under Council Priority "Continue to engage community service providers to meet the needs of unhoused residents". Note that this program also serves as core function for how the eligibility list of unhoused community members are determined as it pertains the Town's Hotel Program for temporary shelter and was listed under the Unhoused Initiatives line item in FY 2024-25.

Sunsetting the Competitive One-time Community Grants Program

Grant programs allow the Town to invest in specific activities which further a Town policy interest; however, the resources and staff time committed to grant programs are a tradeoff against other core Town activities. Thus, as part of this budget process, it is beneficial to facilitate the conversation and consideration of a more efficient process that takes these impacts into account.

Based on the spending precedent for FY 2024-25, the direct dollar savings associated with sunsetting the Competitive One-time Grants in FY 2025-26 would be \$173,200. The indirect savings is approximately 112 hours of staff time at an estimated value of \$20,600. In making this recommendation, staff considered the following:

- The direct dollar amount saved in one year is the equivalent of 1.3 FTE.
- The Competitive One-time Grants are labor intensive to administer. The process annually involves approximately 60 hours from the Library Director, 30 hours of time from Library support staff, 5 hours of time from the Town Attorney, 12 hours of time from the Finance Department, and 5 hours of time from the Clerk's office, totaling approximately 112 staff hours for an indirect dollar amount calculated at \$20,600.
- As stated before, Competitive One-Time grants only fund one-time projects of organizations, and no organization is ever guaranteed their application will rank high enough to receive funding. As such, the loss of opportunity to apply for one-time project grants would not impact the operating budget of any organization, as these funds were never intended, or structured, to serve that purpose.

Maintaining the Status Quo for both Sustaining Grants and Competitive One-time Grants

Staff recognizes that Council may not yet be ready to sunset the Competitive One-time Grants. Should Council wish to continue this aspect of the program, Council will need to determine the funding level for both type of grants as an allocation from the General Fund.

Given the workload of administering the Competitive One-time Grants, should the Council wish to continue with the program, staff may seek to outsource the administrative work to a foundation that specializes in grant-making services.

Consider a Resolution Limiting Consideration of Direct Dollar Grants Outside of the Community Grant Process

Staff notes that evaluating funding requests from nonprofit organizations outside of the established Community Grant processes places additional strain on limited Town resources, complicates budget management, and diminishes the effectiveness and fairness of the Community Grant program. Given the current budget constraints, it is prudent to uphold a clear and consistent process.

PAGE 6 OF 6

SUBJECT: Review the Community Grants Program

DATE: April 22, 2025

To reinforce this principle, staff recommends Council consider adopting a resolution formally limiting consideration of funding requests that fall outside the established Community Grant process. If the Council concurs, staff will return with a resolution aligned with Council's direction at the next regular meeting.

ENVIRONMENTAL ASSESSMENT:

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