SCOPING MEMORANDUM

To: Los Gatos Finance Commission
From: Phil Koen, Member
Date: August 5, 2026
Subject: Community Grant Program Review — Three-Phase Structure

Purpose. This is a proposal for how the Community Grant Program should be reviewed. It is a starting point, not a finished plan. The Commission and staff should review it and make any changes that would improve the review process.

Work product. Each phase will produce a set of specific written recommendations for the Town's consideration — nothing more than that. The Commission is purely a recommending body. Every recommendation in this review goes to the Town Council, and the Council alone decides which to adopt, which to change, and which to set aside. The Council is accountable for those decisions.

Phase 1 — The duty to know your applicant

Focus. Identifying the organizations that meet the Town's standards, so that every organization the Town funds is known to be run well enough to be trusted with public money.

Phase 1 rests on a duty the Town owes the people whose money it is spending: know your applicant. Everything that comes after — scoring, ranking, awarding, contracting — assumes the Town already knows who it is dealing with. If that is not established first, the rest of the process is only a form of words. This is fundamental to the grant process, not an add-on to it. The object is to identify the organizations that meet the Town's standards and are ready to receive public money, so the Council can fund them with confidence.

Look at the scoring rubric the Town uses today and add criteria that establish four things: how open an organization is about itself, how it is governed, how it handles conflicts of interest, and whether its required federal and state filings are current and in good standing. Together these show whether an applicant meets the standards the Town expects of anyone it funds.

What the Town asks for should fit the size of the grant and the size of the organization. A small volunteer group asking for a one-time award should not have to produce what a larger organization on a recurring grant produces. A requirement that no small nonprofit can meet does not identify the organizations that meet the Town's standards — it excludes capable ones that do. But fitting the requirement to the applicant is not the same as waiving it. There is a floor that applies at any dollar amount. The Town should know who sits on the board, that the organization's filings are current and complete, and that the same person does not both approve a payment and write the check. Holding that floor is what looking after the public's money means.

The scoring has to apply to both kinds of applications — sustaining grants and competitive grants alike. Vetting the sustaining organizations carries a one-time cost, because most of what we ask for has to be gathered once and then only confirmed each year after that. It is worth paying. These organizations receive the largest and steadiest support the Town gives, and none has ever been confirmed against a standard of this kind. Exempting them would leave the biggest dollars unexamined.

Once the rubric is final, every organization staff recommends for a grant should be run through it before the FY 27 grants are finalized. A standard that is written but not applied to the cycle in front of us accomplishes nothing.

The last thing for the Commission to settle in this phase is whether the final grant allocations ought to go back to the Town Council, so the Council can confirm that what staff produced matches the direction the Council gave. There is a reason to raise it. In the FY 26 cycle, the allocation of the rental assistance money and the contracts that carried it out were never brought back for review and approval, and it is fair to debate whether what staff did fully complied with the Council's funding resolution. Sending the final allocations back for confirmation is simply good process. It costs one agenda item and it settles, at the time, any later question about whether the money went where the Council said it should. This belongs in Phase 1 because it governs how the FY 27 cycle is closed out.

Phase 2 — The rental assistance program

Focus. Whether the rental assistance program is built to deliver the best result for the money, how much the Town should set aside for it each year, and whether a single provider would do the job better than three.

Review the rental assistance program from top to bottom and find where it can be improved — better results, lower cost, less waste. The question to answer is this: why should the Town not pick one organization to deliver rental assistance, the way it already does for the senior nutrition program? On June 18, 2024 the Council gave nutrition to a single provider and, in the same action, directed that rent relief be divided equally among as many as three organizations. Two programs, opposite designs, decided the same night. The Commission should find out which design works better.

Phase 2 should also end with a number — a recommendation on how much the Town sets aside for rental assistance each year. That number has to be built on top of what the Town already buys. In June 2025 the Town signed a five-year agreement with West Valley Community Services running from July 1, 2025 through June 30, 2030, paying up to $15,000 a year, $75,000 over the term, for emergency rental and utility assistance, with a committed output of twelve Los Gatos households a year. Two months later the Council created a separate $20,000 grant track for rental assistance, and West Valley also holds a $20,000 sustaining grant for human services support. The Commission should first establish how many households the Town is actually reaching across all of these and at what cost per household, then recommend a total annual figure and how it should be divided between contract and grant.

The review should also weigh the prime-and-subcontractor arrangement now in place, where one organization holds the grant and passes part of the money to a second organization to deliver. The case for it: a single point of contact for the Town, a local organization that can reach people who would not walk into a county agency, and less administrative work for staff. The case against it: the Town has no agreement with the organization actually spending part of the money, gets no reporting directly from it, and has no way to enforce terms against it; the grant agreement itself bars a grantee from delegating performance to anyone else without written Town consent; and running a small program through two sets of books makes cost per household almost impossible to compare. The Commission should decide whether to keep the structure, keep it only where the subcontract is documented and consented to in writing, or drop it.

None of this can be settled without the record. The Commission should review the annual reports the organizations filed for the FY 24, FY 25, and FY 26 cycles — households served, dollars actually disbursed, money left unspent or returned, and whether each report was filed on time and on the required form. Three years side by side will show whether the programs delivered what was promised, and whether the reports the Town receives are good enough to tell.

Phase 3 — The duty to recuse when conflicts arise: a deep review of Policy 2-04

Focus. Whether the Town tells Council members clearly enough when the duty to recuse applies, and whether the standard it holds them to is high enough.

Phase 1 rests on the duty to know your applicant. Phase 3 rests on the matching duty on the Town's side of the table: when a conflict arises, the member steps aside. That duty is worth as little as the guidance behind it, which is why this phase calls for a deep review of Policy 2-04 rather than a glance at it — what the policy says now, what it said before, what was taken out, and what other cities put in its place.

There are several reasons a Council member can be required to step aside. State law bars a public official from taking part in a contract in which the official has a financial interest — that is Government Code section 1090. A separate line of court decisions bars an official from deciding a matter where the official's impartiality is in real doubt. And there are ethical reasons that have nothing to do with either. Policy 2-04 used to carry guidance on this. It was taken out in the revision the Council adopted on August 19, 2025, and nothing was put in its place.

The law is only a floor. Statutes tell you where conduct becomes illegal. They do not tell you how the people who decide where public money goes ought to behave. Policy 2-04 says this itself: its opening paragraph states that the Council adopted rules holding Council members to standards above and beyond what the law requires. The provision that was deleted was one of those higher standards. The same revision also removed the sentence applying those expectations to the Town's boards, committees, and commissions — the bodies that score grant applications. So the Town did not lower its standard. It stopped having one.

The Commission should recommend a standard high enough that a resident reading the record could not find even a hint of impropriety in an award of public money. In practical terms:

- **Say it before the vote.** A member who has a connection to an applicant tells the Council what that connection is before the item is decided.
- **Include the family.** That covers what the member knows of a spouse's or child's connections, and any other relationship that gives the appearance of bias.
- **Write it down.** What was said goes into the Town's records — including for items on the consent calendar.
- **Say it out loud when stepping aside.** If the member sits an item out, that is stated at the meeting and recorded.
- **Stepping aside is always allowed.** A member may sit an item out to avoid the appearance of impropriety, even where the law would let him or her vote.

Palo Alto's council handbook requires all of these. Los Gatos requires none of them. Public confidence in the grant program does not rest on whether an award was legal. It rests on whether someone reading the file can see that the decision was made fairly.

Sequencing

This will probably take three meetings, one for each phase. Only the Phase 1 material is going out now. The Phase 2 and Phase 3 material will follow before those meetings.