



AGENDA NO: 8.b

MEETING DATE: October 14, 2025

# Staff Report

**TO:** Honorable Mayor and City Council

**DATE:** October 9, 2025

**FROM:** Andrea Lueker, Interim City Manager  
Emily Conrad, Finance Director

**SUBJECT:** Adopt Resolution No. 54-25 revising the City of Morro Bay Community Grant Policy

### RECOMMENDED ACTION

Adopt Resolution No. 54-25 amending the City of Morro Bay’s Community Grants Policy and provide direction on the preferred application review process for the current fiscal year and provide direction regarding priorities and approval procedures for the FY 2025-26 Community Grant Awards.

### FISCAL IMPACT

The Fiscal Year (FY) 2025-26 Adopted Budget includes \$35,000 in General Funds for this purpose.

### BACKGROUND

The Morro Bay City Council annually allocates grant funds to various community groups and non-profit organizations. These bequests have ranged from approximately \$7,000 in Fiscal Year (FY) 2015-16 up to a total award of \$60,000 in the FY 2022-23 through FY 2024-25 (\$35,000 from General Fund and \$25,000 from ARPA funds). The FY 2025-26 adopted budget includes \$35,000 community grant funds from the General Fund.

Grants and Council bequests are a mechanism by which the City Council and City can assist non-profit agencies in providing direct or indirect services to the Morro Bay residents and community. The Government Finance Officers Association (GFOA) recommends that agencies develop formal grant policies to outline criteria for awarding government funds, and requirements for reporting back on the use of those funds. It is important to retain this documentation and evidence to support the award be accountable from an audit perspective as to the use of government funds.

In 2019, the City Council adopted Resolution No. 67-19 approving a Community Grants Policy to address these issues by outlining types of activities and organizations that may apply for consideration of Council bequests, evaluation criteria the Council will consider, including the number of citizens within Morro Bay that will directly benefit from the grant award. In addition, the policy outlined the necessity for grant applicants to complete a grant application, provide documentation to the City to support the organizations non-profit status, and post-funding application requirements. The post-funding application requirements stipulate that the grant recipients must provide an annual report to inform the City of the benefit received by the community due to the award of funds. Also, the reporting back requirements could aid Council in future award decisions. The current policy stipulates that failure to comply with reporting requirements will also automatically exclude an agency

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from eligibility to receive community grant funding from the City for the following two fiscal years.

Lastly, the current policy requires the funded applicants provide appropriate liability insurance and workers compensation coverage as well as sign a Community Grant agreement outlining the terms of the grant award and further indemnifying the City.

The policy documents and procedures outlined in Resolution No. 67-19 (link provided as Attachment 1) have been used for the past five years and the feedback received from both applicants and staff is that the application was unnecessarily repetitive and confusing and the overall process somewhat onerous. That, along with feedback from the application review committee led to a review of the policy documents and development of a proposed scoring rubric to assist with the difficult decision of how to allocate funds, particularly in years when available funding is limited.

## **DISCUSSION**

The Community Grant Policy provides that all applications will be submitted to the Finance Director who then forwards all qualifying applications to the City Council for review and consideration. In recent years, the Council liaison to the Citizens Finance Advisory Committee (CFAC) and two CFAC members, along with community members, if desired, have reviewed grant applications and, using criteria in the grants policy, formulated a proposed funding list for Council discussion and approval at a Regular Meeting. The Council was presented with all applications, including those not recommended for funding, made any desired adjustments to the funding list, and approved final funding.

Staff recognizes the review process is a challenging task given the number and quality of applications received. This process was particularly difficult last year when the City received a record number of 16 funding requests totaling \$114,648, with only \$60,000 in available funding. To assist the review committee and/or Council in its deliberations, last year the review committee requested a scoring rubric going forward, which is provided as Attachment 2 to Exhibit A. The scoring rubric will serve dual purposes of standardizing the evaluation of applications and also providing a framework to applicants for preparing a competitive proposal.

Staff seeks Council review and direction in the following areas:

1. Discuss and provide feedback on the revised policy document and scoring rubric,
2. Discuss potential priority projects or use of funds for this year's allocation,
3. Discuss the review / approval process for the award of grant funds. Given the grant funds must be expended in the current fiscal year, it may be most efficient for each Council Member to review and score applications independently, then discuss and approve grant awards at an open Council meeting, ideally no later than the December 9<sup>th</sup> meeting.
4. Consider whether to set a maximum funding limit per application.

If approved by Council, staff will advertise opening of the grant period for the current fiscal year (FY 2025-26). Notification will occur on the City website and materials will be available at the front counter at City Hall. Additionally, FY 2024-25 grantees will be notified when the application period opens. The Council has \$35,000 in the FY 2025-26 budget approved for discretionary award for community grants. With approval of the proposed policy, staff would recommend an open grant period to submit applications through October 31, 2025. Staff will then review the applications for completeness and will either invite a committee to review and make recommendations to City Council, or the full Council can conduct individual review prior to discussion and award funding during the December 9<sup>th</sup> meeting. Successful applicants would have until June 30, 2026 to complete the awarded projects.

## **CONCLUSION**

Having clearly defined financial policies that reflect the City of Morro Bay's values will serve as the foundation for decision-making in tough fiscal times and will aid in preserving the City's long-term fiscal health and vitality. It is important that the City Council and community understand where the City's funds are being appropriated, for what purpose, and what value is received from those appropriations. The proposed revised Community Grants Policy is intended to improve the City's community grant process and also provide relevant information for the Council to evaluate effectiveness of the Council bequest program and benefit received by the community and residents due to the award of these funds. Therefore, staff recommends that Council review the proposed Community Grant Policy and adopt Resolution No. 54-25.

## **ATTACHMENTS**

1. [Link](#) to Resolution 67-19 establishing Community Grant Policy
2. Proposed Resolution No. 54-25
  - Exhibit A – Community Grants Policy (redline version to illustrated changes)
    - Attachment 1 – Community Grant Application
    - Attachment 2 – Scoring Rubric
    - Attachment 3 – Community Grant Agreement
    - Attachment 4 – Community Grant Annual Performance Report Form