Agenda
FFE Board of Directors

Kalamazoo Foundation for Excellence

Tuesday, February 15, 2022 2:00 PM

City Hall – Community Room, Second Floor - 241 West South Street

A. CALL TO ORDER

1. Return to In-Person Meetings

B. APPROVAL OF MINUTES

1. Approval of the minutes of December 20, 2021.

C. REPORTS AND COMMUNICATIONS

1. Finance Committee Report

2. Executive Committee Report

3. Staff Reports

D. REGULAR AGENDA

E. PUBLIC COMMENTS

F. BOARD MEMBER COMMENTS

G. ADJOURNMENT

KALAMAZOO FOUNDATION OF EXCELLENCE

PUBLIC COMMENT RULES

1. Persons attending a regular or special meeting of the Board of Directors of the Kalamazoo Foundation for Excellence shall be permitted to address the Board in conformity with this rule and the Michigan Open Meetings Act.

2. An individual wishing to address the Board shall wait to be recognized by the presiding officer.

3. A person addressing the Board shall provide their name and whether they are a resident of the City.

4. Remarks by a speaker shall be confined to matters within the preview of the Board and KFFE.

5. The chairperson of the meeting or a majority of the Board in attendance may permit individuals to speak once, for up to four (4) minutes, on specific matters being considered on the meeting agenda of the Board, except no comment is permitted on secondary or procedural motions to a main motion.

6. A speaker is permitted to address the Board once during the Public Comment portion of the meeting for up to four (4) minutes.

7. A speaker is not permitted to yield any unused portion of speaking time to other speakers.

8. A speaker may be ruled out of order for conduct that interrupts or disrupts the meeting.

Date: **2/15/2022**
FFE
Item: **A.1.**

Foundation for Excellence Agenda Report

Kalamazoo Foundation for Excellence

TO: Foundation for Excellence Board of Directors

FROM: Prepared by: Steve Brown, FFE Manager

DATE: February 15, 2022

SUBJECT:

Return to In-Person Meetings

RECOMMENDATION:

BACKGROUND:

The state law that allowed for virtual public meetings expires December 31 and there is no indication from Lansing that the virtual option for public meetings will be extended. As of January 1, 2022, all boards must meet in person and all board members must attend in person (the only exception is for board members who are on active military duty).

Meeting Safety Protocols

- Please wear a mask.
- City Commission is adopting rules requiring all attendees at public meeting wear face coverings. City Staff will need to enforce this rule; if an individual is noncompliant staff can call the CMO and/or KDPS
- Staff will ensure that our FFE meetings:
  - Have PPE available including face masks, hand sanitizer, disinfecting wipes
  - Have a sign stating that face coverings are required per City Commission rules
  - Have wiped down surfaces before and after meetings

City Commission has Resolved: That the following Rules governing the use of face masks by persons attending public meetings of the City of Kalamazoo are established:

- Properly worn masks by persons age 5 or older, that cover both an individual’s mouth and nose are required, regardless of the vaccination status, when attending a public meeting absent a sincerely held religious belief or to reasonably accommodate a person with a disability which prevents them from wearing a mask.

- Persons who do not or cannot wear a mask or fail to properly wear a mask must maintain a distance of at least 6' from other persons attending the meeting who are not in the same household as the unmasked individual.
- Persons may temporarily remove their masks when addressing the public body.
- Any violation of these rules is considered a breach of peace occurring at the meeting and will result in the individual being required to leave the meeting until they elect to comply with these rules

Meeting Streaming and Public Comments

- Stream live meetings online to Facebook and YouTube / taking call-in public comments. Over the past 20 months we have seen that some boards and commission have experienced increased public participation by having their meetings online, and we are encouraging as many boards as possible to continue with an online presence.
- For call-in public comments, we are switching to a "live" call-in system. We will no longer be accepting recorded comments; callers will call into the meeting's call-in number during the public comment period(s) and staff will be responsible for turning on each call which will be heard in the meeting room.
- Public Comments lasting no longer than 3 minutes per caller will be accepted during the times as indicated on today's meeting agenda. **Community members that wish to provide public comments over the phone can call 888-382-9556 during the public comment period**. You will hear that this number is for City Commission but it is valid for this Board as well. Callers will enter a queue and be prompted to offer comments in turn. Callers will be commenting to the board live and will no longer be able to leave a recorded message.

STRATEGIC VISION ALIGNMENT:

Good Governance- Ensuring the City organization has the capacity and resources to effectively implement the community's Strategic Vision in a way that is sustainable over the long term.

FISCAL IMPACT:

KALAMAZOO FOUNDATION FOR EXCELLENCE
BOARD OF DIRECTORS

MINUTES

Meeting of December 20, 2021

A meeting of the Kalamazoo Foundation of Excellence (KFFE) Board on December 20, 2021 held by video conference in accordance with Public Act 254 of 2020 amending the Michigan Open Meetings Act, MCL 15.261 *et seq.* was called to order by President Calderone-Huezo at 2:30 pm.

Board members present: Ritsema, Anderson, Hess, Carrel, Calderon-Huezo, Lonberg, Miller, A. Taylor, C. Taylor, and Washington. Board members absent: Hoffman and Hopewell

City staff present were Legal Counsel/Recording Secretary Clyde J. Robinson, and Deputy City FFE Manager Steve Brown.

The minutes of the Board Meeting held October 25, 2021, were moved for approval by Director Lonberg and seconded by Director Washington. The motion to approve the minutes was adopted by unanimous voice vote.

Mr. Brown provided information on a proposed amendment to add $650,000 to the proposed 2022 budget to assist the City in efforts to engage in predevelopment housing project efforts.

The City had, based on available information, allocated $650,000 in anticipated federal AMERICAN RESCUE PLAN ACT (ARPA) OF 2021 monies for predevelopment expenses associated with two housing projects. However, it was subsequently determined that the expenses did not qualify for ARPA monies. The Foundation for Excellence is being requested to amend its 2022 budget to fund this work which will be used for Housing Predevelopment ($250,000) to bring housing development projects (with the end goal of rental) to fruition, including things like environmental studies, assessment, planning, and the Lawrence Properties ($400,000) to transform this obsolete housing development that the City now owns and redevelop the property for resale as affordable housing.

Motion to amend the 2022 Budget Transmittal Memo to reflect the addition of $650,000; moved by Director Hess and seconded by Director A. Taylor. Upon unanimous voice vote the motion was adopted.

President Calderon-Huezo inquired as to whether any Public Comments had been received; she was informed that there were none. President Calderon-Huezo asked if there were any Board Member Comments. There were none.

President Calderon-Huezo adjourned the meeting at 2:45 pm

Minutes Drafted: December 20, 2021

Minutes Approved:

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Clyde J. Robinson, Recording Secretary

Date: **2/15/2022**
FFE
Item: **C.1.**

Foundation for Excellence Agenda Report

Kalamazoo Foundation for Excellence

TO: Foundation for Excellence Board of Directors

FROM: Prepared by: Steve Brown, FFE Manager

DATE: February 15, 2022

SUBJECT:

Finance Committee Report

RECOMMENDATION:

No action requested.

BACKGROUND:

The Foundation for Excellence has been built over the previous five years. Beginning in 2023 the Board will approve its first endowment distribution to the City of Kalamazoo. With this major shift comes an array of decision points for the Board's thoughtful consideration and action in 2022.

Staff have prepared materials for the Finance Committee and February Board meeting including the
attached Introduction to the Endowment and preliminary 20-year value projections.

Discussion at the meeting will review these materials to set Directors up for increased awareness, understanding, and empowerment regarding the FFE endowment.

STRATEGIC VISION ALIGNMENT:

Good Governance- Ensuring the City organization has the capacity and resources to effectively implement the community's Strategic Vision in a way that is sustainable over the long term.

FISCAL IMPACT:

Kalamazoo Foundation for Excellence

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Introduction to the FFE Endowment

DRAFT 2/9/2022

Summary

This Introduction to the FFE Endowment includes practical information and resources for Directors to use. This document will be continually reviewed with the Board and updated to improve FFE's available resources for Directors.

History

The goal of the FFE endowment is to achieve $500 million of invested funds. This sum was derived in conversations prior to the foundation of the FFE as being sufficient to indefinitely sustain the three (3) ongoing liabilities that the FFE has to the City of Kalamazoo per its bylaws, which are financially supporting 1) the difference between what Kalamazoo would have earned in tax revenue at 19.2705 mills and the lowered rate of 12 mills 2) funds to stabilize the City's general fund 3) funds up to $10 million for aspirational programs and projects each year.

The FFE endowment has been built around contributions and commitments totaling $500 million, including $400 million to be received as ten consecutive $40 million annual installments between 2022 and 2031.

Governing Bodies

Board of Directors: (From Bylaws Section 4.01) "(…) the business and affairs of the Corporation shall be managed by or under the direction of its Board of Directors. All rights, powers, duties and responsibilities relative to the management and control of the Corporation's property, activities and affairs are vested in the Board of Directors (...)"

Finance Committee: (From Bylaws, Section 6.02) "This committee shall: recommend short and long term financial goals for the Corporation; (…) recommend financial policies and ensure compliance with those financial policies adopted by the Board of Directors; make recommendations on the deposit and/or investment of the Corporation's funds; identify short-term and long-term financial challenges before they become urgent issues; review the performance of investments and make recommendations on changes in investments and investment advisors (…)"

FFE Investment Subcommittee (FFEIS), created October 22, 2018, "to invest and to manage the assets of the endowment fund."

Laws and Policy

The FFE was incorporated on October 12, 2017, as tax exempt under IRC Section 501c3, specifically as a Type III functionally integrated supporting organization under Section 309a3. All meetings of the Board, Committees, and Sub Committees are required by the Open Meetings Act (OMA) to be open to the public (https://www.legislature.mi.gov/).

Endowment funds received by the Corporation pursuant to a gift shall be managed consistent with the standards set forth in the uniform prudent management of institutional funds act, Michigan Compiled Law (MCL) 451.921.

As in all matters, the two foundational documents governing the FFE are its Articles of Incorporation, executed on August 23, 2017, and Bylaws, August 25, 2017. These are extensively referenced in the third key document, focusing on endowment policy, the Investment Policy Statement that was approved by a unanimous vote of the FFE Board at its April 22, 2019, Annual Meeting. This 11-page document is comprehensive of the following topics and should be consulted whenever there are questions:

- Investment Goals, Authority, Key Responsibilities, and Philosophy
- Investment Policies
- Fiduciary Oversight Procedures
- Performance Objectives

Reporting

The Investment Subcommittee ensures that quarterly and annual reports are prepared for the Finance Committee and Board of Directors on the investment program, including, but not limited to:

- The achievement of overall performance objectives;
- The type and amount of risk taken to achieve those objectives;
- Attribution of returns to various investment decisions and risks;
- Compliance with policy guidelines, particularly asset allocation policy, and;
- The costs of managing the Endowment Fund's assets;
- Schedules.

Finance Committee meetings are scheduled between quarterly FFEIS meetings and required Board meetings so that reports can be thoughtfully prepared and presented by staff.

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FFE Endowment Projections

There are numerous factors and interactions of markets that affect long-term earnings of an endowment. No one can predict the disposition of markets in the future and accuracy decreases the further out a projection extends. However, it is crucial to make the best estimates possible based on sober analysis and historical trends and to prepare policy and organizational decisions accordingly.

Using certain assumptions projections have been created out 20 years to present expectations of investment returns.
For earnings, currently earnings of 6.51% are assumed while the fund is capitalized at less than $300 million and 7.5% once it surpasses $300 million. These are based on historical figures.

For expenses, currently tax reimbursement payment is projected to increase based on the current trend of increasing assessed values in Kalamazoo. Budget Stabilization expenses are pegged to the Municipal Cost Index and assumed to increase each year by 3.00%.

Budgeting and Annual Disbursement/Grant

1. Feb-April - FFE Board will deliberate a not-to-exceed directive based on endowment projections and communicate that to the City's budget planning process each spring.
2. May-June - City departments and partners submit Special Requests to budget team.
3. June-Aug - Staff score special requests in standard standards
4. Aug-Sep - Draft budget is presented to FFE Board
5. Sep-Oct - Draft budget is presented to City Commission
6. Oct - Final recommendation is requested from FFE Board
7. Jan - Proposed final FFE disbursal/grant budget is included in City Budget
8. Jan - The annual MOU between the FFE and City is passed with the City Budget
9. Feb - Bylaws require the FFE to make its disbursement/grant by February 15th of each budget year, which will take the form of the grant's approval.
10. Funds are disbursed on a quarterly basis agreed on in the MOU

List of Referenced FFE Documents

1. FFE Articles of Incorporation
2. FFE Bylaws
3. FFE Investment Policy Statement
4. Collected FFE Policies
5. FFE Endowment Historic and Modulated Projections

GLOSSARY OF INVESTMENT TERMS

Sourced and adapted from public Council of Foundations and American Library Association Endowment Trustees materials.

Absolute Return

Absolute return is the return that an asset achieves over a certain period. This measure looks at the appreciation or depreciation, expressed as a percentage, that an asset, such as a stock or a mutual fund, achieves over a given period.

Annual Report

The yearly audited record of a corporation or a mutual fund's condition and performance that is distributed to shareholders.

Annualized

A procedure where figures covering a period of less than one year are extended to cover a 12-month period.

Annualized Rate of Return

The average annual return over a period of years, considering the effect of compounding. Annualized rate of return also can be called compound growth rate.

Appreciation

The increase in value of a financial asset. Asset allocation - The process of dividing investments among cash, income, and growth buckets to optimize the balance between risk and reward based on investment needs.

Asset Class

Securities with similar features. The most common asset classes are stocks, bonds and cash equivalents.

Average Maturity

For a bond fund, the average of the stated maturity dates of the debt securities in the portfolio. Also called average weighted maturity. In general, the longer the average maturity, the greater the fund's sensitivity to interest-rate changes, which means greater price fluctuation. A shorter average maturity usually means a less sensitive - and consequently, less volatile - portfolio. Balanced Fund - Mutual funds that seek both growth and income in a portfolio with a mix of common stock, preferred stock or bonds. The companies selected typically are in different industries and different geographic regions.

Basis Points (BPS) refers to a common unit of measure for interest rates and other percentages in finance. One basis point is equal to 1/100th of 1%, or 0.01%, or 0.0001, and is used to denote the percentage change in a financial instrument.

Bear Market
A bear market is a prolonged period of falling stock prices, usually marked by a decline of 20% or more. A market in which prices decline sharply against a background of widespread pessimism, growing unemployment or business recession. The opposite of a bull market.

Benchmark - A standard, usually an unmanaged index, used for comparative purposes in assessing performance of a portfolio or mutual fund.

Bequest
A sum of money made available upon the donor's death.

Blue Chip
A high-quality, relatively low-risk investment; the term usually refers to stocks of large, well-established companies that have performed well over a long period. The term Blue Chip is borrowed from poker, where the blue chips are the most valuable.

Bond
A bond acts like a loan or an IOU that is issued by a corporation, municipality or the U.S. government. The issuer promises to repay the full amount of the loan on a specific date and pay a specified rate of return for the use of the money to the investor at specific time intervals.

Bond Fund
A mutual fund that invests exclusively in bonds.

Bull Market
Any market in which prices are advancing in an upward trend. In general, someone is bullish if they believe the value of a security or market will rise. The opposite of a bear market.

Capital
The funds invested in a company on a long-term basis and obtained by issuing preferred or common stock, by retaining a portion of the company's earnings from date of incorporation and by long-term borrowing.

Capital Gain
The difference between a security's purchase price and its selling price, when the difference is positive.

Capitalization
The market value of a company, calculated by multiplying the number of shares outstanding by the price per share.

Cash Equivalent
A short-term money-market instrument, such as a Treasury bill or repurchase agreement, of such high liquidity and safety that it is easily converted into cash.

Commodity
A commodity is a basic good used in commerce that is interchangeable with other commodities of the same type. Commodities are most often used as inputs in the production of other goods or services.

Common Stock
Securities that represent ownership in a corporation; must be issued by a corporation.

Corporate Bond
A long-term bond issued by a corporation to raise outside capital.

Custodian
A bank that holds a mutual fund's assets, settles all portfolio trades and collects most of the valuation data required to calculate a fund's net asset value (NAV).

Debt Security
Debt security refers to a debt instrument, such as a government bond, corporate bond, certificate of deposit (CD), municipal bond, or preferred stock, that can be bought or sold

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between two parties and has basic terms defined, such as notional amount (amount borrowed), interest rate, and maturity and renewal date.

Default
Failure of a debtor to make timely payments of interest and principal as they come due or to meet some other provision of a bond indenture.

Diversification
The process of owning different investments that tend to perform well at different times to reduce the effects of volatility in a portfolio, and also increase the potential for increasing returns.

Dividend
A dividend is a portion of a company's profit paid to common and preferred shareholders. Dividends provide an incentive to own stock in stable companies even if they are not experiencing much growth. Companies are not required to pay dividends.

Dow Jones Industrial Average (Dow)
The most commonly used indicator of stock market performance, based on prices of 30 actively traded blue chip stocks, primarily major industrial companies. The Average is the sum of the current market price of 30 major industrial companies' stocks divided by a number that has been adjusted to take into account stocks splits and changes in stock composition.

ESG – Also see Socially Responsible Investing (SRI)
Also referred to as ethical investing, and socially responsible investing. Stands for Environmental, Social and Governance. It is the practice of aligning an institutions' investment policies with its mission. This may include making program related investments and refraining from investing in corporations with products or policies inconsistent with the foundation's values

Equities
Shares issued by a company which represent ownership in it. Ownership of property, usually in the form of common stocks, as distinguished from fixed-income securities such as bonds or mortgages. Stock funds may vary depending on the fund's investment objective.

Equity Fund

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A mutual fund/collective fund in which the money is invested primarily in common and/or preferred stock. Stock funds may vary, depending on the fund's investment objective.
Fair Market Value (FMV)
Is the price that an investment would sell for on the open market. Federal Funds Rate (Fed Funds Rate). The interest rate charged by banks with excess reserves at a Federal Reserve district bank to banks needing overnight loans to meet reserve requirements. The most sensitive indicator of the direction of interest rates, since it is set daily by the market, unlike the prime rate and the discount rate, which are periodically changed by banks and by the Federal Reserve Board.

Federal Reserve Board (The Fed)
The governing board of the Federal Reserve System, it regulates the nation's money supply by setting the discount rate, tightening or easing the availability of credit in the economy.

Fixed income
Fixed income is a type of investment security that pays investors fixed interest payments until its maturity date. At maturity, investors are repaid the principal amount they had invested. Government and corporate bonds are the most common types of fixed-income products.

Fixed Income Fund
A fund or portfolio where bonds are primarily purchased as investments. There is no fixed maturity date and no repayment guarantee. Fixed Income Security A security that pays a set rate of interest on a regular basis.

Fund
A pool of money from a group of investors in order to buy securities. The two major ways funds may be offered are (1) by companies in the securities business (these funds are called mutual funds); and (2) by bank trust departments (these are called collective funds).

Growth Investing
Investment strategy that focuses on stocks of companies and stock funds where earnings are growing rapidly and are expected to continue growing.

Growth Stock
Typically a well-known, successful company that is experiencing rapid growth in earnings and revenue, and usually pays little or no dividend.

Hedge Fund
An investment vehicle that somewhat resembles a mutual fund, but with several important differences. If the fund is "off-shore", the fund does not have to adhere to any SEC regulations (and can only sell to non-U.S. investors or investment vehicles). These funds employ several different strategies that are not usually found in mutual funds. The term "hedge" can be misleading. The traditional hedge fund is actually hedged.

Index
An investment index tracks the performance of many investments as a way of measuring the overall performance of a particular investment type or category. The S&P 500 is widely considered the benchmark for large-stock investors. It tracks the performance of 500 large U.S. company stocks.

Individual Retirement Account (IRA)
A tax-deferred account to which an eligible individual can make annual contributions up to $3,000 ($6,000 for a single-income married couple filing a joint income tax return).

Inflation
A rise in the prices of goods and services, often equated with loss of purchasing power.

Interest Rate
The fixed amount of money that an issuer agrees to pay the bondholders. It is most often a percentage of the face value of the bond. Interest rates constitute one of the self-regulating mechanisms of the market, falling in response to economic weakness and rising on strength.

Investment
The outlay of money usually for income or profit. Investment Advisor An individual or firm that analyzes and makes recommendations on a client's securities/asset allocation for a fee. Investment Banking An activity that specializes in buying and selling large blocks of securities (as new issues) and in raising funds for capital expansion

Investment Company
A corporation, trust or partnership that invests pooled shareholder dollars in securities appropriate to the organization's objective. Mutual funds, closed-end funds and unit investment trusts are the three types of investment companies.

Investment Grade Bonds
A bond generally considered suitable for purchase by prudent investors.

Investment Objective
The goal of a mutual fund and its shareholders, e.g. growth, growth and income, income and tax free income.

Junk Bond
A lower-rated, usually higher-yielding bond, with a credit rating of BB or lower.

Large-Cap
The market capitalization of the stocks of companies with market values greater than $10 billion.

Lipper Ratings
The Lipper Mutual Fund Industry Average is the performance level of all mutual funds, as reported by Lipper Analytical Services of New York. The performance of all mutual funds is ranked quarterly and annually, by type of fund such as aggressive growth fund or income fund. Mutual fund managers try to beat the industry average as well as the other funds in their category.

Liquidity
The ability to have ready access to invested money. Mutual funds are liquid because their shares can be redeemed for current value (which may be more or less than the original cost) on any business day.

Long-Term Investment Strategy
A strategy that looks past the day-to-day fluctuations of the stock and bond markets and responds to fundamental changes in the financial markets or the economy.

Management fee
The amount paid by a mutual fund to the investment advisor for its services.

Market Price
The current price of an asset.

Market Risk
The possibility that an investment will not achieve its target.

Maturity
The date specified in a note or bond on which the debt is due and payable.

Mid-Cap
The market capitalization of the stocks of companies with market values between $3 to $10 billion.

Money Market Mutual Fund
A short-term investment that seeks to protect principal and generate income by investing in Treasury bills, CDs with maturities less than one year and other conservative investments.

Mutual Fund
Pools of money operated by an investment company that raises money from shareholders and invests it in stocks, bonds, options, commodities or money market securities like an individual portfolio.

NASDAQ
National Association of Securities Dealers Automated Quotations system, which is owned and operated by the National Association of Securities Dealers. NASDAQ is a computerized system that provides brokers and dealers with price quotations for securities traded over-the-counter as well as for many New York Stock Exchange listed securities.

Net Asset Value (NAV)
The current dollar value of a single mutual fund share; also known as share price. The fund's NAV is calculated daily by taking the fund's total assets, subtracting the fund's liabilities, and dividing by the number of shares outstanding. The NAV does not include the sales charge. The process of calculating the NAV is called pricing.

Portfolio
A collection of investments owned by one organization or individual, and managed as a collective whole with specific investment goals in mind.

Portfolio Allocation
Amount of assets in a portfolio specifically designated for a certain type of investment.

Portfolio Holdings
Investments included in a portfolio.

Portfolio Manager
The person or entity responsible for making investment decisions of the portfolio to meet the specific investment objective or goal of the portfolio.

Preferred Stock
A class of stock with a fixed dividend that has preference over a company's common stock in the payment of dividends and the liquidation of assets. There are several kinds of preferred stock, among them adjustable-rate and convertible.

Premium
The amount by which a bond or stock sells above its par value.

Principal
The original sum committed to the purchase of assets—independent of any earnings or interest and acts as the primary investment pool.

Private Equity
Private equity is an alternative investment class and consists of capital that is not listed on a public exchange. Private equity is composed of funds and investors that directly invest in private companies, or that engage in buyouts of public companies, resulting in the delisting of public equity.

Prospectus
Formal written offer to sell securities that sets forth the plan for proposed business enterprise or the facts concerning an existing one that an investor needs to make an informed decision. Prospectuses are also issued by mutual funds, containing information required by the SEC, such as history, background of managers, fund objectives and policies, financial statement, risks, services and fees.

Recession

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A downturn in economic activity, defined by many economists as at least two consecutive quarters of decline in a country's gross domestic product. Redemption - Sale of mutual fund shares by a shareholder.

Relative Risk and Potential Return
The amount of potential return from an investment as related to the amount of risk you are willing to accept.

Restricted Funds
Assets or income that is restricted in its use, in the types of organizations that may receive grants from it or in the procedures used to make grants from such funds.

Return on Investment (ROI)
Is a way to evaluate efficiency, expressed as a percentage e.g. the dollar value of time and resources to achieve an outcome. Enables you to determine whether the initial investment is reasonable for the final outcome.

Risk Tolerance
The degree to which you can tolerate volatility in your investment values.

Sales Charge
An amount charged for the sale of some fund shares, usually those sold by brokers or other sales professionals. By regulation, a mutual fund sales charge may not exceed 8.5 percent of an investment purchase. The charge may vary depending on the amount invested and the fund chosen. A sales charge or load is reflected in the asked or offering price. See loads.

Sector
A group of similar securities, such as equities in a specific industry.

Securities
Another name for investments such as stocks or bonds. The name 'securities' comes from the documents that certify an investor's ownership of particular stocks or bonds.

Securities and Exchange Commission (SEC)

The federal agency created by the Securities and Exchange Act of 1934 that administers the laws governing the securities industry, including the registration and distribution of mutual fund shares.

Share
A unit of ownership in an investment, such as a share of a stock or a mutual fund.

Share Classes
Classes represent ownership in the same fund but charge different fees. This can enable shareholders to choose the type of fee structure that best suits their particular needs.

Short-Term Investment
Asset purchased with an investment life of less than a year.

Small-Cap
The market capitalization of the stocks of companies with market values less than $3 billion.

Socially Responsible Investing (SRI) – Also see ESG
It is the practice of aligning a foundation's investment policies with its mission. This may include making program related investments and refraining from investing in corporations with products or policies inconsistent with the foundation's values

Standard & Poor's Index
Broad-based measurement of changes in stock market conditions based on the average performance of 500 widely held common stocks commonly known as the Standard & Poor's 500 or S&P 500.

Standard Deviation
A statistical measure of the degree to which an individual value in a probability distribution tends to vary from the mean of the distribution.

Stock
A long-term, growth-oriented investment representing ownership in a company; also known as 'equity.'

Total Return

Accounts for all the dividends and interest earned before deductions for fees and expenses, in addition to any changes in the value of the principal, including share price, assuming the funds' dividends and capital gains are reinvested. Often, this percentage is presented in a specified period of time (one, five, ten years and/or life of fund). Also, a method of calculating an investment's return that takes share price changes and dividends into account.

Treasury bonds, Treasury bills, and Treasury notes are all government-issued fixed income securities that are deemed safe and secure.

Treasury Bills (T-Bills)

T-bills have the shortest maturity terms—from four weeks to a year.

Treasury Notes (T-Notes)

T-notes mature anywhere between two and 10 years, with bi-annual interest payments, but lower yields.

Treasury Bonds (T-Bonds)

T-bonds mature in 30 years and offer investors the highest interest payments bi-annually.

Trustee

An organization or individual who has responsibility for one or more accounts. 2. An individual who, as part of a fund's board of trustees, has ultimate responsibility for a fund's activities.

Valuation

An estimate of the value or worth of a company; the price investors assign to an individual stock.

Volatility

The amount and frequency with which an investment fluctuates in value.

YTD

Year-to-date return on an investment including appreciation and dividends or interest.

YTD Total Return

Year-to-date return on an investment including appreciation and dividends or interest.

Yield

Annual percentage rate of return on capital. The dividend or interest paid by a company expressed as a percentage of the current price.

Kalamazoo Foundation for Excellence (FFE) Endowment Projection

Historic Spending Scenario

	2022	2023	2024	2025	2026	2027	2028	2029	2030	2040	TOTAL
Endowment Value 1/1	152,722,653	203,153,148	228,715,316	255,473,347	283,494,080	312,848,411	346,690,807	382,552,544	420,572,737	460,568,770	
Investment Earnings on 1/1 balance less CY distribution	9,942,245	11,504,631	13,140,109	14,852,765	16,646,931	21,344,707	23,846,689	26,499,261	29,312,833	31,897,331	490,668,852
Endowment Contributions w/ investment earnings	40,488,250	40,488,250	40,488,250	40,488,250	40,488,250	40,750,000	40,750,000	40,750,000	40,750,000	-	365,441,250
Endowment Distributions	-	(26,430,712)	(26,870,327)	(27,320,282)	(27,780,850)	(28,252,311)	(28,734,952)	(29,229,068)	(29,734,962)	(35,271,025)	(551,637,679)
Endowment Value 12/31	**203,153,148**	**228,715,316**	**255,473,347**	**283,494,080**	**312,848,411**	**346,690,807**	**382,552,544**	**420,572,737**	**460,900,608**	**457,195,076**	
Endowment Contributions											
Additional Fundraising											-
Annual contributions	40,000,000	40,000,000	40,000,000	40,000,000	40,000,000	40,000,000	40,000,000	40,000,000	40,000,000		485,317,700
Earnings contribution (3 months invested)	488,250	488,250	488,250	488,250	488,250	750,000	750,000	750,000	750,000	-	5,441,250
Contribution Value with Investment earnings	40,488,250	40,488,250	40,488,250	40,488,250	40,488,250	40,750,000	40,750,000	40,750,000	40,750,000	-	490,758,950
Endowment Distributions (February each year)											
Tax Reimbursement		(13,405,677)	(13,689,231)	(13,979,073)	(14,275,355)	(14,578,231)	(14,887,859)	(15,204,402)	(15,528,027)	(19,054,847)	(289,913,066)
Budget Stabilization Payment		(4,502,035)	(4,637,096)	(4,776,209)	(4,919,495)	(5,067,080)	(5,219,093)	(5,375,666)	(5,536,935)	(7,441,178)	(105,412,613)
Aspirational Funding:											
Programs and Projects		(8,000,000)	(8,000,000)	(8,000,000)	(8,000,000)	(8,000,000)	(8,000,000)	(8,000,000)	(8,000,000)	(8,000,000)	(144,000,000)
Operations/Admin		(523,000)	(544,000)	(565,000)	(586,000)	(607,000)	(628,000)	(649,000)	(670,000)	(775,000)	(12,312,000)
Ops/Admin as percent at current growth and same FTEs		6.1%	6.4%	6.6%	6.8%	7.1%	7.3%	7.5%	7.7%	8.8%	
Endowment Distributions	-	**(26,430,712)**	**(26,870,327)**	**(27,320,282)**	**(27,780,850)**	**(28,252,311)**	**(28,734,952)**	**(29,229,068)**	**(29,734,962)**	**(35,271,025)**	**(551,637,679)**

Investment return <$300M	**6.51%**
Investment return >$300M	**7.50%**

Utilized prior 5-years to model next 5, then smoothed

Assumptions:

Budget Stabilization to increase by Municipal Cost Index, assumed 3.00%.

Distributions are covered under a separate agreement for 2020-2022. First required endowment draw to be made February 2023.

Assumed Aspirational draws of $6M through 2025 due to ARP funding

Endowment Target - $500M

Kalamazoo Foundation for Excellence (FFE) Endowment Projection

Moderated Spending Scenario

	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2040	TOTAL
Endowment Value 1/1	152,722,653	203,153,148	232,975,716	264,271,500	297,125,392	331,627,521	367,953,350	406,484,778	447,374,889	490,787,921	531,016,970	
Investment Earnings on 1/1 balance less CY distribution	9,942,245	11,765,031	13,677,861	15,685,924	17,794,730	22,828,141	25,516,380	28,369,178	31,397,994	34,615,123	37,255,946	353,531,189
Endowment Contributions w/ investment earnings	40,488,250	40,488,250	40,488,250	40,488,250	40,488,250	40,750,000	40,750,000	40,750,000	40,750,000	-	-	365,441,250
Endowment Distributions	-	(22,430,712)	(22,870,327)	(23,320,282)	(23,780,850)	(27,252,311)	(27,734,952)	(28,229,068)	(28,734,962)	(29,252,950)	(34,271,025)	(356,051,374)
Endowment Value 12/31	**203,153,148**	**232,975,716**	**264,271,500**	**297,125,392**	**331,627,521**	**367,953,350**	**406,484,778**	**447,374,889**	**490,787,921**	**496,150,094**	**534,001,891**	
Endowment Contributions												
Additional Fundraising												-
Annual contributions	40,000,000	40,000,000	40,000,000	40,000,000	40,000,000	40,000,000	40,000,000	40,000,000	40,000,000			485,317,700
Earnings contribution (3 months invested)	488,250	488,250	488,250	488,250	488,250	750,000	750,000	750,000	750,000	-	-	5,441,250
Contribution Value with Investment earnings	40,488,250	40,488,250	40,488,250	40,488,250	40,488,250	40,750,000	40,750,000	40,750,000	40,750,000	-	-	490,758,950
Endowment Distributions (February each year)												
Tax Reimbursement		(13,405,677)	(13,689,231)	(13,979,073)	(14,275,355)	(14,578,231)	(14,887,859)	(15,204,402)	(15,528,027)	(15,858,906)	(19,054,847)	(289,913,066)
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Aspirational Funding:												-
Programs and Projects		(4,000,000)	(4,000,000)	(4,000,000)	(4,000,000)	(7,000,000)	(7,000,000)	(7,000,000)	(7,000,000)	(7,000,000)	(7,000,000)	(114,000,000)
Operations/Admin		(523,000)	(544,000)	(565,000)	(586,000)	(607,000)	(628,000)	(649,000)	(670,000)	(691,000)	(775,000)	(12,312,000)
Ops/Admin as percent at current growth and same FTEs		11.6%	12.0%	12.4%	12.8%	8.0%	8.2%	8.5%	8.7%	9.0%	10.0%	
Endowment Distributions	**-**	**(22,430,712)**	**(22,870,327)**	**(23,320,282)**	**(23,780,850)**	**(27,252,311)**	**(27,734,952)**	**(28,229,068)**	**(28,734,962)**	**(29,252,950)**	**(34,271,025)**	**(521,637,679)**

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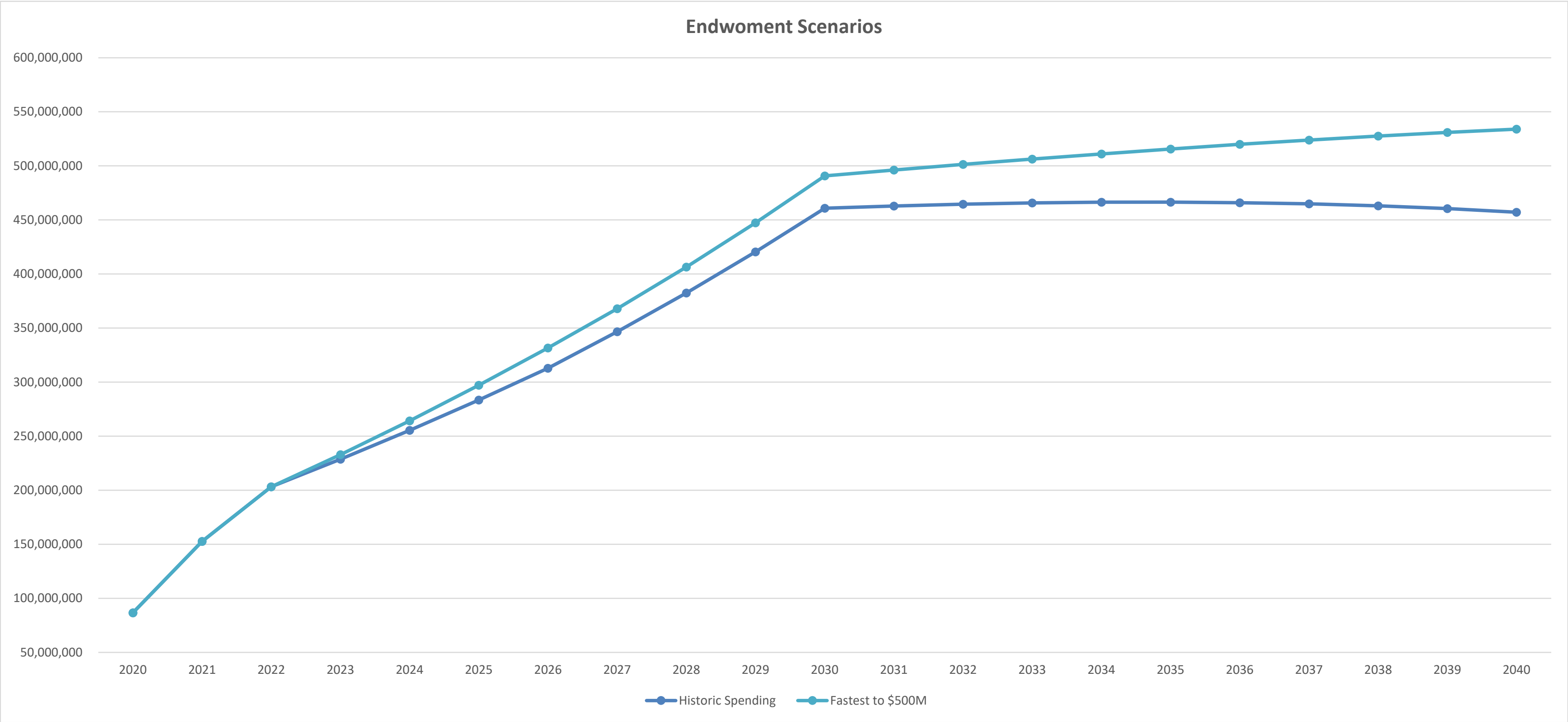
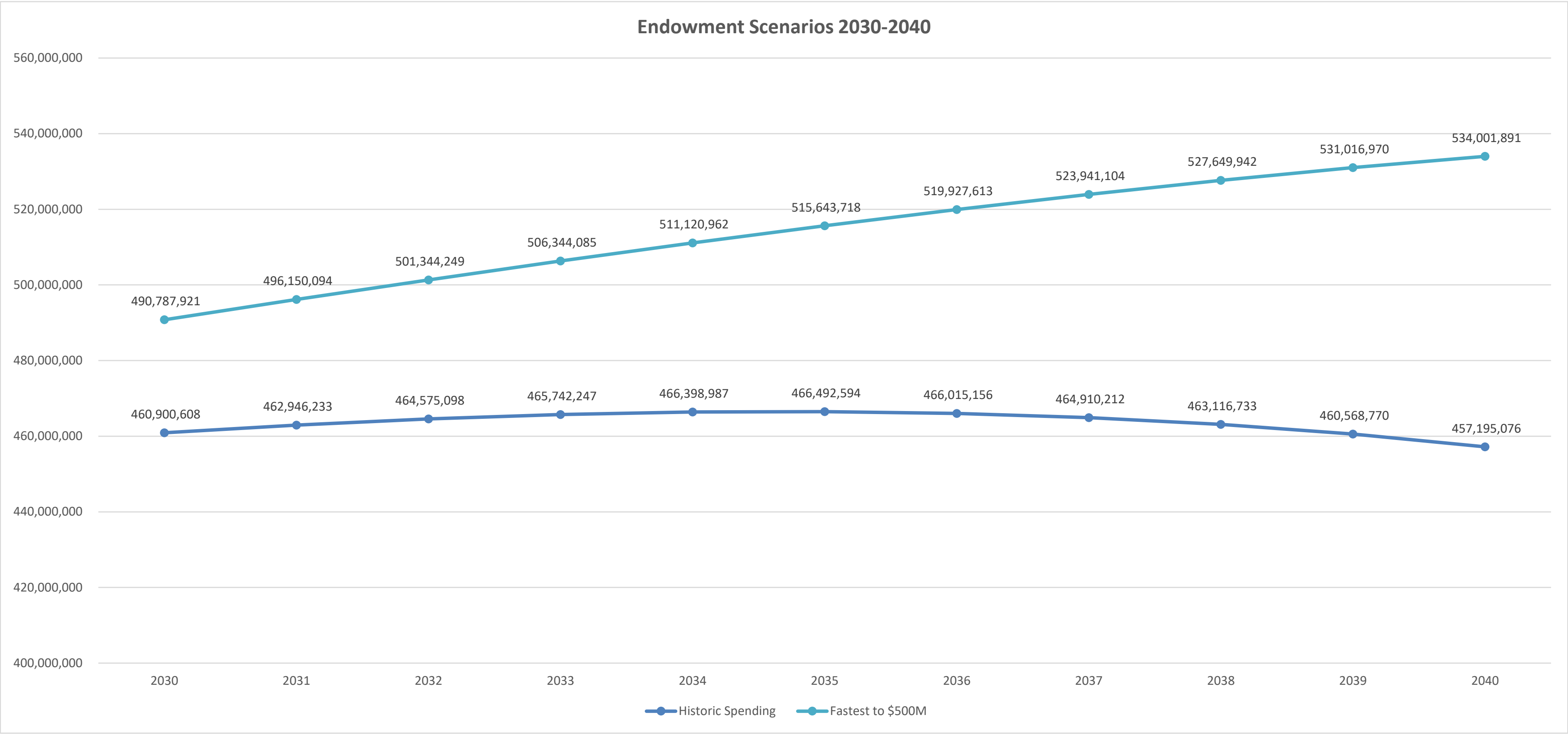
Kalamazoo Foundation for Excellence (FFE) Endowment Projection

Historic Spending and Moderated Spending Scenarios



Kalamazoo Foundation for Excellence (FFE) Endowment Projection
Historic Spending and Moderated Spending Scenarios



Date: **2/15/2022**
FFE
Item: **C.2.**

Foundation for Excellence Agenda Report

Kalamazoo Foundation for Excellence

TO: Foundation for Excellence Board of Directors

FROM: Prepared by: Steve Brown, FFE Manager

DATE: February 15, 2022

SUBJECT:

Executive Committee Report

RECOMMENDATION:

No action requested.

BACKGROUND:

The first disbursement grant from the FFE endowment to the City of Kalamazoo will take place in the
2023 fiscal year. To formalize and govern this relationship, an annual memorandum of understanding (MOU) has been drafted by staff and been offered for preliminary review by the Executive Committee.

Because this is a contract, and furthermore relates to the central purpose of the FFE to support the City financially, the entire Board should be given opportunities and adequate time to review drafts and comment. This presentation is the first opportunity for staff to review the draft with Directors and answer initial questions.

Final approval of the draft will be sought at a future board meeting. Once approved for use, the MOU will be submitted to City Commission for approval along with the annual budget.

<u>From the FFE Bylaws: Section 10.01 Contracts, Conveyances:</u> Unless otherwise directed by the Board of Directors, all conveyances, contracts and instruments of transfer and assignment shall be specifically approved by the Board of Directors and shall be executed on behalf of the Corporation by such Officers or agents as may be specifically authorized by the Board of Directors.

STRATEGIC VISION ALIGNMENT:

Good Governance- Ensuring the City organization has the capacity and resources to effectively implement the community's Strategic Vision in a way that is sustainable over the long term.

FISCAL IMPACT:

AGREEMENT
Between the
Kalamazoo Foundation for Excellence
And
The City of Kalamazoo

THIS AGREEMENT, entered this _____ day of January, 2023 by and between the Kalamazoo Foundation for Excellence (herein called the "FFE"), a registered 501c3 type 3 non-profit corporation located at 241 W. South Street, Kalamazoo, and the City of Kalamazoo (herein called the “City”) a Michigan municipal corporation located at 241 W. South Street, Kalamazoo.

WHEREAS, the FFE was created in 2017 to support the City by stabilizing its budget, lowering property taxes, and committing up to $10 million per year for aspirational programs;

NOW, THEREFORE, it is agreed between the parties that;

I. PURPOSE OF INVESTMENT

a. collaborating to (a) develop and commit resources to address generational poverty, promote youth development and remove barriers to employment opportunities for youth, under-employed and unemployed individuals, and persons seeking re-entry to the Kalamazoo community; (b) address capital and human infrastructure improvement and/or maintenance needs as identified by ongoing studies and by the City of Kalamazoo's designated Capital Improvement Program; and (c) develop and implement neighborhood improvement efforts and projects which reimagine and reinvest public spaces to attract and connect people (A.O.I);
b. collaborating on the shared goals of the City, including Imagine Kalamazoo 2025 and subsequent or related plans.

II. SCOPE OF SERVICES

The FFE will be responsible for:

a. Annually approving a grant to the City delivered with a detailed budget (APPENDIX A - annual transmittal memo);
b. tendering grant payments on a quarterly basis to the City;
c. working with the City to continually innovate programs and administrative practices that help the City achieve its goal of being a high-performance organization.

The City will be responsible for:

d. Selecting programs to propose for FFE funding based on the FFE Aspirational Process (APPENDIX B – Process Model);
e. approving an annual City FFE budget;
f. delivering aspirational programs and associated data as described in the annual FFE Workbook (APPENDIX C - annual workbook);
g. executing the FFE communication strategy (APPENDIX D - communications deliverables);

III. DURATION OF AGREEMENT

The effective date of this Agreement will be the date this Agreement is signed by the FFE. The Agreement will end when all reporting requirements have been met, but no later than twelve months from the date that this agreement is signed by the FFE.

IV. BUDGET AND PAYMENT

a. Total Budget

It is expressly agreed and understood that the total amount to be paid to the City under this Agreement shall not exceed $_________. Any monies received by the City from the FFE pursuant to this Agreement will be used in furtherance of the operations of the program described in the Scope of Services and enumerated Appendices.

b. Payments

The budget will be distributed in four (4) increments. Unless the City is non-compliant Per Section VIII or unable more broadly to establish approved activities as established during the required quarterly check-ins or reports required in Section V, the FFE will issue quarterly payments on the below schedule. The City may request fewer payments provided earlier in the year if it can document need in writing to the FFE ninety (90) days prior to the anticipated need.

Quarter	Request Submitted	Payment
1.	3.6.2023	$
2.	6.5.2023	$
3.	9.4.2023	$
4.	12.4.2023	$
5th	2.1.2024	$ +/- to settle up

V. PERFORMANCE

The City shall comply with all timeliness requirements and achieve the goals established in the Scope of Service and as required below:

a. Time Period

Services of The City shall start on the 1st day of January 2023 and shall end on the 31st day of December 2024. The term of this Agreement and the provisions herein shall cover any additional period during which The City remains in control of FFE funds or other FFE assets.

b. Tracking and Progress Reports

In addition to basic descriptive information for each program, the following list will be tracked in the Workbook by the City and available for quarterly reviews by FFE:

i. The logic model of impact that establishes the need for the work and explains why the City's activities will achieve desired results specifically addressing at least one aspect of Section I;
ii. quantitative annual objectives and outputs proving results;
iii. personal testimonials of impacted and/or involved community members;

iv. multi-year data where relevant.
v. Communications and PR plan

c. Modifications

i. The FFE reserves the right to modify the terms of the **performance standards**, measures, and outcomes by amendment, with a 30-day notice to the City, for the duration of the term of the Agreement.
ii. The City may also modify the Scope of Services or the required budget if circumstances change throughout the year that requires an amendment. The City must submit a written request to the FFE for review. The FFE has 15-days to respond to the request.
iii. Mid-Year emergency requests of specific amounts may be made by a majority vote of the City Commission requesting support from the FFE Board and approved by a majority vote of the FFE Board, in two categories:
    1. Acts of God that significantly threaten the health or economic well-being of a significant portion or severely affected minority of Kalamazoo residents and for which no other funds are immediately available;
    2. Unique opportunities to significantly advance the work of the FFE or Imagine Kalamazoo goals that cannot wait to be fitted into the annual budgeting timeline of the City.

VI. SPECIFIC CONDITIONS

The money being granted by the FFE to the City is subject to the following terms and conditions:

a. The City shall take all reasonable steps to ensure that 100% or people intended to benefit directly from FFE-funded programs will be residents of the City at the time of the program. Participant information obtained by the City (and made available to the FFE in its reporting) will include the participants' addresses and such other non-confidential demographic information (race, gender identity, income, age, household information) that would assist in assessing that the programs and services are involving residents.
b. The City shall operate its programs and activities consistent with the program description as set forth herein and as set forth in the Scope of Services. If at any time during the duration of this Agreement, the City makes significant changes in its program, those changes must be communicated to the FFE.
c. The FFE Workbook will be the repository for all summary and quantitative data pertaining to Aspirational projects and serve as the final source of information once approved by departments or partners.

VII. COMMUNICATIONS AND PROMOTION

a. The City shall acknowledge the FFE's involvement in all projects funded in part, or in entirety, through FFE funds. Such acknowledgement shall apply to all public statements, whether written or verbal. The appropriate credit line will be that "This activity is funded, in part, by the Foundation for Excellence."
b. The City shall include a requirement to acknowledge "This activity is funded, in part, by the Foundation for Excellence" in all agreements with third parties delivering FFE-funded scope items on its behalf.

c. The City shall provide quantitative, narrative, and audio/visual proof of delivering aspirational programs in a single public report by the end of each calendar year with projected numbers allowed where actual numbers are not available.
d. At least one public presentation will be made each year in areas of major investment, including Youth Development, Great Neighborhoods, Economic Development, Affordable Housing, Shared Prosperity, Good Governance, Safe Community, and any others identified in the annual budget.

VIII. NON-COMPLIANCE

a. Accountability will be based on a concept of non-compliance based on objective program measures of the City's responsibilities recorded in the Workbook, appropriate supporting information, and a qualitative review or factors such as major changes to the material conditions underlying the premise of the work or so-called acts of God.
b. There will be quarterly reviews with departments and program partners as needed to review the Workbook and determine areas progress, needed improvement, or non-compliance. In the event of a single year of non-delivery programs will be placed on probation. Programs on probation will be lowest priority for following year funding. Funding will not be permitted to continue for at least one year in the event of two consecutive years of non-delivery.
c. If during the Agreement period, the City is considered to be in non-compliance with the terms and conditions herein, the annual goals and objectives, or that the funds being made available to the City are not being expended consistent with this Agreement, the FFE will send notification specifying the issues and concerns and will stop any payments to the City. Within thirty (30) days of receipt of the notification, the City shall provide a written response to each issue cited. If the issues are resolved to the satisfaction of the City, payment to the City will resume.
d. However, if after ninety (90) days past the notification the issues are not satisfactorily resolved, the FFE reserves the right to terminate its aspirational program funding with the City.

IX. TERMINATION

Either party may terminate its participation in this agreement, so long as it first provides the other party with ninety (90) days written notice of its intent.

X. CONTACT / NOTICES

Communication and details concerning this Agreement shall be directed to the following Agreement representatives:

<u>City</u>
Laura Lam
Deputy City Manager

<u>FFE</u>
Steve Brown
Foundation for Excellence Manager

KALAMAZOO FOUNDATION FOR EXCELLENCE

Signature: ____
Name: ____
Its: Board President
Date: ____

CITY OF KALAMAZOO

Signature: ____
Name: James K. Ritsema, ICMA-CM
Its: City Manager
Date: ____

Date: **2/15/2022** **FFE** Item: **C.3.**

Foundation for Excellence Agenda Report

Kalamazoo Foundation for Excellence

TO: Foundation for Excellence Board of Directors

FROM: Prepared by: Steve Brown, FFE Manager

DATE: February 15, 2022

SUBJECT:

Staff Reports

RECOMMENDATION:

No action requested.

BACKGROUND:

Staff will present updates and answer questions on the following topics:

1. The FFE's fifth anniversary year
    1. A series of public presentations to the City Commission and community are being prepared for Autumn 2022 leading up to the 5th Anniversary of FFE in October, as well as the approval of the FFE's first endowment grant to the City.
    2. The attached schedule is subject to updates at this time but will be presented to City Commission on March 21 to set expectations and build awareness.
2. Communications updates
    1. Preview website update.
    2. Additionally, staff are working together to finalize an overall communications strategy for the City of Kalamazoo that includes FFE-funded projects, programs, mission and values, and messaging.
    3. Legal consultation has indicated that the FFE logo, while safe due to its regular usage and implementation, should be formally trademarked to protect the asset long term.
3. Board Ambassador work
    1. As events move back in person and finer weather comes into view, staff will work with Board members on opportunities to continue the ambassador work from

    2021.
  2. For those interested, please mark your calendars for 10am on Saturday, May 7, for the Re-dedication of the Farmers Market. More information will follow this Spring.
4. Collaborating on Board training needs
    1. Staff would like to update Board materials for continuing education and to on-board new Directors in May to the highest standards. Discussion is needed on how best to do this beyond Board binders.
5. Update on Board Director positions
    1. Staff worked with the contracted governance facilitator Kalamazoo Community Foundation (KCF) again this year to solicit and process applications for Board members to open seats. Outreach included an inner page call-out in the FFE's newsletter that was mailed to ever residence in the City, Direct appeals to City Commissioners and Directors to invite applications, a 'boosted' social media campaign by CIty communications staff, and mass emailing by KCF.
    2. Recommendations will be brought to City Commission at the March 21 business meeting for recommendation and approval and to the annual FFE Board meeting for final approval.
        1. Stakeholder Directors - There were There were 25 applicants across 3 openings; Healthcare, Business/Banking, Housing.
        2. At Large Director - There were six eligible applicants. City Commission will make an appointment.
        3. City Commissioner Director - City Commission will appoint an eligible commissioner.
6. Inquiry regarding possibility of Board members remote voting

STRATEGIC VISION ALIGNMENT:

Good Governance- Ensuring the City organization has the capacity and resources to effectively implement the community's Strategic Vision in a way that is sustainable over the long term.

FISCAL IMPACT: