



Kalamazoo
Foundation for
Excellence

Agenda FFE Finance Committee

Monday, April 10, 2023

2:00 PM

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

A. CALL TO ORDER

B. APPROVAL OF AGENDA

C. APPROVAL OF MINUTES

1. Approve Minutes of January 30, 2023, meeting

D. REPORTS AND COMMUNICATIONS

1. 2023 FFE Assessment and Planning
2. FFE-City Purchasing Policy

E. REGULAR AGENDA

1. Annual Financial Compliance Documents

F. PUBLIC COMMENTS

G. BOARD MEMBER COMMENTS

H. ADJOURNMENT

KALAMAZOO FOUNDATION OF EXCELLENCE

PUBLIC COMMENT RULES

General information about the Foundation for Excellence (FFE) including board meeting schedules, meeting agendas and minutes, bylaws, and much more can be accessed at: <https://www.kalamazoocity.org/ffe>.

Agendas and previous minutes and video streams for FFE meetings are available directly at: <https://kalamazoomi.civicclerk.com/>.

Questions regarding agenda items may be answered prior to the meeting by contacting the FFE Manager at 269.337.8047 or ffe@kalamazoocity.org.

Meetings are held in person at Kalamazoo City Hall, 241 W. South St. 49007. Meetings of the full Board are also streamed live and archived on the City's Facebook page (<https://www.facebook.com/KalamazooCity/>) and YouTube Channel (www.kalamazoocity.org/youtube).

Persons attending a regular or special meeting of the Board of Directors of the Kalamazoo Foundation for Excellence are permitted to address the Board at the noted time on the Agenda and in conformity with this rule and the Michigan Open Meetings Act.

An individual wishing to address the Board shall wait to be recognized by the presiding officer. A person addressing the Board shall provide their name and whether they are a resident of the City. Remarks by a speaker shall be confined to matters within the purview of the Board and FFE. An individual may comment once for up to three (3) minutes. No comment is permitted on secondary or procedural motions to a main motion. A speaker is not permitted to yield any unused portion of speaking time to other speakers. A speaker may be ruled out of order for conduct that interrupts or disrupts the meeting.

Individuals also have the option to provide public comments over the phone at 888.382.9556 during the public comment period announced by staff during the meeting. Callers will enter a queue and be prompted to offer comments in turn. Callers will be given three minutes to comment live.

Updated January 18, 2023.

**KALAMAZOO FOUNDATION FOR EXCELLENCE
BOARD OF DIRECTORS
FINANCE COMMITTEE**

MINUTES

Meeting of January 30, 2023

The meeting of the Kalamazoo Foundation for Excellence (KFFE) Finance Committee was called to order at 2:04 p.m. in the Community Room of City Hall by President Calderon-Huezo; Treasurer Carrel, Directors Balkema and Washington, and Chief Financial Officer Vicenzi were present. Vice President Ritsema was absent.

A quorum was present.

The draft minutes of the December 12, 2022, meeting were moved for approval by Treasurer Carrel and seconded by Director Washington. The motion was approved by unanimous voice vote.

Executive Director Brown and CFO Vicenzi opened a discussion with FFE Finance Committee members regarding the challenged financial outlook models of the FFE endowment impacting aspirational grant activities for the FFE to the City for FY 2024. The Committee members discussed the evident need to minimize the aspirational grant to the City for FY 2024 to the lowest dollar amount possible. The prospective plan for acting is to review these facts at the February Board meeting, where the Finance Committee can participate in discussion and finalize a plan to recommend a grant amount at the April Board meeting. The recommendation will use the FFE Investment Subcommittee report dated 12.31.2022 and other provisional reports. The FFE will approve a grant not to exceed a certain amount and made conditional and contingent on the availability of funds, i.e. the endowment remaining above a certain dollar threshold. Further discussed was that the City can make emergency requests to the FFE at any time, meaning the conversation about adequate funding to the City is never off the table. It was also recommended that the FFE will seek to pay aspirational grants to the City on a reimbursement basis to maximize the time invested and potential returns for all assets unless otherwise requested by the City.

The next meeting is scheduled for Monday, April 10, 2023, at 2 p.m.

No public comments.

No Board comments.

President Calderon-Huezo adjourned the meeting at 2:35 p.m.

Minutes Drafted: January 30, 2023.

Minutes Approved: _____

Steve Brown, Recording Secretary



FFE Finance Committee Staff Report

TO: Foundation for Excellence Finance Committee

FROM: Steve Brown, Executive Director

DATE: April 10, 2023

SUBJECT: 2023 FFE Assessment and Planning

RECOMMEDATION:

Review and recommend the 2023 Assessment and Planning to the Board of Directors for adoption.

BACKGROUND:

Finance Committee Review of 2023 Assessment and Planning

Ongoing FFE development has highlighted the need for a dedicated assessment of FFE and planning for 2023 and 2024. Discussions with Directors emphasized the need for the process to be conducted internally. Directors also sought a document that prioritizes practical utility in guiding FFE through 2023 into 2024. The attached memo includes:

- SWOT - The Executive Director conducted an analysis of major strengths, weaknesses, opportunities, and threats to FFE in various governance and operations topics to orient FFE over one to two years. The exercise laid groundwork for the next step of coding each topic as either 1) mission critical 2) very important or 3) of permanent background significance. Finally, topics were coded into further categories of having 1) both major opportunities and threats or 2) if they had either opportunities or threats needing attention.
- The SWOT also includes a summary of proposed actions and deadlines that can be used to develop the 2023 review framework of the Executive Director and Board self-assessment,

The Finance and Executive Committees will be asked to review and offer crucial feedback to the work to-date, proposed final outcome of the process, and next steps



DRAFT 2023 ASSESSMENT and PLANNING

PENDING Board Approval: April 24, 2023

The FFE supports the goals of the City of Kalamazoo, funds aspirational projects, and empowers city residents to achieve the lives they want for themselves and their families.

STRENGTHS, WEAKNESSES, OPPORTUNITIES, AND THREATS (SWOT)

The Executive Director conducted a SWOT analysis of major FFE governance and operations topics to orient FFE over one to two years. The exercise laid groundwork for the next step of coding each topic as either 1) mission critical 2) very important or 3) of permanent significance. Finally, topics were coded into further categories of having 1) both major opportunities and threats or 2) if they had either opportunities or threats needing attention.

Proposed “Active” Top Ten Priorities (*alphabetical order*)

These items rose to the top because they are Mission Critical and have both major opportunities to leverage and threats to mitigate or give special attention to. They pose current concern and require the most proactive attention and effort to manage.

- Board of Directors
- Board Meetings
- City-FFE Partnership
- Endowment Risk Management
- Endowment Sustainability
- Fundraising Case for Support
- Fundraising Personnel
- Fundraising Technology
- Investment Subcommittee (FFEIS)
- Tax Reduction Payment

Proposed “Passive” Top Ten Priorities

These items also arose because they are very important and have either major opportunities to leverage or threats to mitigate or give special attention to. They pose current concern and require passive effort to manage.

- Annual Budgeting
- Budget Stabilization (High-Performance Organization Goal)

- Communications and External Relations
- Compliance & Regulatory Matters
- Daily Operations
- Director & Officer Insurance (D&O)
- Executive Development
- Organizational Culture
- Organizational Resiliency
- Risk Management / Mitigation

Items of Permanent Significance

These are essential areas of ongoing governance and operations but have no special opportunities or threats currently identified. They can furthermore be passively managed without urgent investment.

- Aspirational Grant to the City
- Calendars & Timelines
- Core Service to the City
- Customer Service to City Government
- Customer Service to the Public
- Executive Leadership
- FFE-City Commission Relations
- Fundraising Donor Relations and Retention
- Imagine Kalamazoo 2025
- Legal Representation
- Strategic Planning
- Policies (including Bylaws and Articles)
- Program Impact Data Analysis
- Program Impact Data Collection
- Transparency and Public Trust

TIMELINE SUMMARY

(Full timeline forthcoming based on approval)

2023: Complete governance and management practice improvements by October Board meeting

2023: Study and design an endowment development effort by October Board meeting

23/24: Conduct strategic process for 2024 at the end of 2023 as Board

23/24: Add capacity thoughtfully to fulfill changing needs

2024: Stand up a development effort and receive donations on target beginning in 2024

Priority Group	Topic	Definition	Action 1	Target Completion	Action 2	Target Completion
Active Top Ten	Board Meetings	Professional public deliberation and decision-making are required to conduct FFE business and key to transparency	Prepare the annual roster of all agenda items to prevent oversights and manage workload	April	Work with PR to improve tech in MRP for streaming, or delay move and go all in person until 2024	September
Active Top Ten	Board of Directors	The Board is the custodian of the FFE endowment and authority over the organization	Work with Board to make officer and committee succession plan to continually involve and train Directors	April	Work with Board (Nominating Committee) to have a plan for ambassador efforts in 2024 by end of 2023	November
Active Top Ten	City-FFE Partnership	The FFE exists solely to support the City and has an outstanding working relationship between staff and officials	Participate in full cycle of 2024 City budget team	August	Plan out CC presentations to focus on the foundation more than its programs moving forward	June
Active Top Ten	Endowment Sustainability	Basis of FFE and must exist in perpetuity	Revisit the calculation in context to rising assessed property values	April	Revisit Aspirational and tax reimbursement relationship	April
Active Top Ten	Endowment Risk Management	Prudent long-term management requires anticipating the unanticipated	Refine and formalize financial projection scenarios	May	Put the pieces in place for a successful long-term fundraising effort	August
Active Top Ten	Investment Subcommittee (FFEIS)	The Body responsible to the Finance Committee that conducts business pursuant to FFE IPS	Plan for leadership to learn more about risk management and mitigation and create plan	June		

Active Top Ten	Fundraising Personnel	Essential time and talent	Work with FFEIS membership to create succession plan for members	September	Review and align administrative processes with consultants, committee, and City staff	September
Active Top Ten	Fundraising Case for Support	The overall story of why donors should give to FFE and Kalamazoo	AFP annual conference on fundraising and talent scouting	May	Upskill Executive Director during feasibility study to arrive at FFE's new capacity needs	September
Active Top Ten	Fundraising Technology	Maximizes efficient raising of funds for a modern donor base	In context to feasibility study map existing and needed assets such as brochures	August		
Active Top Ten	Tax Reduction Payment	Required payment to the City equaling lost tax revenue between previous rate and new rate	Map internal processes for smooth and trustworthy donations, bank reconciliations,	April	Finalize donation platform details and connect to website	August

Priority Group	Topic	Definition	Action 1	Target Completion	Action 2	Target Completion
Passive Top Ten	Communications and External Relations	Fundamental duty to convey crucial information to the City and general public	Work with Grants Division Manager on gathering new program data that align with CM's 2023 goals	July		
Passive Top Ten	Budget Stabilization / HPO Language	Required payment	Executive Director participate in budget team for 2024 budget and deliver FFE draft on time	September	Work with Management Services Dept. to prepare 2025 and 2026 outlook	October
Passive Top Ten	Budget/ing	Fundamental necessity for sound and prudent planning and operations	Schedule critical renewals for 2023	April		
Passive Top Ten	Organizational Culture	"A negative organizational culture will eat a great strategy for breakfast."	Identify and describe roles and duties that can be handed to future administrative staff	November		
Passive Top Ten	Organizational Resiliency	Prudent long-term management requires hardening and testing the organization	Plan out annual conferences and webinars (track details of attended)	April	Look into joining leadership Kalamazoo and find a professional mentor	December
Passive Top Ten	Director & Officer Insurance (D&O)	Needed and standard protection for Directors	Seek out two or more events in Kalamazoo where Directors can attend to get to know each other better without forming a quorum	April		

Passive Top Ten	Program Impact Data Analysis	Necessary for meaningful program assessment as well as the Case for Support	Investigate policy needs surrounding safety of quasi- endowment	August	
Passive Top Ten	Compliance & Regulatory Matters	Required and builds public trust	Establish 2023 Newsletter plan and timeline update planning documents and prepare for work with no intern	May	Meet with City staff to plan realistic new additions to the FFE Investment Map May
Passive Top Ten	Daily Operations	Smooth and efficient daily operations	Get D&O during the endowment building phase	July	
Passive Top Ten	Executive Development	Constant learning is needed to maintain critical skills	Expand FFE's website Investment Map with new data and analysis	December	



FFE Finance Committee Staff Report

TO: Foundation for Excellence Finance Committee

FROM: Steve Brown, Executive Director

DATE: April 10, 2023

SUBJECT: FFE-City Purchasing Policy

RECOMMEDATION:

Recommend the included Draft FFE-City Purchasing Policy to the Board of Directors at its next meeting for its approval and adoption.

BACKGROUND:

The FFE relies on the City of Kalamazoo to provide a defined range of services under the FFE-City Service Agreement. A key service is the Purchasing process, which seeks to make the most efficient use of resources and ensures transparency in process, as well as fairness in competitive bidding for work or products that the FFE needs to fulfill its mission and goals.

The draft FFE-City Purchasing Policy was modeled from the same policy used by other organizations (Brownfield Authority) that conduct Purchasing via the City of Kalamazoo as well. By aligning these policies the FFE and City can ensure smooth operations for these crucial tasks. Purchasing Division obtains formal sealed bids, in the form of Invitation for Bids, Request for Proposals (RFP), Request for Qualifications (RFQ) or Request for Information, with staff providing specifications. Purchasing conducts the full cycle of subsequent activities including unsealing the bids in a public meeting, managing all documents and communications, and leading the scoring and selection process.

Adoption of a Purchasing Policy, particularly one that is already aligned with the City's, adds a final and crucial policy to the exist array that were approved in 2018.

Kalamazoo Foundation for Excellence

Purchasing Policy

Approved at the annual meeting of the Board of Directors on _____, 2023

OBJECTIVE:

To establish procedures that the Foundation for Excellence (FFE) and staff will use to purchase supplies, goods, equipment, services, construction, capital improvements, and professional services in order to promote effective and efficient purchasing.

RELATION TO CITY OF KALAMAZOO PURCHASING MANUAL

Unless otherwise stated, FFE will follow the procedures established in the City of Kalamazoo Purchasing Manual. Any changes made to the City Purchasing Manual in regard to purchasing thresholds for required competition and approval authority will carry through to corresponding changes in the FFE purchasing policy.

REQUIRED COMPETITION for Most purchases

COST OF PURCHASE*	TYPE OF COMPETITION	Approval Authority	Signature needed
\$1 - \$3,000	Staff discretion	Executive Director	Executive Director
\$3,001 - \$25,000	Staff obtains at least three quotes, providing written documentation, at a minimum, for the low recommended quote	Executive Director	Executive Director
\$25,001 - \$50,000	Staff may work with Purchasing Division to obtain quotes, with staff providing specifications	Executive Director	Executive Director
\$50,001 and over	Purchasing Division obtains formal sealed bids, in the form of Invitation for Bids, Request for Proposals, Request for Qualifications or Request for Information, with staff providing specifications	Board of Directors	President or their designee

* **Note:** purchases in above cost category may be eligible for the process of "Sole Source" described elsewhere in this document.

COMPETITION FOR PROFESSIONAL SERVICES

As established in the Purchasing Manual, Professional Services costing less than \$25,000 can be purchased on an informal basis. Three quotes are not required, but a professional services memo will be prepared, providing

1. The type of services required
2. An explanation of the qualifications of the chosen firm for this specific purchase
3. Other firms considered for this service, if any

Professional Services over \$25,000 will be obtained through a Request for Proposals or Request for Qualifications process.

PURCHASE APPROVAL AUTHORITY

Purchases costing up to \$50,000 may be approved by the FFE Executive Director or the Director's designee. Purchases of \$50,001 and over will be presented to the FFE Board for approval.

SOLE SOURCE PURCHASE

A purchase may be awarded without competition when the Executive Director advises in writing, after conducting a good faith review of the marketplace, that there is only one available vendor for the required good or service, defined by meeting one or more of the following circumstances:

1. There is a lack of responsible competition for a commodity or service that is vital to the operation and best interest of the FFE.
2. The vendor possesses exclusive and/or predominant capabilities.
3. The product or service is unique and easily established as a one-of-a-kind.
4. There is a patented feature providing a superior utility not obtainable from similar products.
5. A proprietary right exists and the product is only available from one prime source, not merchandised through wholesalers, jobbers or retailers.

Sole source purchases must be documented on the FFE's sole source form, which is available digitally in the Purchasing Public Folder. All questions on the form must be answered to determine the sole source nature of the purchase. Pricing must be provided for similar products that could provide the municipal service in order to show that value analysis was performed by the department.

A written quote is required from the vendor providing the sole source product. Depending upon the size of the purchase it is advisable to prepare a contract incorporating the City's insurance requirements and terms and conditions.

EXCLUSION OF REAL ESTATE PURCHASES

This Purchasing Policy does not apply to Real Estate purchases. Those purchases will be guided by applicable laws and land acquisition policies.



FFE Finance Committee Staff Report

TO: Foundation for Excellence Finance Committee

FROM: Steve Brown, Executive Director

DATE: April 10, 2023

SUBJECT: Annual Financial Compliance Documents

RECOMMEDATION:

Approve the Annual Financial Compliance Documents.

BACKGROUND:

Annual Audit and Annual Reporting

The Finance Committee reviewed and recommended all items in the required annual reporting materials.

- An FFE Income Statement
- Year-end balance sheet (Q4 2022 was presented on February 27, 2023.)
- A written notice addressed to the City Manager and Mayor describing the type and amount of all of the support the Corporation provided to the City during the Corporation's taxable year immediately preceding the taxable year in which the written notice is provided
- A copy of the Corporation's Form 990 (Prepared separately in May)
- An annual report from the City Manager to reflect its use of funds received from the Corporation for the previous year and a report regarding projects and initiatives undertaken with the funds distributed by the Corporation



OFFICE OF THE CITY MANAGER

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MEMORANDUM

Date: March 31, 2023

To: The Board of Directors of the Kalamazoo Foundation for Excellence

From: James K. Ritsema, ICMA-CM, Kalamazoo City Manager

Ladies and Gentlemen of the Board;

The following report is submitted in compliance with Section 4.18 – Report to Directors, of the Foundation for Excellence bylaws, which states:

“An annual report from the City Manager to reflect its use of funds received from the Corporation for the previous year and a report regarding projects and initiatives undertaken with the funds distributed by the Corporation.”

Although the City of Kalamazoo did not receive any funds from the Foundation for Excellence in fiscal year 2021, I would like to take this opportunity to direct you to the Investment Map on the FFE Website at www.kalamazoocity.org/ffe, as well as the “Projects” page of the www.Imaginekalamazoo.com to follow initiatives undertaken during the MOU period.

The City Commission approved a fiscal year 2022 allocation for Foundation for Excellence (FFE) activities in the amount of \$26,850,747 with passage of the City’s budget on January 18, 2022. Of this sum, \$4,370,908 million was allocated for budget stabilization, \$13,872,339 for implementing the city tax reduction, and \$8,607,500 for aspirational City programs.

The City is profoundly grateful for the existence of the Foundation for Excellence and looks forward to our ongoing relationship to benefit everyone in the Kalamazoo community.

Sincerely,

James K. Ritsema, ICMA-CM
City Manager

Performance of the Kalamazoo Foundation for Excellence December 31, 2022

The market value of portfolio assets increased from \$151.9 million to \$160.6 million during the fourth quarter of 2022, an increase of \$8.70 million or 5.73%. During the quarter there were contributions of \$1.85 million and withdrawals amounted to \$1.92 million. Interest and dividend income for the quarter amounted to \$219,813.07.

The portfolio weighted average return for the quarter, net of manager fees, was 5.84%. The 1-year return, net of manager fees, was -16.90%.

Equities comprised 70.3% of the Kalamazoo Foundation for Excellence portfolio at the end of the fourth quarter. The equity portion of the portfolio returned 7.55% for the quarter, and -18.12% over the last year.

Fixed income comprised 24.6% of the Kalamazoo Foundation for Excellence portfolio at the end of the fourth quarter. The fixed income portion of the portfolio returned 1.60% for the quarter, and -13.07% over the last year.

Real Estate comprised 5.0% of the Kalamazoo Foundation for Excellence portfolio at the end of the fourth quarter. The real estate portion of the portfolio returned 4.50% for the quarter and -26.31% over the last year.

Cash and equivalents totaled \$75,338, or 0.1% of the total assets.

The portfolio target allocation approved by the investment committee on August 25, 2021 is 70% equities, 25% fixed income, 5% real estate, and 0% cash. Rebalancing throughout the calendar year is achieved via cash flows; funds are reallocated in conjunction with contributions and distributions from the portfolio. At year end, all funds are rebalanced to fund-level targets. Per Foundation policy, variances from total equity or total fixed income are not to exceed 3%.

The inflation-adjusted, or real return, for the quarter was 5.84% as the US BLS All Urban inflation rate for the quarter was 0.00%. With an annual inflation rate of 6.45% the one-year real return was -23.35%. Since May 1, 2020, the return on the portfolio, net of manager fees, has been 4.73% nominal and -0.94% real with a since-inception inflation rate of 5.67%.

Respectfully submitted,
February 22, 2023



MEMORANDUM

Date: March 31, 2023

To: Mayor of the City of Kalamazoo
The Kalamazoo City Manager

From: Alisa Carrel, Treasurer, Kalamazoo Foundation for Excellence

Mayor Anderson and City Manager Ritsema;

The following report is submitted by me, Alisa Carrel, Treasurer of the Foundation for Excellence, in compliance with Section 4.18 – Report to Directors, of our bylaws, which states that:

“A written notice addressed to the City Manager and Mayor describing the type and amount of all of the support the Corporation provided to the City during the Corporation’s taxable year immediately preceding the taxable year in which the written notice is provided.”

The Foundation for Excellence provided no support to the City of Kalamazoo from January 1, 2022, to December 31, 2022. The first grant from the Foundation for Excellence endowment to the City of Kalamazoo was approved in October of 2022 for disbursement in 2023 as part of the City's 2023 fiscal year budget.

Respectfully Yours,

Alisa Carrel
Treasurer and Arts Sector Stakeholder Director

The Mission of the Kalamazoo Foundation for Excellence is to support the goals of the City of Kalamazoo, fund aspirational investments in the city, and empower Kalamazoo residents to achieve the lives they want for themselves and their families.