Kalamazoo Foundation for Excellence

Agenda
FFE Finance Committee

Monday, August 28, 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 April 10, 2023, minutes.

D. REPORTS AND COMMUNICATIONS

1. (No action) Investment Subcommittee Recommendation for non-IPS investments

E. REGULAR AGENDA

1. Approve Midyear FFE Operating Budget Adjustments
2. Recommend FFE-City Tax Reduction Payment Calculation to the Board
3. Recommend the Draft 2024 FFE Budget to the Board

F. PUBLIC COMMENTS

G. BOARD MEMBER COMMENTS

H. ADJOURNMENT

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).

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.

Updated August 3, 2023

KALAMAZOO FOUNDATION FOR EXCELLENCE
BOARD OF DIRECTORS
FINANCE COMMITTEE

MINUTES

Meeting of April 10, 2023

A. The meeting of the Kalamazoo Foundation for Excellence (KFFE) Finance Committee was called to order at 2:00 p.m. in the Community Room of City Hall by President Calderon-Huezo; Treasurer Carrel, Directors Balkema, Ritsema, and Washington, and Chief Financial Officer Vicenzi were present. Director Hess joined after the meeting was begun. A quorum was present.
B. The draft Agenda was moved for approval by Treasurer Ritsema and seconded by Director Washington. The motion was approved by unanimous voice vote.
C. The draft minutes of the January 30, 2023, meeting were moved for approval by Treasurer Balkema and seconded by Director Washington. The motion was approved by unanimous voice vote.
D.
    1. Executive Director Brown presented the rationale and results of a SWOT analysis (strengths, weaknesses, opportunities, threats) to the FFE. The group agreed with his recommendation to use the action items from the SWOT to form an annual performance review frame for both his role and the Board's year-end self-reflection.
    2. Executive Director Brown presented the draft Purchasing Policy. This was adapted from the Kalamazoo Brownfield Authority's version and will bring the FFE into alignment for purchasing with the City under their service agreement.
E. Executive Director Brown presented the prepared portions of the Annual Financial Compliance per Bylaws 9/03: Income statement and Year-end Balance dated 12.31.2022 (from Investment Subcommittee Packet) and the annual memoranda exchanged by the City Manager and FFE Treasurer. The final audit and form 990 will be presented later when ready.
F. No public comments.
G. No board comments.
H. President Calderon-Huezo adjourned the meeting at 2:30 p.m.

The next meeting is scheduled for Monday, August 28, 2023, at 2 p.m.

Minutes Drafted: April 11, 2023.

Minutes Approved: _________

____
Steve Brown, Recording Secretary

FFE Finance Committee Staff Report

Kalamazoo Foundation for Excellence

TO: Foundation for Excellence Finance Committee

FROM: From: FFE Investment Subcommittee
Prepared by: Steve Brown, Executive Director

DATE: August 28, 2023

SUBJECT: (No action) Investment Subcommittee Recommendation for non-IPS investments

RECOMMEDATION:

BACKGROUND:

Annually, the Kalamazoo Foundation for Excellence prepares a budget of administrative expenditures and amounts to fund the City for property tax reduction, budget stabilization, and aspirational projects. Currently, these funds are drawn from invested endowment assets. The typical pacing of withdrawals is expected to follow a cadence of 35% in the first quarter, 35% in the second quarter, 15% in the third quarter, and 15% in the fourth quarter.

The Foundation is expected to receive an annual $40 million contribution through 2030. The recommendation by staff is to separately hold an amount sufficient to cover annual budgeted expenses in a money market fund. This will allow for a predictable investment income while significantly reducing market risk of assets needed in the short term. This separate holding would be considered exempt from the Investment Policy Statement and not included in annual investment return calculations.

FFE Finance Committee
Staff Report

Kalamazoo Foundation for Excellence

TO: Foundation for Excellence Finance Committee

FROM: Steve Brown, Executive Director

DATE: August 28, 2023

SUBJECT: Approve Midyear FFE Operating Budget Adjustments

RECOMMENDATION:

Approve Midyear FFE Operating Budget Adjustments as detailed in the attached Operating Expenditures summary dated July 12, 2023.

BACKGROUND:

As of this adjustment report, dated July 12, 2023, no changes to the total budget bottom line are being requested. As the attached line item budget shows, this adjustment intends to bring movements within the budget (from one line to another) to the Finance Committee's attention for fiscal transparency and accountability. This is expected to be an annual process. Midyear adjustments are a normal procedure to maintain alignment between its budget and strategic activities.

Total Expenditure Adjustments: $112,250
Percent of adjustments to total operating budget: 10%

2023 Foundation for Excellence Endowment Operating Expenditures

		Budget	Budget Adjustment	Actuals through July 12, 2023	Expected Expenditures	Remaining Balance
City Property Tax Relief	Projected Taxable Values = $1,923,755,188 Projected difference 19.2705 - 12 mills.	$ 13,986,662		$ 6,993,331	$ 6,993,331	**$ -**
City Budget Stabilization	Rolling two-year CPI of 3.3% as of 12.2021	$ 4,514,210			$ 4,514,210	**$ -**
Contribution to General Fund	City positions	$ 206,860			$ 206,860	**$ -**
Legal Services Agreement	Retainer for one-year of services (1.1.-12.31)	$ 80,000		$ 1,492	$ 66,109	**$ 12,399**
D&O Insurance	Director and Officer Insurance	$ 25,000				**$ 25,000**
Professional Development	Ongoing personnel development	$ 10,000		$ 2,648		**$ 7,352**
Due Diligence	Travel and training fees	$ 15,000				**$ 15,000**
Fund Management	Fund Mngr. Fees (Black Rock, Jennison)	$ 160,000		$ 39,650	$ 120,350	**$ 0**
Endowment Custory Fees	Custody Fees (State Street)	$ 135,000		$ 36,876	$ 98,124	**$ 0**
Endowment Investment Mgmt.	Consulting Fees (Marion Capital)	$ 185,000		$ 45,000	$ 140,000	**$ -**
Independent Audit	Independent Audit and 990 service	$ 12,000	$ 2,000	$ 14,000		**$ -**
Personnel (2)	Two (2) full-time equivalent FFE endowment positic	$ 235,000	$ (70,753)	$ 78,476	$ 85,590	**$ 181**
Allowances	Car Allowance		$ 5,400	$ 3,150	$ 2,250	**$ -**
Office Supplies	Supplies for Foundation for Excellence		$ 353	$ 353		**$ 0**
Planning and Studies	Fundraising feasibility study		$ 90,000		$ 90,000	**$ -**
Software and applications	Blackbaud Fundraising Software		$ 6,711	$ 6,711		**$ (0)**
Postage	Postage for annual mailing; development planning		$ 7,786	$ 7,786		**$ (0)**
Communications and Engagement	Communications and marketing strategies	$ 20,000	$ (9,786)			**$ 10,214**
Endowment Development services	One-year agreement for development planning	$ 25,000	$ (25,000)			**$ -**
Development supports	Meeting and engagement expenses	$ 20,000	$ (6,711)	$ 2,101		**$ 11,188**
	TOTAL	**$ 19,629,732**	**$ -**	**$ 7,231,574**	**$ 12,316,824**	**$ 81,334**

Summary of budget adjustments

- Fundraising feasibility study - additional $65,000 needed for agreement
  - Move $65,000 from personnel
- Independent Audit - additional $2,000 needed
  - Move $2,000 from communications and engagement
- Office Supplies - $353 not budgeted
  - Move $353 from personnel
- Car allowance - $5,400 not budgeted
  - Move $5,400 from personnel
- Software & applications - $6,711 not budgeted
  - Move $6,711 from development supports (meeting and engagement expenses)

Kalamazoo Foundation for Excellence

FFE Finance Committee Staff Report

TO: Foundation for Excellence Finance Committee

FROM: Mary Balkema, Housing Director
Prepared by: Steve Brown, Executive Director

DATE: August 28, 2023

SUBJECT: Recommend FFE-City Tax Reduction Payment Calculation to the Board

RECOMMEDATION:

Recommend adjustment to the FFE-City Tax Reduction Payment calculation method and amendment of FFE Articles of Incorporation and Bylaws to the Board

BACKGROUND:

Proposed Reform to the City Tax Reduction Reimbursement Grant Calculation

Since 2017, the approximately $88 million has been granted to the City of Kalamazoo to lower real and personal property taxes for all taxpayers. The value of the tax reduction grant to the City each year is calculated in accordance to the FFE's Bylaws. However, the Bylaws as written did/do not account for the reality that the actual tax rate can change from year to year based on multiple factors such as 'Headlee Rollback.' It has changed downward five times since 2017 from 19.2319 mills to 18.6986 mills. Careful review of the calculations were completed in 2023 by City staff in collaboration with FFE. The resulting recommendation is to amend the FFE Bylaws and Articles of Incorporation to replace the current millage rate of 19.2705 with the allowed rate submitted annually by the City to the State of Michigan on form L-4029. The proposed changes were drafted in preliminary consultation with a senior State of Michigan tax administrator to read as follows (changes <u>underlined</u>): *"Equal to the difference between the amount that the City would have received in real property tax and personal property tax revenue for the fiscal year in question calculated using <u>the city's current year's maximum allowable millage rate as calculated on the city's Form L-4029 (or equivalent)</u> less the amount of real and personal property taxes that the City receives for the fiscal year in question under the City's proposed millage rate, so as to provide the City a tax rate that is corelative to other municipalities in the Kalamazoo area. <u>Any surplus or deficit of the calculated amount to actual receipts will be collected in the next available budget year."</u>*

FFE Finance Committee Staff Report

Kalamazoo Foundation for Excellence

TO: Foundation for Excellence Finance Committee

FROM: Steve Brown, Executive Director

DATE: August 28, 2023

SUBJECT: Recommend the Draft 2024 FFE Budget to the Board

RECOMMEDATION:

Recommend the Draft 2024 FFE Operating Budget to the Board of Directors.

BACKGROUND:

The FFE Operating Budget allocates resources from the FFE's endowment to conduct its core business. These expenses are detailed in the attached budget for review and feedback. As with all annual expenditures of the FFE, approval of FFE annual expenses proceed through a minimum of four steps to ensure quality and transparency in support of FFE's mission and operation: draft presentation to the Finance Committee; draft presentation to the Board of Directors; final presentation to the Finance COmmittee; final approval of the Board of Directors. Several aspects of the proposed 2024 FFE Operating Budget are worth highlighting:

- Operating expenses including personnel represent 4.97% of total budget proposal.
- 95.3 cents of every dollar FFE grants goes to the City in pursuit of FFE's mission.

DRAFT FFE 2024 Budget and Grants					23-Aug-23
	2023 Budget	**DRAFT 2024**	General	Fundraising	Administrative/Coordination
Account Title			includes projected increase		
BASE PAY - FULL TIME	$177,425	$297,218	$137,218	$91,000	$69,000
BASE PAY - PART TIME					
TEMPORARY PAY - REGULAR					
OVERTIME PAY					
OVERTIME - PART TIME					
TEMPORARY PAY - OVERTIME					
PREMIUM PAY					
BONUS PAY					
ALLOWANCES		$5,400	Car Allowance		
EMPLOYER SOCIAL SECURITY	$19,176	$18,514			
HEALTH BENEFIT ALLOCATION	$22,395	$36,336			
HSA CONTRIBUTION					
DENTAL INSURANCE ALLOCATION		$2,679			
GROUP LIFE INSURANCE ALLOCATION	$1,128	$678			
OTHER FRINGE BENEFIT ALLOCATION	$5,076	$11,852			
ALLOCATION	$1,457	$1,851			
DEFERRED COMPENSATION	$3,525	$4,479			
CONTRIBUTION	$4,818	$7,800			
OFFICE SUPPLIES AND FORMS		$1,000			
MEETING SUPPLIES		$1,200	$50/meeting x 24 $1,200		
POSTAGE		$8,200	2022 NL actual x 1.05		
SERVICES	$65,000	$10,300	2022 NL actual x 1.05		
BANK FEES					
INVESTMENT MANAGEMENT FEES	$160,000	$168,000	2022 x 1.05		
CONSULTING SERVICES AND FEES	$185,000	$194,250	2022 x 1.05		
AUDIT FEES	$12,000	$14,900	2022 x 1.06		
CUSTODIAN FEES	$135,000	$141,750	2022 x 1.05		
PLANNING AND STUDIES		$			
LEGAL SERVICES	$80,000	$79,600	Actual 2023 engagement letter		
OTHER OPERATIONAL					
BUSINESS AND EMERGENCY MEALS		$5,400	General expense account	$20/meal x 20 x 12 mo's $4,800 for Campaign Cabinet me	
MEMBERSHIPS AND SUBSCRIPTIONS		$385		AFP (small org) $185	
DUE DILIGENCE	$15,000	$15,000			
PROFESSIONAL DEVELOPMENT	$10,000	$12,500	ED: ICMA $2,500	Ed & Dev: AFP ICON & LEAD $10,000	
SOFTWARE AND APPLICATIONS		$12,211		BB/U: $8,711 Possible Crescendo: $3,500	
LIABILITY INSURANCE	$25,000	$1,838	D&O: $600 GL: $650, Fiduciary $1,000 x 1.05		
ADMINISTRATIVE FEES		$			
CONTRIBUTION TO GENERAL FUND	$18,500,872	$20,137,437	Budg. stab.: $4,785,063 x 1.06, tax $15,347,374		
PROJECT	$206,860	TBD			
Personnel Subtotal	$441,860	$386,807	1.83%	Personnel costs as percent of total	
Operations Subtotal	$922,000	$1,053,341	4.97%	Operations costs as percent of total	
TOTAL	$19,629,732	$21,190,778			

Kalamazoo Foundation for Excellence

241 W. South Street
Kalamazoo, MI 49007-4796
www.kalamazoocity.org/ffe

MEMORANDUM

Date: **August 24, 2023**

To: **Foundation for Excellence Board of Directors**
Kalamazoo City Commission

From: **Finance Committee**
Steve Brown, FFE Executive Director

Subject: **DRAFT Fiscal Year 2024 City FFE Budget and Draft Grant Recommendation**

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1. SUMMARY

The proposed 2024 Foundation for Excellence (FFE) budget is **$21,190,778**, which includes a $4,739,921 budget stabilization and $15,347,374 tax reduction reimbursement grant to the City of Kalamazoo, $0 for aspirational activities, and $1,053,341 for operations as outlined in the budget detail. This budget follows the method of determining the annual distribution in section 9.03 of the bylaws and the FFE's Spending Policy.

The 2024 fiscal year will bring FFE investments in the City of Kalamazoo since its founding in 2017 to $200 million dollars. Of that total, $30 million represents unprecedented financial stability for the City. With a stable budget, City services are being maintained and adapted to community needs based on the Imagine Kalamazoo 2025 Strategic Vision. Furthermore, Kalamazoo City property taxpayers are experiencing cumulative relief from $102 million of taxes since 2017 following the reduction of the City's property tax millage. This reduction makes Kalamazoo more competitive in retaining and attracting residents, businesses, and jobs. Lastly, $59 million of aspirational project investments align with the Imagine Kalamazoo vision, including youth development, affordable housing, park improvements, and small businesses assistance, infrastructure investments, and more.

2. CITY PARTNERSHIP

The FFE exists solely to serve the City, but it alone is responsible for stewarding its endowment. The FFE and City share the goal and need to permanently sustain the FFE Endowment for the good of Kalamazoo. The FFE and City share in a deep awareness of the needs of Kalamazoo and are committed to fulfilling their promise to sustain the FFE forever. They must collaborate on what precise balance of changes the FFE bylaws and articles of incorporation are needed to the three areas of investment best fulfill their shared mission while achieving endowment sustainability. The sooner needed reforms are put into place, the sooner the City will be on solid ground with a decades-long outlook of potential and prosperity.

3. **BOARD OF DIRECTORS' DUTIES**

The FFE Board of Directors is the body that must determine the amount of the resources that are available to grant from its endowment each year to the City of Kalamazoo in a manner that stewards the endowment forever. The FFE Board of Directors is required to ensure the endowment maintains resources sufficient to cover the required tax reduction and budget stabilization payments to the City of Kalamazoo each year.

For aspirational dollars, however, the Board is guided to contribute aspirational funding to the City if FFE if doing so does not jeopardize the financial health of the endowment. In fact, adjusting aspirational spending, including to zero, is the method that City leaders embedded in the FFE's governance structure to adjust FFE endowment withdraws to suit changing realities of investment markets. The FFE Board of Directors must make funding decisions to fulfill its legal duty to the endowment for which it solely is entrusted. Deliberation must reduce risks and maximize opportunities for permanent financial health.

4. **BYLAWS SECTION 9.03**

<u>City Property Tax Reduction</u> – REQUIRED – Bylaws, Section 9.03, Subsection A states that the tax reduction payment to the City shall be "equal to the difference between the amount that the City would have received in real estate tax and personal property tax revenue for the fiscal year-in-question calculated using a millage rate of 19.2705 mills ($19.2705 per $1000 of taxable value) less the amount of real and personal property taxes that the City is budgeted to receive for the fiscal year-in-question under the City's proposed millage rate, so as to provide the City a tax rate that is correlative to other municipalities in the Kalamazoo area (…)"

- Estimated difference in taxes under 19.2705 mills and current 12 mills = $14,140,144

<u>City Budget Stabilization</u> – REQUIRED – Bylaws, Section 9.03, Subsection B, states that the budget stabilization payment to the City shall be "$4 million for budget fiscal 2019 and thereafter adjusted annually by the Municipal Cost Index developed by the American City & County Magazine, or another credible model addressing the price of the unique market basket of goods and services purchased by local governments, to address the structural revenue imbalance to City finances due to Michigan's broken municipal finance system."

- 2017, N/A; 2018, $3.8M; 2019, $4M; 2020, $4.12M; 2021, $4.23M; 2022, $4.37; 2023 $4.51M; 2024 $4,739,921.

<u>Aspirational Community Investments</u> - Bylaws, Section 9.03, Subsection C, states that "Additional annual distributions may be approved (…) (i) consistent with the purposes set forth in Article II in the Articles of Incorporation of this Corporation; and, (ii) consistent with donor intent as specified in the Statement of Donor Intent (…)."

5. **SPENDING POLICY**

The intent of the Donors is to have the Kalamazoo Foundation for Excellence (FFE) support the operational budget at a sufficient level to allow the millage level to be competitive with surrounding communities thereby maintaining a competitive capital investment environment. Further the Donors understood the City's need to invest in aspirational services that would support the accomplishment of not only becoming but continuing to be a growing and dynamic city. It is intended that funds used for and held by the Kalamazoo Foundation for Excellence shall be available in perpetuity.

Methodology: Annually, the City shall prepare a budget and report the progress made to meet the accountability standards aligned with the benchmarks identified to become a growing and dynamic city. Further, the City administration would annually request from the Foundation support of its operational budget needs as well as investment into aspirational programs necessary to continue to achieve progress towards Imagine Kalamazoo 2025 goals. The Foundation may provide appropriate funding to support these additional aspirational projects.

In determining whether to appropriate or accumulate fund assets, Subsection 'c' of Section 9.03 of the FFE Bylaws will be consulted, and FFE will act in good faith with the care that an ordinarily prudent person in a like position would exercise under similar circumstances. In accordance with Michigan's Uniform Prudent Management of Institutional Funds Act, the following factors will be considered in the determination to spend or accumulate endowment fund assets:

1. **The duration and preservation of the endowment**
    - 1.1. Permanence is required by the statement of Donor intent
    - 1.2. Permanence is required by the FFE Bylaws and Articles of Incorporation
2. **The purposes of the institution and the endowment**
    - 2.1. FFE exists to lower city property taxes for all payers to 12 mills
    - 2.2. FFE exists to provide budget stabilization to the City of Kalamazoo
    - 2.3. FFE exists to fund aspirational project aligned with Imagine Kalamazoo 2025 if resources allow
3. **General economic conditions**
    - 3.1. FFE Investment Manager and Subcommittee describe conditions as cautiously optimistic in the short term but unstable
    - 3.2. Economic conditions remain subject to major market shocks
4. **The possible effect of inflation or deflation**
    - 4.1. Inflation is negatively affecting the endowment
    - 4.2. The Budget Stabilization payment was inflated by 5% compared to 3% in previous years)
    - 4.3. Inflation is reducing City buying power by devaluing the dollars granted to it
5. **The expected total return from income and the appreciation of investments**
    - 5.1. Projected returns remain 6.51%; June 30 FFEIS report shows endowment is on target for previously projected 1.1.2024 valuation)
6. **Other resources of the institution**
    - 6.1. FFE assets are limited to its endowment
    - 6.2. The City will be carrying $2.5 million of unused FFE funds forward into 2024

6.3. The City retains $17.5 million of the original $39.5 million of federal ARPA funds

6.4. Assessed tax values and resulting earning in the City have hit a historic high

7. <u>The investment policy of the institution</u>

7.1. "Maximize the likelihood of meeting the Foundation's spending objectives in perpetuity as it relates to the Foundation's mission and to the disbursement of funds by the Foundation's Board of Directors."

7.2. "In addition, the investment goals include:

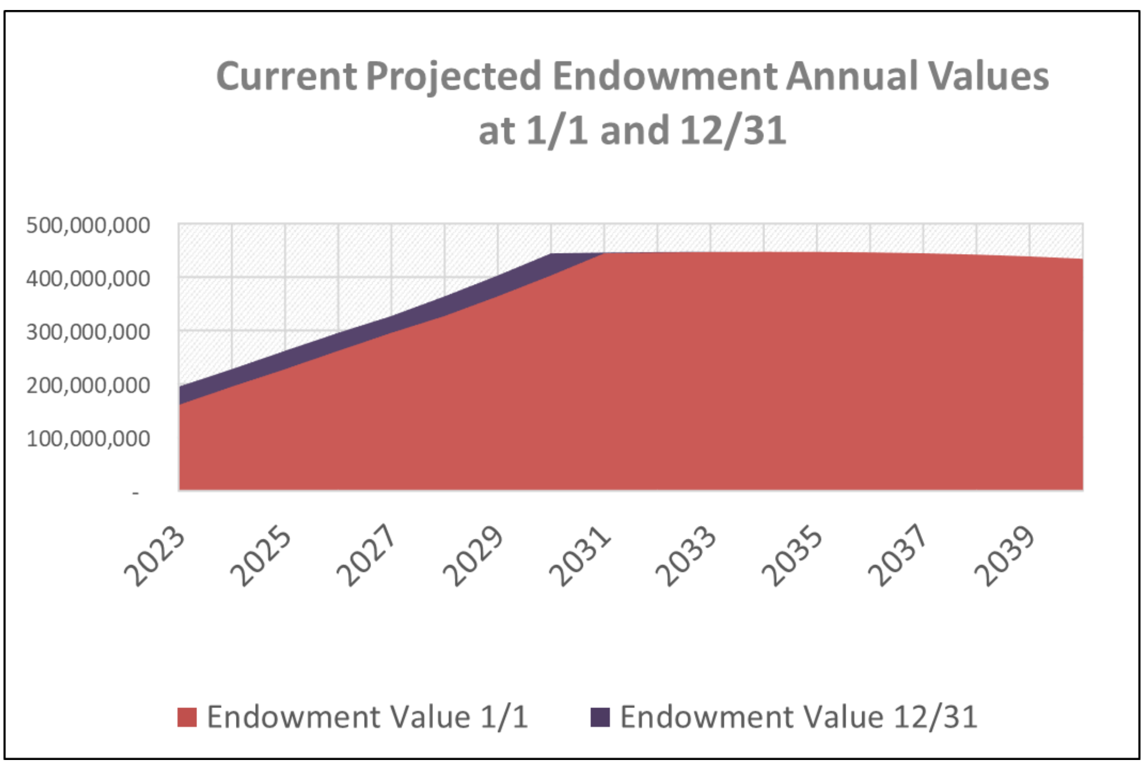
7.2.1. "Maintain the ability to pay all distributions and obligations when due

7.2.2. "Maximize return within reasonable and prudent levels of risk

7.2.3. "Preserve the real (i.e. inflation adjusted) purchasing power of assets."

6. ENDOWMENT PERFORMANCE

The FFE is being capitalized with approximately $500 million over an initial 14-year period, ending in 2030. This included $85 million received in 2019 and a $400 million pledge of 10 consecutive $40 million gifts from 2020 - 2030. The endowment's valuation as of June 30, 2023, is $206M, in line with projections. Investment returns included in the FFE projections are 6.51% but rise to 7.5% once value exceeds $300 million. As of now, the endowment value is projected to peak at $445 million and decline in value as shown in the following Figure titled Current Projected Endowment Annual Values.



7. TIMELINE

Staff began a series of conversations with City and Foundation leaders at the February 10, 2022, FFE Board Meeting and again at City Commission business meetings to report on the challenges to the FFE endowment and prepare colleagues for changes to resource availability in 2024.

Preparation

- ✓ 2021 and 2022 – Internal discussions about impact of endowment returns and outlook
- ✓ February 10, 2022 – Staff and Finance Committee report to Board about endowment
- ✓ June 21, 2022 – Staff present to City Commission on ARPA and the FFE endowment
- ✓ July 2022 – Staff present to City Commission on how to protect the FFE endowment
- ✓ October 17, 2022 – Staff present draft 2023 budget and outlook to City Commission
- ✓ February 27, 2023 – Presentation of endowment forecast and Draft Grant Memo
- ✓ April 10, 2023 – Finance Committee Final Review and Grant Recommendation to Board
- ✓ April 24, 2023 – FFE Board Draft Grant Recommendation
- ✓

Next Steps

- → Aug. 28, 2023 – Finance Committee reviews policy, recommends Draft budget to Board
- → Sep. 25, 2023 – Board reviews draft 2024 FFE Budget and Grant Memo
- → October 2, 2023 – City Commission reviews draft 2024 Grant Memo
- → October 9, 2023 – Finance Committee recommends final 2024 Budget and Grant
- → October 30, 2023 – FFE Board Approves final 2024 Budget and Grant to City
- → January 2024 – City Commission approves 2024 budget including FFE Grant

8. CONCLUSION

The FFE and City are key partners in seeing Imagine Kalamazoo Vision succeed and will work together to ensure maximal continuation of FFE resources for the benefit of Kalamazoo. Although this draft FFE grant recommendation to the City of Kalamazoo for the 2024 fiscal year represents a significant decrease in aspirational funding to the City, the action has a clear mandate from the Spending Policy and Bylaws. Furthermore, this reduction exists in the overall extremely positive context of the City receiving approximately $40 million of federal aid (ARPA) and historically high tax valuations and revenue in the City.

Staff remain available and eager to provide the Board of Directors with the information, analysis, options, and support it needs to act in the best interest of the FFE endowment for the greater good of Kalamazoo.

Kalamazoo Foundation for Excellence

Spending Policy

Approved at the meeting of the Board of Directors on October 22, 2018.

The intent of the Donors is to have the Kalamazoo Foundation for Excellence (FFE) support the operational budget at a sufficient level to allow the millage level to be competitive with surrounding communities thereby maintaining a competitive capital investment environment. Further the Donors understood the City's need to invest in aspirational services that would support the accomplishment of not only becoming but continuing to be a growing and dynamic city.

It is intended that funds used for and held by the Kalamazoo Foundation for Excellence shall be available in perpetuity.

Methodology
Annually, the City shall prepare a budget and report the progress made to meet the accountability standards aligned with the benchmarks identified to become a growing and dynamic city. Further, the City administration would annually request from the Foundation support of its operational budget needs as well as investment into aspirational programs necessary to continue to achieve progress towards Imagine Kalamazoo 2025 goals.

The Foundation shall provide appropriate funding to support these additional aspirational projects.

In determining whether to appropriate or accumulate fund assets, Subsection ‘c’ of Section 9.03 of the FFE Bylaws will be consulted, and FFE will act in good faith with the care that an ordinarily prudent person in a like position would exercise under similar circumstances. In accordance with Michigan’s Uniform Prudent Management of Institutional Funds Act, the following factors will be considered in the determination to spend or accumulate endowment fund assets:

- the duration and preservation of the endowment fund;
- the purposes of the institution and the endowment fund;
- general economic conditions;
- the possible effect of inflation or deflation;
- the expected total return from income and the appreciation of investments;
- other resources of the institution; and
- the investment policy of the institution