Kalamazoo Foundation for Excellence

Agenda
FFE Finance Committee

Monday, October 9, 2023 2:00 PM

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

A. CALL TO ORDER

B. APPROVAL OF MINUTES

1. Approve minutes of August 28, 2023, meeting.

C. REPORTS AND COMMUNICATIONS

D. REGULAR AGENDA

1. (Old Business) Investment Subcommittee Recommendation for non-FFEIS/IPS Investments

2. Recommend Board Approval of the 2024 FFE Budget.

3. (Tabled) Recommend FFE-City Tax Reduction Payment Calculation to the Board

E. PUBLIC COMMENTS

F. BOARD MEMBER COMMENTS

G. 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 August 28, 2023

A. 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 Ritsema, and Chief Financial Officer Vicenzi were present. Directors Balkema and Washington were absent. A quorum was present.
B. The draft Agenda was moved for approval by Treasurer Carrel and seconded by CFO Vicenzi. The motion was approved by unanimous voice vote.
C. The draft minutes of the April 10, 2023, meeting were moved for approval by Vice President Ritsema and seconded by Treasurer Carrel. The motion was approved by unanimous voice vote.
D. Reports and Communications
   1. Staff presented the FFEIS Recommendation to the Finance Committee that it create a separate policy from the Investment Policy Statement to manage a Money Market Account to manage budgeted sums that will be passed on to the City as grants and not invested in the long term endowment corpus. The topic was requested to return with more information to the October 9, 2023, Finance Committee Meeting for requested approval.
E. Regular Agenda
   1. A motion was made to approve the Midyear FFE Operating Budget Adjustments in the amount of $112,250 by Vice President Ritsema seconded by CFO Vicenzi. The motion was approved by unanimous voice vote.
   2. The requested action to recommend an alteration for the FFE-City Tax Reimbursement Calculation was tabled for discussion when item sponsor Director Balkema would return, at the scheduled October 9, 2023, Finance Committee and potentially the October 30, 2023, Board meeting.
   3. A motion was made to recommend the Draft 2024 FFE Budget to the Board by Treasurer Carrel and seconded by CFO Vicenzi, including a clarification in the City's 2024 budget request that the $670,433 sought for Aspirational Funding would be a "sum not to be exceeded." The motion was approved by unanimous voice vote.
F. No public comments.
G. No board comments.
H. President Calderon-Huezo adjourned the meeting at 2:55 p.m.

The next meeting is scheduled for Monday, October 9, 2023, at 2 p.m.

Minutes Drafted: August 28, 2023.

Minutes Approved: _________

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Steve Brown, Recording Secretary

Kalamazoo Foundation for Excellence

FFE Finance Committee Staff Report

TO: Foundation for Excellence Finance Committee

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

DATE: October 9, 2023

SUBJECT: (Old Business) Investment Subcommittee Recommendation for non-FFEIS/IPS investments

RECOMMENDATION:

(Old Business) Approve Investment Subcommittee Recommendation for non-IPS investments to be managed by the Finance Committee, including recommending a draft policy statement to the Board for approval.

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: October 9, 2023

SUBJECT: Recommend Board Approval of the 2024 FFE Budget.

RECOMMEDATION:

Recommend Board Approval of the 2024 FFE Budget.

BACKGROUND:

The FFE Budget allocates resources from the FFE's endowment for granting to the City of Kalamazoo and to conduct FFE's core business. These expenses are detailed in the attached budget for review and recommended approval. As with all annual expenditures of the FFE, approval of FFE annual expenses proceed through a minimum of four steps to ensure accuracy 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.

Since presenting a first draft FFE budget at the August 28, 2023, Finance Committee $70,000 of expenses have been added in anticipation of final costing of the FFE-City service agreement. Last year, fiscal year 2022, was the first year that this cost was reflected in the FFE budget, and costs were included in the broader costs to the City for personnel.

FFE	DRAFT FFE 2024 Budget					6-Oct-23
		2023 Budget	DRAFT 2024	Executive Director	Development	Coordination
Account Number	Account Title			incl. proj. increase		
760-740-00.000-702.001	BASE PAY - FULL TIME	$177,425	$297,218	$137,218	$91,000	$69,000
760-740-00.000-702.010	BASE PAY - PART TIME					
760-740-00.000-702.014	TEMPORARY PAY - REGULAR					
760-740-00.000-703.000	OVERTIME PAY					
760-740-00.000-703.010	OVERTIME - PART TIME					
760-740-00.000-703.014	TEMPORARY PAY - OVERTIME					
760-740-00.000-709.001	PREMIUM PAY					
760-740-00.000-709.010	BONUS PAY					
760-740-00.000-709.020	ALLOWANCES		$5,400	Car Allowance		
760-740-00.000-710.001	EMPLOYER SOCIAL SECURITY	$19,176	$18,514			
760-740-00.000-711.001	HEALTH BENEFIT ALLOCATION	$22,395	$36,336			
760-740-00.000-711.002	HSA CONTRIBUTION					
760-740-00.000-711.010	DENTAL INSURANCE ALLOCATION		$2,679			
760-740-00.000-711.011	GROUP LIFE INSURANCE ALLOCATION	$1,128	$678			
760-740-00.000-711.012	OTHER FRINGE BENEFIT ALLOCATION	$5,076	$11,852			
760-740-00.000-711.020	WORKERS COMPENSATION ALLOCATION	$1,457	$1,851			
760-740-00.000-711.050	DEFERRED COMPENSATION	$3,525	$4,479			
760-740-00.000-711.051	DEFINED RETIREE HEALTH CONTRIBUTION	$4,818	$7,800			
760-740-00.000-727.001	OFFICE SUPPLIES AND FORMS		$1,000			
760-740-00.000-727.002	MEETING SUPPLIES		$1,200	$50/meeting x 24 $1,200		
760-740-00.000-727.003	POSTAGE		$8,200	2022 NL actual x 1.05		
760-740-00.000-801.000	PROFESSIONAL AND CONTRACTUAL SERVICES	$65,000	$10,300	2022 NL actual x 1.05		
760-740-00.000-801.001	BANK FEES					
760-740-00.000-801.002	INVESTMENT MANAGEMENT FEES	$160,000	$168,000	2022 x 1.05		
760-740-00.000-801.003	CONSULTING SERVICES AND FEES	$185,000	$194,250	2022 x 1.05		
760-740-00.000-801.004	AUDIT FEES	$12,000	$14,900	2022 x 1.06		
760-740-00.000-801.007	CUSTODIAN FEES	$135,000	$141,750	2022 x 1.05		
760-740-00.000-801.010	PLANNING AND STUDIES					
760-740-00.000-802.001	LEGAL SERVICES	$80,000	$79,600	Actual 2023 engagement letter		
760-740-00.000-810.000	OTHER OPERATIONAL					
760-740-00.000-810.001	BUSINESS AND EMERGENCY MEALS		$5,400		$20/meal x 20 x 12 mo's $4,800	
760-740-00.000-810.003	MEMBERSHIPS AND SUBSCRIPTIONS		$385		AFP (small org) $185	
760-740-00.000-810.007	DUE DILIGENCE	$15,000	$15,000			
760-740-00.000-811.000	PROFESSIONAL DEVELOPMENT	$10,000	$12,500	ED: ICMA $2,500	Ed & Dev: AFP ICON & LEAD $10,	
760-740-00.000-815.000	SOFTWARE AND APPLICATIONS		$12,211		BB/U: $8,711 Possible Crescendo	
760-740-00.000-821.003	LIABILITY INSURANCE	$25,000	$1,838	D&O: $600 GL: $650, Fiduciary $1,000 x 1.05		
760-740-00.000-830.001	ADMINISTRATIVE FEES		$70,000			City service agre
760-740-00.000-960.101	CONTRIBUTION TO GENERAL FUND	$18,500,872	$20,471,989	Budg. stab.: $4,739,921 x 1.06, tax $15,347,374, tax re		
760-740-00.000-960.234	CONTRIBUTION TO FFE ASPIRATIONAL PROJECT	$206,860	$670,344			
	Personnel Subtotal	$441,860	$386,807	1.74%	Personnel costs as percent of tot	
	Operations Subtotal	$922,000	$1,123,341	5.05%	Operations costs as percent of to	
	TOTAL	$19,629,732	$22,265,674	13.43%	Total increase in expenses	

FFE Finance Committee Staff Report

Kalamazoo Foundation for Excellence

TO: Foundation for Excellence Finance Committee

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

DATE: October 9, 2023

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

RECOMMEDATION:

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

BACKGROUND:

NOTE: From draft August 28, 2023, Finance Committee Minutes: "The requested action to recommend an alteration for the FFE-City Tax Reimbursement Calculation was tabled for discussion when item sponsor Director Balkema would return, at the scheduled October 9, 2023, Finance Committee and potentially the October 30, 2023, Board meeting."

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 underlined): "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 the city's current year's maximum allowable millage rate as calculated on the city's Form L-4029 (or equivalent) 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. Any surplus or deficit of the calculated amount to actual receipts will be collected in the next available budget year."