Kalamazoo
Foundation for
Excellence

Agenda
FFE Finance Committee

Monday, December 11, 2023 2:00 PM

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

A. CALL TO ORDER

B. APPROVAL OF MINUTES

1. Approval of October 9, 2023, minutes.

C. REPORTS AND COMMUNICATIONS

D. REGULAR AGENDA

1. Receive the FFE Investment Subcommittee Q3 2023 Endowment Report

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.

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 purview 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 October 23, 2023

KALAMAZOO FOUNDATION FOR EXCELLENCE
BOARD OF DIRECTORS
FINANCE COMMITTEE

MINUTES

Meeting of October 9, 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 Vice President Ritsema; Treasurer Carrel and Directors Balkema and Washington were present; President Calderon-Huezo and Chief Financial Officer Vicenzi had planned absences. A quorum was present.
B. The draft minutes of the August 28, 2023, meeting were moved for approval by Director Balkema and seconded by Director Washington. The motion was approved by unanimous voice vote.
C. Reports and Communications – None
D. Regular Agenda
    1. (Old Business) Staff and Chris Ruppel from Zhang Financial presented the FFEIS recommendation to create a 'cash account' for annual expense to allow the FFEIS to focus on long term investment of the endowment. Director Washington moved and Treasurer Carrel seconded approval of the creation of a non-IPS investment account managed by the Finance Committee in conformity with Public Act 20 of 1943. The motion was approved by unanimous voice vote.
    2. Staff presented the draft 2024 Budget for recommendation to the Board for approval and recommendation to the City Commission. Director Balkema moved and Treasurer Carrel seconded to recommend Board approval of the 2024 Budget as presented minus the $168,000 of Investment Management Fees and the negotiation of the cost of Administrative Fees for the City-FFE Service Agreement. The motion was approved by unanimous voice vote.
    3. The tabled recommendation was tabled until the next Finance Committee meeting on December 11, 2023,
E. No public comments.
F. No board comments.
G. Vice President Ritsema adjourned the meeting at 2:40 p.m.

The next meeting is scheduled for Monday, December 11, 2023, at 2 p.m.

Minutes Drafted: October 9, 2023.

Minutes Approved: _________

____
Steve Brown, Recording Secretary

FFE Finance Committee
Staff Report

Kalamazoo Foundation for Excellence

TO: Foundation for Excellence Finance Committee

FROM: Foundation for Excellence Investment Subcommittee
Steve Brown, Executive Director

DATE: December 11, 2023

SUBJECT: Receive the FFE Investment Subcommittee Q3 2023 Endowment Report

RECOMMEDATION:

Receive the FFE Investment Subcommittee Q3 2023 Endowment Report

BACKGROUND:

Kalamazoo Foundation for Excellence

September 30, 2023

Report to the

Investment Subcommittee

Wednesday, November 29, 2023
12:00 pm
W.E. Upjohn Institute
300 S Westnedge Ave
Kalamazoo, MI 49007

REPORT TO THE RETIREMENT INVESTMENT COMMITTEE

Performance of the

Kalamazoo Foundation for Excellence

September 30, 2023

The market value of portfolio assets decreased from $210.9 million to $201.2 million during the third quarter of 2023, a decrease of $9.7 million or -4.60%. During the quarter there were no contributions and withdrawals amounted to $2.5 million. Interest and dividend income for the quarter amounted to $254,397.99.

The portfolio weighted average return for the quarter, net of manager fees, was -3.48%. The 1-year return, net of manager fees, was 14.61%.

Equities comprised 70.9% of the Kalamazoo Foundation for Excellence portfolio at the end of the quarter. The equity portion of the portfolio returned -3.27% for the quarter, and 21.60% over the last year.

Fixed Income comprised 24.3% of the Kalamazoo Foundation for Excellence portfolio at the end of the quarter. The fixed income portion of the portfolio returned -2.98% for the quarter, and 0.53% over the last year.

Real Estate comprised 4.8% of the Kalamazoo Foundation for Excellence portfolio at the end of the quarter. The real estate portion of the portfolio returned -8.50% for the quarter and -0.90% over the last year.

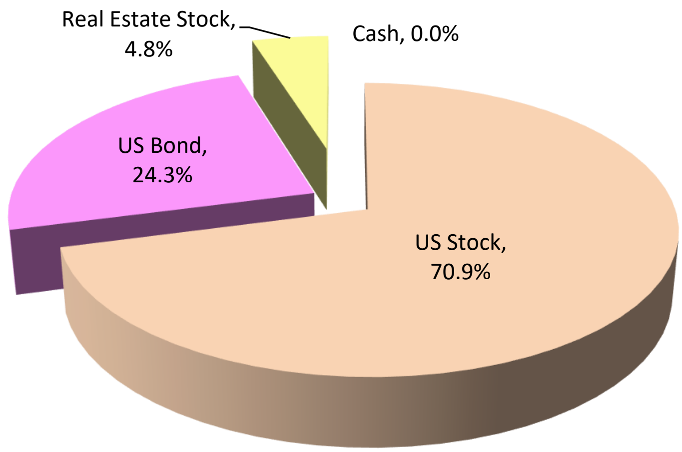
Cash and equivalents totaled $85,865; 0.04% of the total assets.

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.

The inflation-adjusted, or real return, for the quarter was -4.36% as the US BLS All Urban inflation rate for the quarter was 0.88%. With an annual inflation rate of 3.70% the one-year real return was 10.91%. Since May 1, 2020, the return on the portfolio, net of manager fees, has been 6.12% nominal and 0.61% real with a since-inception inflation rate of 5.51%.

Respectfully submitted,
November 29, 2023

Kalamazoo Foundation for Excellence
Asset Allocation
September 30, 2023



Market Value $ 201,159,184

Since-Inception (5/1/2020)
Annualized Net Return % 6.12

PORTFOLIO EXPOSURE

Geographic Exposure

U.S	100.0%
Foreign	0.0%
	100.0%

Currency (Direct Exposure)

USD	100.0%
Non-USD	0.0%
	100.0%

Asset Classes	Actual%	Policy%	+/-
Equity	70.9%	70.0%	0.9%
Fixed	24.3%	25.0%	-0.7%
Real Estate	4.8%	5.0%	-0.2%
Cash	0.1%	0.0%	0.1%
	100.0%	100.0%	0.0%

Liquidity-Daily	100.0%
Liquidity> 1 day & < 90 days	0.0%
Liquidity> 91 days & < 2 years	0.0%
Liquidity> 2 years	0.0%
Total	100.0%

Fixed Income Risk

	Jennison	Bloomberg US Agg Bond TR USD
Coupon	3.36%	2.99%
Yield	5.51%	5.39%
Effective Duration (yrs)	6.02%	6.03
Convexity	0.42	0.55
Maturity (yrs)	8.37	8.49
Quality	AA	AA

Sector Allocation

	Jennison	Bloomberg US Agg Bond TR USD	+/-
Treasury	22.3	41.5	(19.2)
Agency	0.4	1.1	(0.7)
Finance	13.3	8.3	5.1
Industrial	11.8	14.3	(2.5)
Utility	4.0	2.1	1.9
Non-Corporate	0.1	4.0	(3.9)
Mortgage	32.2	26.6	5.5
CMO	2.3	0.0	2.3
Asset Backed	10.5	0.5	10.0
CMBS	2.0	1.7	0.3
Cash	1.1	0.0	1.1
Total	100.0	100.0	0.0

Performance Attribution[(1)]

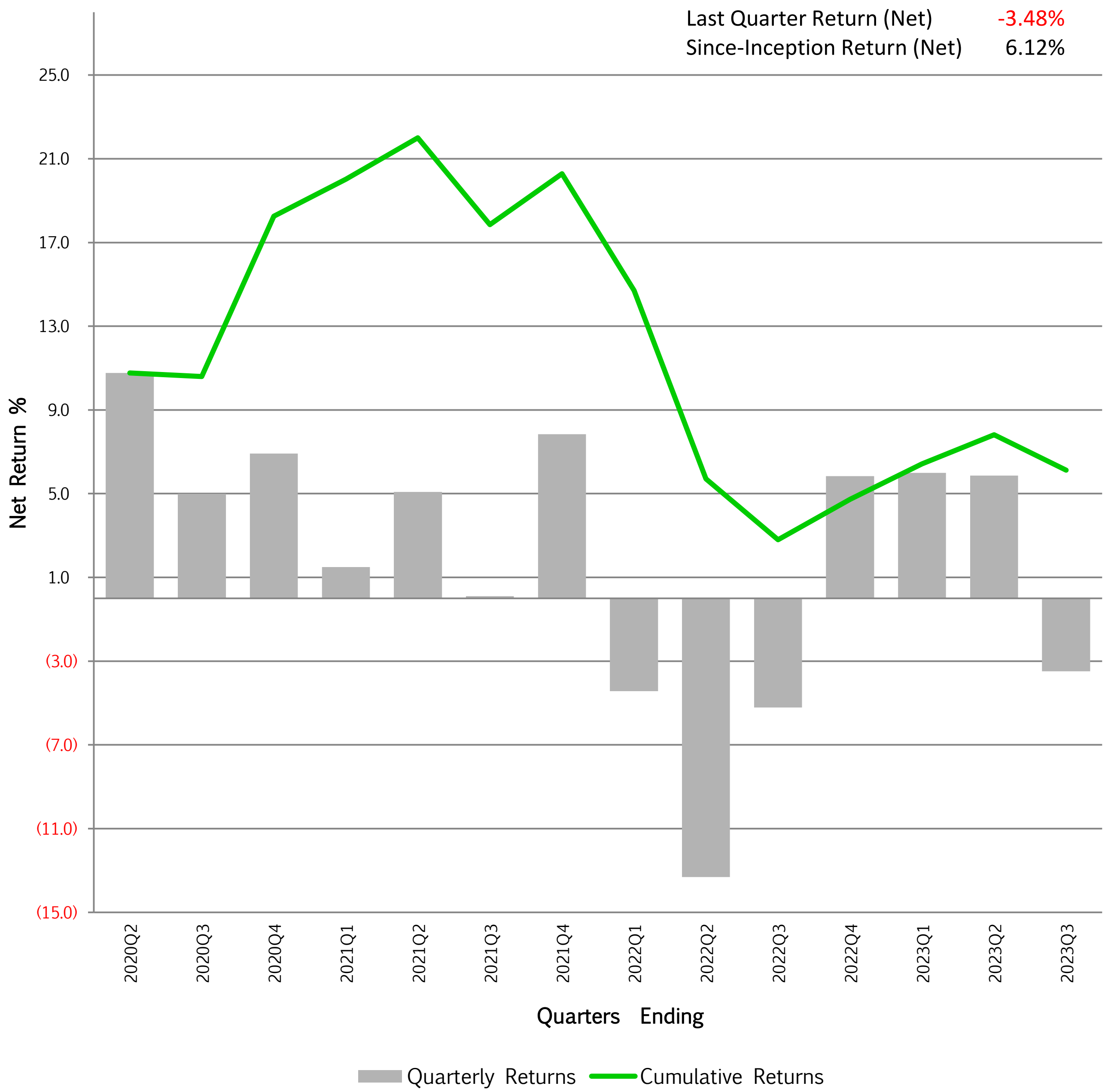
Gross of Fees and versus the BBgBarc US Agg Bond TR USD

	3 Months (bps)
Yield Curve	26
Sector Allocation	9
Security Selection	(4)
Other	2
Total	33

(1) Performance attribution may differ from performance shown due to rounding and other factors, such as Paydowns and interest on non-supported cash instruments.

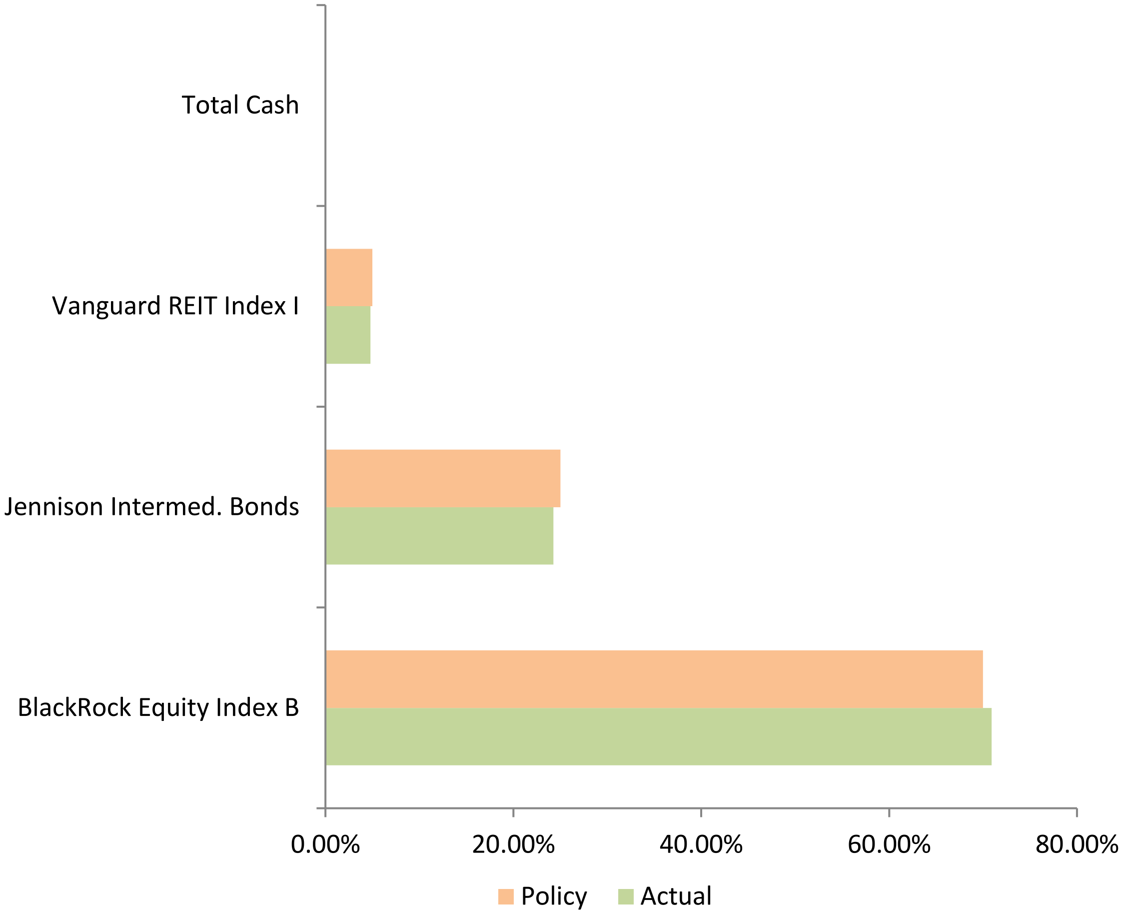
Some figures may not sum to 100% due to rounding.

Kalamazoo Foundation for Excellence
Quarterly vs Since-Inception (5.1.2020) Net Returns
September 30, 2023



State Street Portfolio was funded on 4/8/2020 when 465,000 shares of Stryker Stock were gifted to the Foundation.

Kalamazoo Foundation for Excellence
Policy Allocation vs. Actual
September 30, 2023



	Amount $	Actual	Policy	Variance %
BlackRock Equity Index B	142,615,212	70.9%	70.0%	0.90%
Jennison Intermed. Bonds	48,797,773	24.3%	25.0%	-0.74%
Vanguard REIT Index I	9,660,334	4.8%	5.0%	-0.20%
Total Cash	85,865	0.0%	0.0%	0.04%
	201,159,184	100.0%	100.0%	0.00%

The portfolio target allocation is 70% equities, 25% fixed income, 5% real estate, and 0% cash was approved on August 25th, 2021. Vanguard Real Estate was purchased on November 5th, 2021.

Kalamazoo Foundation for Excellence
2023 State Street Expense Report

Foundation for Excellence Expenses	1Q	2Q	3Q	4Q	Total
Operating Expense	-	-	193,098	-	193,098
Tax/Budget Distribution - 1Q23	6,993,331	-	-	-	6,993,331
Tax/Budget Distribution - 2Q23	-	6,993,331	-	-	6,993,331
Tax/Budget Distribution - 3Q23	-	-	2,257,105	-	2,257,105
Tax/Budget Distribution - 4Q23	-	-	-	-	-
Total Distributions to City of Kalamazoo	6,993,331	6,993,331	2,257,105	-	16,243,767
State Street Fees - Nov 2022	9,092	-	-	-	9,092
State Street Fees - Dec 2022	-	8,098	-	-	8,098
State Street Fees - Jan 2023	-	9,249	-	-	9,249
State Street Fees - Feb 2023	-	10,093	-	-	10,093
State Street Fees - Mar 2023	-	9,436	-	-	9,436
State Street Fees - Apr 2023	-	-	10,636	-	10,636
State Street Fees - May 2023	-	-	11,425	-	11,425
Total Custody Fees	9,092	36,876	22,061	-	68,029
BlackRock Fees - 4Q2022	5,806	-	-	-	5,806
BlackRock Fees - 1Q2023	-	5,893	-	-	5,893
BlackRock Fees - 2Q2023	-	-	7,268	-	7,268
Fund Manager Fees - BlackRock	5,806	5,893	7,268	-	18,967
Jennison Fees - Dec 2022	7,883	-	-	-	7,883
Jennison Fees - Jan 2023	8,000	-	-	-	8,000
Jennison Fees - Feb 2023	7,811	-	-	-	7,811
Jennison Fees - Mar 2023	-	7,991	-	-	7,991
Jennison Fees - Apr 2023	-	9,889	-	-	9,889
Jennison Fees - May 2023	-	9,886	-	-	9,886
Jennison Fees - Jun 2023	-	-	9,796	-	9,796
Jennison Fees - Jul 2023	-	-	9,795	-	9,795
Jennison Fees - Aug 2023	-	-	9,744	-	9,744
Fund Manager Fees - Jennison	23,694	27,766	29,335	-	80,795
Total Fund Manager Fees	29,500	33,659	36,602	-	99,762
Total Foundation For Excellence Exp	**7,031,924**	**7,063,866**	**2,508,866**	**-**	**16,604,656**

Kalamazoo Foundation for Excellence
2023 State Street Cash Flow Report

	Q1	Q2	Q3	Q4	Total
Cash Beginning Balance	75,338	35,686,615	76,495	85,864	75,338
Receipts					
Donations	42,514,400	-	-	-	42,514,400
Dividends	195,327	20,087	1,633	-	217,048
Interest	-	-	-	-	-
Realized Gain/Loss	(96,028)	-	-	-	(96,028)
Total Receipts	42,613,699	20,087	1,633	-	42,635,420
Disbursements					
Operating Expense	-	-	193,098	-	193,098
Tax/Budget Transfer to CoK	6,993,331	6,993,331	2,257,105	-	16,243,767
Custody Fees (State Street)	9,092	36,876	22,061	-	68,029
Total Disbursements	7,002,423	7,030,207	2,472,264	-	16,504,894
Net Cashflow	35,611,276	(7,010,120)	(2,470,630)	-	26,130,526
Investment Transfer	-	(28,600,000)	2,480,000	-	(26,120,000)
Cash Ending Balance	35,686,615	76,495	85,864	85,864	85,864
Investments Beginning Balance	160,566,644	170,469,365	210,786,045	201,073,319	160,566,644
Dividends	145,135	180,850	133,420	-	459,405
Interest	329,227	406,383	459,957	-	1,195,567
Realized Gain/Loss	(333,734)	80,563	180,375	-	(72,796)
Unrealized Gain/Loss	9,791,593	11,082,544	(7,969,876)	-	12,904,261
Fund Manager Fees	(29,500)	(33,659)	(36,602)	-	(99,762)
Net Investment Activity	9,902,721	11,716,680	(7,232,726)	-	14,386,675
Investment Transfer	-	28,600,000	(2,480,000)	-	26,120,000
Investments Ending Balance	170,469,365	210,786,045	201,073,319	201,073,319	201,073,319
Total Foundation for Excellence Balance	206,155,980	210,862,540	201,159,184	201,159,184	201,159,184

Kalamazoo Foundation for Excellence

241 W. South Street
Kalamazoo, MI 49007-4796
www.kalamazooffe.org

12/5/2023

Endowment Projection Update

The Foundation for Excellence endowment has updated projections for its valuation to conclude the 2023 fiscal year. Interest earned on investments is calculated at 6.51% until the endowment is worth $300 million at which time projections use 7.5%.

Kalamazoo Foundation for Excellence (FFE) Endowment	**2020**	**2025**	**2030**	**2035**	**2040**
Endowment Value 1/1		255,770,335	481,209,502	549,533,116	564,289,347
Investment Earnings on 1/1 balance less CY distributions		15,036,166	33,820,296	38,642,676	39,399,419
Endowment Contributions w/ investment earnings		57,486,458	42,500,000		
Endowment CY Distributions		(24,800,045)	(30,272,227)	(34,297,438)	(38,963,760)
Endowment Value 12/31	**86,685,800**	**303,492,914**	**527,257,570**	**553,878,354**	**564,725,005**