Kalamazoo Foundation for Excellence

Agenda
FFE Finance Committee

Monday, April 8, 2024 2:00 PM

Kalamazoo City Hall – 241 West South Street

A. CALL TO ORDER

B. APPROVAL OF MINUTES

1. Approve Minutes of the 12.11.2023 Meeting

C. REPORTS AND COMMUNICATIONS

1. (No Action) Review Annual Financial Report Information

2. (No Action) Review Draft April 22, 2024, Board Agenda.

D. REGULAR AGENDA

1. Recommend the Draft Annual Grant Distribution to the Board of Directors

2. Recommend Budget Amendment of $39,000 for Fiduciary Insurance for FFE Investment Subcommittee

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 December 11, 2023

A. The meeting of the Kalamazoo Foundation for Excellence (KFFE) Finance Committee was called to order at 2:03 p.m. in the Community Room of City Hall by Vice President Ritsema; Treasurer Carrel, Directors Balkema and Washington, and Chief Financial Officer Vicenzi were present; President Calderon-Huezo joined once the meeting was started. A quorum was present.
B. The draft minutes of the October 9, 2023, meeting were moved for approval by CFO Vicenzi and seconded by Director Washington. The motion was approved by unanimous voice vote.
C. Reports and Communications.
D. Regular Agenda
    1. The FFE Investment Subcommittee Q3 2023 report and endowment projections were received without action by the committee.
E. No public comments.
F. No board comments.
G. Vice President Ritsema adjourned the meeting at 2:13 p.m.

The next meeting is scheduled for Monday, January 29, 2024, at 2 p.m.

Minutes Drafted: December 11, 2023.

Minutes Approved: _________

____
Steve Brown, Recording Secretary

Kalamazoo Foundation for Excellence

FFE Board of Directors Staff Report

TO: Foundation for Excellence Board of Directors

FROM: Steve Brown, Executive Director

DATE: April 8, 2024

SUBJECT: (No Action) Review Annual Financial Report Information

RECOMMEDATION:

(No Action) Review Annual Financial Report Information

BACKGROUND:

The Finance Committee recommended at its first meeting of the year to complete annual financial compliance as laid out in Sections 4 and 6 of the FFE Bylaws, which includes preparing financial statements and reports.
+ An FFE Income Statement.
+ Year-end balance sheet, including trust funds and funds restricted by donors or the Board.
+ A written notice addressed to the City Manager and Mayor describing the type and amount of all 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 (forthcoming).
+ 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.

Performance of the

Kalamazoo Foundation for Excellence

December 31, 2023

The market value of portfolio assets increased from $201.2 million to $220.3 million during the fourth quarter of 2023, an increase of $19.1 million or 9.49%. During the quarter there were contributions of $5.6 million and withdrawals amounted to $8.0 million. Interest and dividend income for the quarter amounted to $304,130.69.

The portfolio weighted average return for the quarter, net of manager fees, was 10.79%. The 1-year return, net of manager fees, was 19.98%.

Equities comprised 70.1% of the Kalamazoo Foundation for Excellence portfolio at the end of the quarter. The equity portion of the portfolio returned 11.69% for the quarter, and 26.27% over the last year.

Fixed Income comprised 24.9% of the Kalamazoo Foundation for Excellence portfolio at the end of the quarter. The fixed income portion of the portfolio returned 6.72% for the quarter, and 5.59% over the last year.

Real Estate comprised 4.9% of the Kalamazoo Foundation for Excellence portfolio at the end of the quarter. The real estate portion of the portfolio returned 18.2% for the quarter and 12.08% over the last year.

Cash and equivalents totaled $245,074; 0.11% 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 11.13% as the US BLS All Urban inflation rate for the quarter was -0.34%. With an annual inflation rate of 3.35% the one-year real return was 16.63%. Since May 1, 2020, the return on the portfolio, net of manager fees, has been 8.68% nominal and 3.66% real with a since-inception inflation rate of 5.02%.

Respectfully submitted,
March 6, 2024

Kalamazoo Foundation for Excellence

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

MEMORANDUM

Date: March 18, 2024

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

From: Alisa Carrel, Treasurer, Kalamazoo Foundation for Excellence

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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 $18,500,872 to the City of Kalamazoo from January 1, 2023, to December 31, 2023. Of that sum, $13,986,662 was used to lower City property taxes for all taxpayers to 12 mills and $4,514,210 was used to stabilize the City's budget consistent with Section 9.03 of the FFE Bylaws.

Respectfully Yours,

Alisa Carrel

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.

THE CITY OF Kalamazoo

OFFICE OF THE CITY MANAGER
241 W. South Street
Kalamazoo, MI 49007-4796
Phone: (269) 337-8047
Fax: (269) 337-8182
www.kalamazoocity.org

MEMORANDUM

Date: March 21, 2024

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

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

Directors,

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."*

The City received $18,500,872 from the FFE endowment for the fiscal year beginning 1.1.2023 and ending 12.31.2023, used for lowering City property taxes for all taxpayers by 38% and stabilizing the City's Budget.

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

Kalamazoo Foundation for Excellence

Agenda
FFE Board of Directors

Monday, April 22, 2024 3:00 PM

Mayors Riverfront Park - 251 Mills St, Kalamazoo, MI 49048

A. CALL TO ORDER

B. APPROVAL OF MINUTES

1. Approve the Minutes of the February 12, 2024, Meeting.

C. REPORTS AND COMMUNICATIONS

1. (No Action) Review the Draft Independent Audit

2. (No Action) Review Annual Financial Report Information

D. REGULAR AGENDA

1. Approve removal of the Attorney General concurrence provisions from Articles IV, X, and XII of the Articles and Sections 4.02, 4.12, and 11.01(B) of the Bylaws.

2. Approve Budget Amendment of $39,000 for Fiduciary Insurance for FFE Investment Subcommittee

3. Approve the Board of Directors Attendance Policy

4. Approve the 2025 Grant Distribution to the City of Kalamazoo

5. Accept The Resignation of Affinity Stakeholder Director Johnathan Yarbrough effective February 27, 2024

6. Approve Nominations and Appointments of Directors to the Foundation for Excellence Board

7. Elect Officers for One-Year Terms Ending at the Annual Board Meeting to be held in April of 2025.

8. Approve Committee Appointments for One-Year Terms Ending at the Annual Board Meeting to be held in April of 2025.

9. Approve current City of Kalamazoo Staff Cost of Living Adjustment (COLA) for Foundation for Excellence Executive Director

E. PUBLIC COMMENTS

F. BOARD MEMBER COMMENTS

G. CLOSED SESSION

1. (No Action) Annual Staff Review

H. ADJOURNMENT

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Updated October 23, 2023

Kalamazoo Foundation for Excellence

FFE Finance Committee Staff Report

TO: Foundation for Excellence Finance Committee

FROM: Steve Brown, Executive Director

DATE: April 8, 2024

SUBJECT: Recommend the Draft Annual Grant Distribution to the Board of Directors

RECOMMEDATION:

Recommend the Draft Annual Grant Distribution to the Board of Directors

BACKGROUND:

The attached memorandum and endowment projection table contain the background information for this item. Note that the memo makes use of an informal estimated tax reduction reimbursement payment to the City of $15.81 million based on the FFE's internal endowment projection estimates and is subject to finalization by the City Finance Director and Assessor later in 2024. A true-up will also be conducted in 2025.

Kalamazoo
Foundation for
Excellence

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

MEMORANDUM

Date: **March 31, 2024**

To: **The FFE Finance Committee**

From: **FFE Executive Director and Chief Financial Officer**

Subject: **Fiscal Year 2025 FFE Grant to the City of Kalamazoo and Endowment Projection**

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1. GRANT SUMMARY

The Foundation for Excellence (FFE) was founded in 2017 to establish a $500 million endowment to support the City of Kalamazoo in reducing property taxes for all taxpayers 38%, stabilizing the City's budget, and funding aspirational community investments in perpetuity. This memo conveys the draft recommended FFE grant of $25,740,000 to the City of Kalamazoo for the 2025 fiscal year in all three areas of funding:

- Tax Reduction Reimbursement: Estimate of $15,810,000
- Budget Stabilization: $4,930,000
- Aspirational Investments: $5,000,000

This recommendation prudently balances the requirement to achieve and maintain a $500 million endowment while maximizing resources for the greater good of Kalamazoo.

Additionally, this memo explains a long-term endowment spending strategy, subject to annual review, that creates a robustly healthy endowment to grant an estimated $483 million from 2025 to 2040 and, most importantly, continue to do so in perpetuity:

- Tax Reduction Reimbursement: $319,000,000
- Budget Stabilization: $99,000,000
- Aspirational Investments: $65,000,000

Please refer to the subsequent sections of this memo for background, policy, and methodology.

Respectfully Submitted,

Steve Brown, Executive Director

Steve Vicenzi, CFO

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.

2. HISTORY OF THE FFE ENDOWMENT

2017-2022: began with historic grant funds totaling $150 million given directly to the City of Kalamazoo by the Stryker Johnston Foundation to begin fulfilling the FFE's mission while its administrative and governance structures and endowment were put in place.

2020-2030: began in 2020 when the FFE endowment received an $86 million gift, followed in 2021 by a $400 million pledge to be contributed to the endowment from 2021 to 2030, and a pledge of in 2023 of $45 million to be contributed from 2024 to 2026.

2031-2040: will begin in 2031 once the endowment is fully funded. At that point the FFE will operate entirely from market earnings for the first time, although additional gifts to the endowment will always be gratefully accepted.

3. GRANTMAKING RULES AND DETAIL

The total annual amount paid to the City by FFE is determined by the Board of Directors using section Article II of the Articles of Incorporation, Section 9.03 of the Bylaws, and the FFE Spending Policy, which are discussed in detail below to show how granting is calculated. The Board relies on consultation with retained financial advisers and staff, the FFE Investment Subcommittee and Finance Committee, and engages City Commission through the Mayor, City Manager, and two City Commissioners on the FFE Board.

The Tax Reduction Reimbursement and Budget Stabilization grants are required to be disbursed to the City each year based on formulas that calculate their value. The Aspirational grant, however, is only to be awarded to the City if, and at a level whereby, doing so does not diminish the endowment's permanence and/or ability to cover the Tax and Budget grants long term.

City Property Tax Reduction Reimbursement Grant – Required

Bylaws, Section 9.03, Subsection A, states this grant 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 [12] (…)"

- 2025 est. value of Kalamazoo real estate and personal property: __PENDING____
- 2025 est. City earnings at previous rate of 19.2705 mills: __ PENDING ____

Kalamazoo Foundation for Excellence

- 2025 est. City earnings at current rate of 12 mills: ___ PENDING ___
- Total 2025 FFE Tax Reduction Reimbursement Grant: ___ PENDING ____

TABLE 1 – History or Tax Reduction Reimbursement Grants

Fiscal Year	2017	2018	2019	2020	2021	2022	2023	2024	2025**	Avg.
Tax Grant*	$10.86	$11.72	$12.18	$12.60	$12.99	$13.60	$14.37	$15.35	$15.81	
Annual increase	N/A	7.97%	3.95%	3.42%	3.09%	4.71%	5.66%	6.81%	3.01%	4.84%

**in millions of dollars*

***projected as of 3/1/2024*

Budget Stabilization Grant – Required

Bylaws, Section 9.03, Subsection B, states that this grant 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."

TABLE 2 – History of Budget Stabilization Grants

Fiscal Year	2017	2018	2019	2020	2021	2022	2023	2024	2025**	Avg.
Budget Grant*	N/A	$3.8	$4	$4.12	$4.24	$4.37	$4.5	$4.74	$4.93	
Inflating Factor	N/A	N/A	5.26%	3.00%	3.00%	3.00%	3.28%	5.00%	4.00%	3.79%

**in millions of dollars*

***projected as of 3/1/2024*

Aspirational Community Investments – Conditional

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 (…)."

TABLE 3 – History of Aspirational Grants

Fiscal Year	2017	2018	2019	2020	2021	2022	2023	2024	2025**
Aspirational Grant*	$3.15	$12.43	$10.01	$10.23	$8.54	$8.61	$4.46	$0.67	$5.00

**in millions of dollars*

***projected as of 3/1/2024*

FFE Spending Policy

"In determining whether to appropriate or accumulate fund assets 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 [seven] factors will be considered in the determination to spend or accumulate endowment assets:"

I. <u>The duration and preservation of the endowment fund</u>

The FFE endowment is required to be permanent and to meet its required liabilities of Tax Reimbursements and Budget Stabilization in perpetuity. To create the highest reasonable probability of achieving this the FFE's financial projections must:

- achieve an endowment >$500 million by 12.31.2030 when major gifts to FFE end;
- maintain >1% annual growth net of expenses and inflation for 15 projected years.

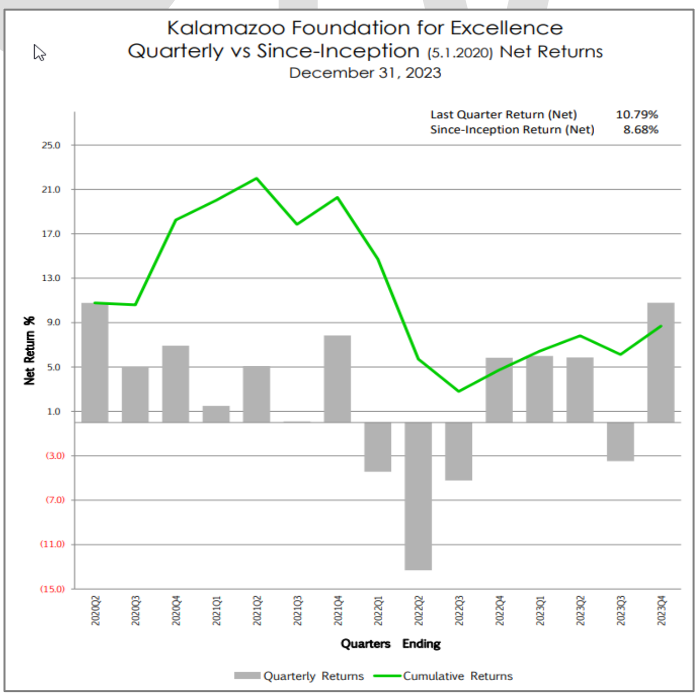
II. <u>The purposes of the institution and the endowment fund</u>

The purpose of the FFE is to provide resources to the City of Kalamazoo to support its goals (The Imagine Kalamazoo Master Plan and other adopted plans) in perpetuity.

III. <u>General economic conditions</u>

Table 4 below shows quarterly earnings and cumulative returns in FFE's brief existence.

TABLE 4*



**Figures are net of investment fees only, not net of grants to City, operations, or inflation.*

The predicted average gross rates of endowment earnings in the FFE's Investment Policy Statement were confirmed in February of 2024 as remaining accurate for the foreseeable future. These rates are 6.50% while the endowment is valued under $300 million and 7.50% once it is valued above $300 million. These rates are based on historic earnings from FFE's mix of investments projected forward over the long term to meet the FFE's spending needs while prudently managing risk.

IV. The possible effect of inflation or deflation

According to the most recent Investment Subcommittee report, dated 12.31.2023, FFE has experienced "a since-inception inflation rate of 5.02%." Inflation now appears to be stabilizing at lower levels. Future annual inflation rates of 3% were also confirmed in February 2024 as accurate for FFE projections. That rate is applied to Budged Stabilization and Operations/Admin expenses but not to Aspirational Grants or Tax Reduction Reimbursement, which is based on assessed property value that increases depending on trends in real estate markets. Deflation is not being discussed as a risk by FFE's financial advisors at this time.

V. The expected total return from income and appreciation

Between 2031 and 2040, once current major contributions to the endowment end, average earnings of the FFE endowment net of investment fees, grants to the City, operations expenses, and 3% inflation, are projected to be 1.48% annually as shown in **Table 5**.

TABLE 5

Average Endowment Earnings for the Period	2031-2040
Gross	7.50%
Net	1.48%

As **Table 6** shows, at a rate of 1.48% annual net earnings, the FFE endowment's total value will grow by 14.11% from 2031 to 2040. This means a doubling of value in 49 years. Meanwhile, because of FFE's spending requirements, expenses will double every 27 years. This will result in decreasing annual net returns from 1.74% in 2031 to 1.19% in 2040.

TABLE 6

Growth for the Period	From 2031 to 2040
Annual Expenses	26.65%
Endowment Value	14.11%

Lastly, it is important to look at long term trends in FFE fund availability shown in **Table 7**. FFE Aspirational grants are projected in this memo to remain flat at approximately $4 million per year in order to meet requirements but will be reassessed using this same process annually to confirm and adjust as needed. **Table 7** shows Aspirational grants remaining steady as an absolute sum while **Table 8** shows Aspirational grants becoming a smaller percentage of FFE's annual budget. This is because the two required expenses of Tax Reimbursement and Budget Stabilization are expected to continue to grow based on the formulas required in the Bylaws.

TABLE 7

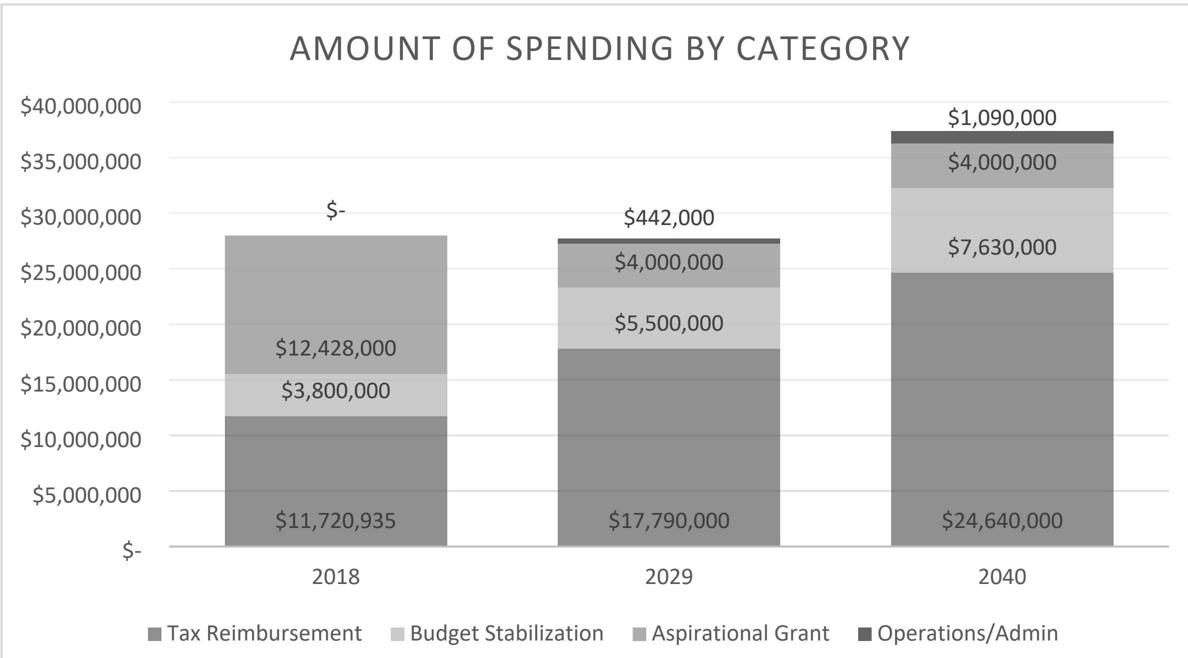
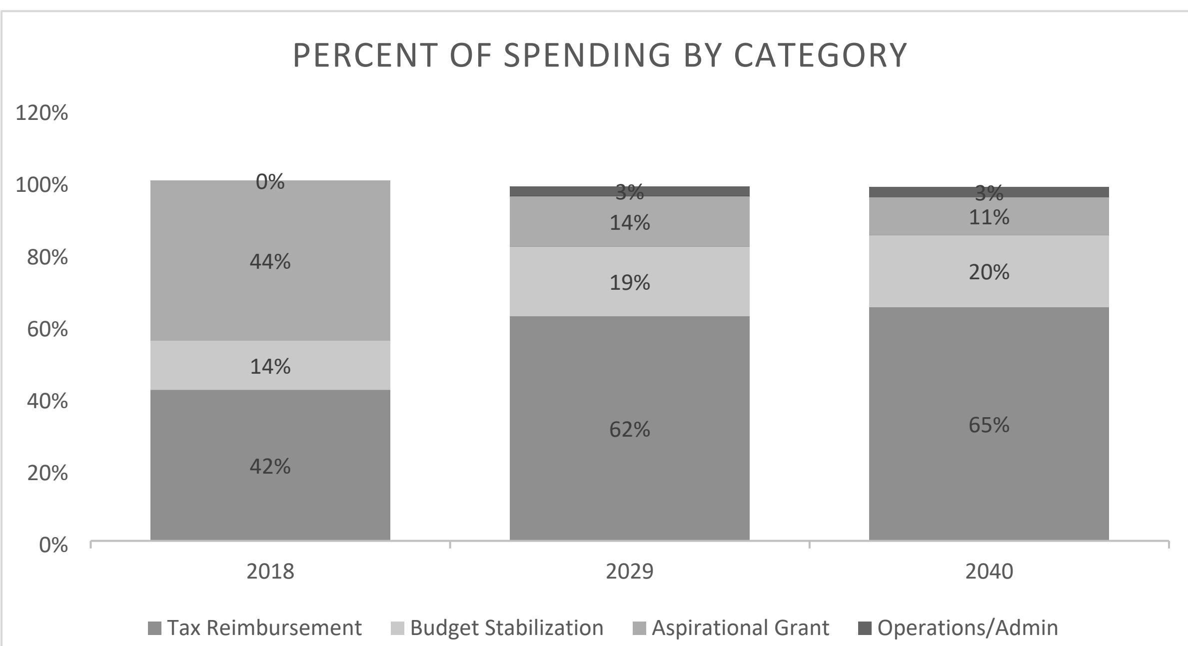


TABLE 8



VI. Other resources of the institution

FFE possesses no other resources.

VII. The investment policy of the institution

The FFE's Investment Policy Statement sets forth the official structure for the Endowment Fund's assets that are expected to produce a sufficient investment return over the long term to meet the FFE's spending objectives while prudently managing risk. As a check on the reasonableness of how risk and return are balanced in the Investment Policy Statement and spending recommendation contained in this memo the FFE's financial advisors conducted an analysis that determines the probability of achieving a >$500 million at 12.31.2030 given known projected expenses by iterating the scenario 1,000 times with different market conditions, good and bad. FFE's odds of achieving the set targets are established at 67%. The remaining 33% chance of not achieving them is divided evenly as 16.5% chance of having more and 16.5% of having less, with very few of those scenarios failing below $500 million.

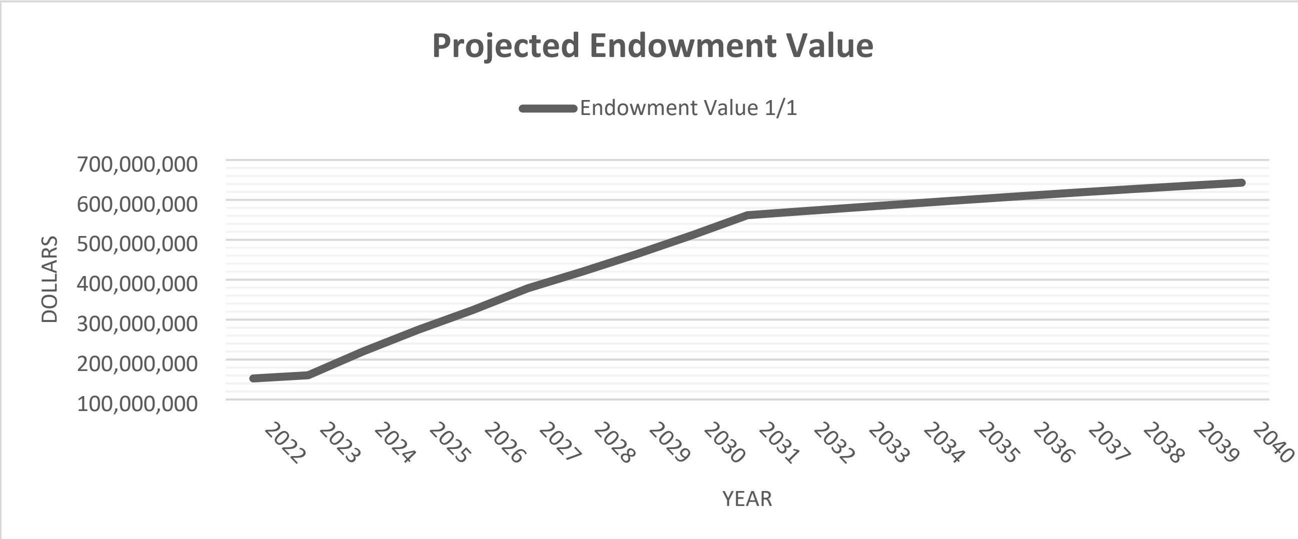
4. SPENDING POLICY CONCLUSION

The grants proposed in this memo present a balanced approach that "an ordinarily prudent person in a like position would exercise under similar circumstances." This approach has a high probability of achieving the required >$500 million value by 12.31.2030 and maintaining >1% annual growth out to 2040 as shown in **TABLE 9** while maximizing resource availability to the City Kalamazoo.

By contrast, an average increase of just 25% in total Aspirational spending between 2025 to 2040 would result in a 33% reduction of annual net endowment growth in 2040 from 1.19% to 0.80%, well below the >1% target.

The FFE Spending Policy will be revisited annually to update projections with annual earnings and valuations. This memo will be issued on the timeline in Section 5. Continual prudent risk management by FFE decisionmakers will form a healthy endowment to contribute an estimated $483 million to Kalamazoo from 2025 to 2040 and make such grants possible forever.

TABLE 9



Finally, to give broader context to the Spending Policy conclusion, FFE's long-term planning has been compared to other non-private foundations, which typically grant 5% of their endowment value each year. As **Table 10** shows, FFE is on average currently significantly exceeding 5% and will remain on average 0.51% above 5% to 2040. Therefore, the FFE Board, City Commission, and broader community can be confident that the FFE is being thoughtful and intentional to make as many resources available as reasonably possible each year and will continue to revisit the topic annually to ensure long term support of the Kalamazoo.

TABLE 10

Projected Averages for the Period Shown	2020-2030	2031-2040
Expenses as a Percent of the Endowment's Value	8.35%	5.51%

5. TIMELINE FOR FISCAL YEAR 2025 APPROVAL

March 6, 2024 – FFE Investment Subcommittee report for Q4-2023 endowment issued
March 30, 2024 – City Tax Assessment Board of review provides estimated Tax information
April 8, 2024 – FFE Finance Committee reviews draft 2025 Disbursement amounts
April 22, 2024 – FFE Board adopts the draft 2025 Grant disbursement amounts
August 26, 2024 – FFE Finance and Executive Committees review draft 2025 City request
September 23, 2024 – FFE Board reviews draft 2025 City request
October 7, 2024 – FFE Finance and Executive Committees review 2025 Budget and Grant
October 28, 2024 – FFE Board reviews and votes to approve 2025 Budget and Grant
January 2025 (First meeting) – City Commission votes to adopt 2025 Budget and Grant

FFE Endowment Projection

3/11/2024

	2025	2030	2035	2040
Endowment Value 1/1	274,480,000	509,240,000	596,450,000	637,610,000
Investment Earnings on 1/1 balance less CY distribution	17,800,000	38,200,000	42,200,000	45,000,000
Endowment Contributions w/ investment earnings	29,770,000	11,320,000		
Endowment Distributions			(33,320,000)	(38,020,000)
Endowment Value 12/31	**322,050,000**	**558,760,000**	**605,330,000**	**644,590,000**
Endowment Contributions				
Additional Fundraising				
Annual contributions	55,000,000	40,000,000		
Distributions	(26,760,000)	(29,260,000)		
Net contribution to invest	28,240,000	10,740,000	-	-
Contribution Earnings after annual disbursement 10 months inves	1,530,000	580,000	-	-
Contribution Value with Investment earnings	29,770,000	11,320,000	-	-
Endowment Distributions:	Estimate	Estimate	Estimate	Estimate
Tax Reimbursement	(15,810,000)	(18,320,000)	(21,240,000)	(24,640,000)
Tax Reimbursement True Up Payment				
Budget Stabilization Payment	(4,880,000)	(5,670,000)	(6,580,000)	(7,630,000)
Aspirational Projects	(5,000,000)	(4,000,000)	(4,000,000)	(4,000,000)
Operational Expenses:				
Operations/Admin	(710,000)	(810,000)	(940,000)	(1,090,000)
Investment Consultant Fees	(190,000)	(240,000)	(290,000)	(340,000)
Investment Custody Fees	(170,000)	(220,000)	(270,000)	(320,000)
Total Endowment Distributions	**(26,760,000)**	**(29,260,000)**	**(33,320,000)**	**(38,020,000)**

Assumptions:

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

Endowment Target - $500M

Rounded to nearest $10,000

Investment return <$300M	**6.50%**
Investment return >$300M	**7.50%**

Utilized prior 5-years to model next 5, then smoothed, net of manager fee's

FFE Finance Committee
Staff Report

Kalamazoo
Foundation for
Excellence

TO: Foundation for Excellence Finance Committee

FROM: Steve Vicenzi, CFO
Steve Brown, Executive Director

DATE: April 8, 2024

SUBJECT: Recommend Budget Amendment of $39,000 for Fiduciary Insurance for FFE Investment Subcommittee

RECOMMEDATION:

Recommend Budget Amendment of $39,000 for Fiduciary Insurance for FFE Investment Subcommittee

BACKGROUND:

A Budget Amendment of $39,000 is being requested to obtain Fiduciary Insurance for the FFE Investment Subcommittee. The subcommittee has been seeking this coverage since inception to allow for additional protection for those charged with making investment decisions on behalf of the organization.

FFE 2024 Budget

23-Oct-23

Account Number	Account Title	2023 Budget	2024 Expenses: Endowment Withdrawals	2024 Expenses: Net of Fees Costs	Executive Director	Coordination
760-740-00.000-702.001	BASE PAY - FULL TIME	$177,425	**$206,218**		$137,218	$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**		5400	
760-740-00.000-710.001	EMPLOYER SOCIAL SECURITY	$19,176	**$12,872**		8594	4278
760-740-00.000-711.001	HEALTH BENEFIT ALLOCATION	$22,395	**$24,224**		12112	12112
760-740-00.000-711.002	HSA CONTRIBUTION					
760-740-00.000-711.010	DENTAL INSURANCE ALLOCATION		**$1,786**		893	893
760-740-00.000-711.011	GROUP LIFE INSURANCE ALLOCATION	$1,128	**$452**		226	226
760-740-00.000-711.012	OTHER FRINGE BENEFIT ALLOCATION	$5,076	**$8,667**		6252	2415
760-740-00.000-711.020	WORKERS COMPENSATION ALLOCATION	$1,457	**$1,287**		859	428
760-740-00.000-711.050	DEFERRED COMPENSATION	$3,525	**$3,114**		2079	1035
760-740-00.000-711.051	DEFINED RETIREE HEALTH CONTRIBUTION	$4,818	**$5,200**		2600	2600
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**		2023 NL actual x 1.05	
760-740-00.000-801.000	PROFESSIONAL AND CONTRACTUAL SERVICES	$65,000	**$35,300**		2023 NL x 1.05: $10,300; $15,000 Reporting; $10,000 PR	
760-740-00.000-801.001	BANK FEES					
760-740-00.000-801.002	INVESTMENT MANAGEMENT FEES	$160,000		**$168,000**		
760-740-00.000-801.003	CONSULTING SERVICES AND FEES	$185,000	**$194,250**		2023 x 1.05	
760-740-00.000-801.004	AUDIT FEES	$12,000	**$14,900**		2023 x 1.06	
760-740-00.000-801.007	CUSTODIAN FEES	$135,000		**$141,750**	2023 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					
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	**$10,000**		ED: ICMA $2,500	
760-740-00.000-815.000	SOFTWARE AND APPLICATIONS		**$12,211**			
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		**$50,000**		City service agreement-SEE itemization	
760-740-00.000-960.101	CONTRIBUTION TO GENERAL FUND	$22,372,364	**$20,471,989**		Budg.: $4,739,921 x 1.06, tax $15,347,374, tax reconcil. $384,694	
760-740-00.000-960.234	CONTRIBUTION TO FFE ASPIRATIONAL PROJECT	$206,860	**$670,344**			
	Personnel Subtotal	$441,860	**$269,220**		1.23%	
	Operations Subtotal	$922,000	**$693,104**		3.17%	
	SUBTOTAL		**$21,835,437**	**$309,750**		
	TOTAL	$23,501,224	**$22,145,187**		-5.77%	