Kalamazoo Foundation for Excellence

Agenda
FFE Finance Committee

Monday, August 26, 2024 2:00 PM

Kalamazoo City Hall – 241 West South Street

A. CALL TO ORDER

B. APPROVAL OF MINUTES

1. Approve Minutes of the April 8, 2024, Meeting.

C. REPORTS AND COMMUNICATIONS

1. (No Action) Cash and Endowment Reports

2. (No Action) Draft 2025 Budget

D. REGULAR AGENDA

1. Recommend Draft Chief Financial Officer (CFO) Description 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.

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 April 8, 2024

A. The meeting of the Kalamazoo Foundation for Excellence (KFFE) Finance Committee was called to order at 2:01 p.m. in the Community Room of City Hall by President Calderon-Huezo. Vice President Ritsema, Treasurer Carrel, Directors Balkema and Washington, and Chief Financial Officer Vicenzi were present. A quorum was present. Chris Ruppel, Independent Consultant, Institutional Client Services, Zhang Financial, LLC, was present as a guest.
B. The draft minutes of the December 11, 2023, meeting were moved for approval by Director Washington and seconded by Director Balkema. The motion was approved by unanimous voice vote.
C. Reports and Communications.
    1. Staff presented the draft annual Financial Report information. CFO Vicenzi pointed out that the 12.31.2024 FFE Investment Subcommittee (FFEIS) Report excerpt on packet page 5 of 22 remained in draft form since the subsequent FFEIS meeting in March had been canceled due to a lack of quorum. No action was requested.
    2. Staff presented the Draft April 22, 2024, Board agenda for review of Finance Committee items. It was pointed out that Item 9 on the agenda needs correction to be an action that amends the Executive Director's employment agreement to allow for cost of living adjustment (COLA), as the budget already contained sufficient resources. No action was requested.
D. Regular Agenda
    1. Staff presented the Draft 2025 Grant Distribution memo. The President requested for action a recommendation of the draft annual grant distribution to the Board of Directors at their April 22, 2024, meeting as presented in the packet. There were no comments from the CFO or Representative from Zhang Financial. Director Balkema clarified the annual budget carryforward and release process of the City. Treasurer Carrel moved and Director Washington seconded the motion. The motion passed by unanimous voice vote.
    2. The CFO presented the need for, and the President requested an action for, an amendment to the 2024 budget not to exceed $39,000 for obtaining fiduciary insurance for the FFE Investment Subcommittee. Vice President Ritsema moved and Director Balkema seconded the motion. The motion passed by unanimous voice vote.
E. No public comments.
F. No board comments.
G. Vice President Ritsema adjourned the meeting at 2:34 p.m.

The next meeting is scheduled for Monday, August 26, 2024, at 2 p.m.

Minutes Drafted: April 8, 2024.

Minutes Approved: _________

Steve Brown, Recording Secretary

DRAFT

Kalamazoo Foundation for Excellence

FFE Finance Committee Staff Report

TO: Foundation for Excellence Finance Committee

FROM: Steve Brown, Executive Director

DATE: August 26, 2024

SUBJECT: (No Action) Cash and Endowment Reports

RECOMMEDATION:

(No Action) Cash and Endowment Reports

BACKGROUND:

Two items are attached to this item aligned with Finance Committee duties outlined in Bylaws Section 6.02 to "review the performance of investments" and "meet prior to the September meeting of the Board of Directors to review the Corporation's finances" that were prepared for the regular meeting of the FFE Investment Subcommittee on August 28, 2024:

1. The draft third quarter endowment report;
2. The draft third quarter cash flow report.

REPORT TO THE RETIREMENT INVESTMENT COMMITTEE

Performance of the

Kalamazoo Foundation for Excellence

June 30, 2024

The market value of portfolio assets increased from $276.0 million to $284.2 million during the second quarter of 2024, an increase of $8.2 million or 2.97%. During the quarter there were no contributions or withdrawals. In the investment account there were dividends and interest income of $370,608.47.

The portfolio weighted average return for the quarter, net of manager fees, was 2.95%. The 1-year return, net of manager fees, was 17.39%.

Equities comprised 71.6% of the Kalamazoo Foundation for Excellence portfolio at the end of the quarter. The equity portion of the portfolio returned 4.28% for the quarter, and 24.54% over the last year.

Fixed Income comprised 23.7% of the Kalamazoo Foundation for Excellence portfolio at the end of the quarter. The fixed income portion of the portfolio returned 0.08% for the quarter, and 2.97% over the last year.

Real Estate comprised 4.7% of the Kalamazoo Foundation for Excellence portfolio at the end of the quarter. The real estate portion of the portfolio returned -1.91% for the quarter and 4.92% over the last year.

Cash and equivalents totaled $684, or essentially 0.00% 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 2.36% as the US BLS All Urban inflation rate for the quarter was 0.59%. With an annual inflation rate of 2.97% the one-year real return was 14.42%. Since May 1, 2020, the return on the portfolio, net of manager fees, has been 10.04% nominal and 5.03% real with a since-inception inflation rate of 5.01%.

Respectfully submitted,
August 28, 2024

Kalamazoo Foundation for Excellence
2024 State Street Cash Flow Report

Endowment	**Q1**	**Q2**	**Q3**	**Q4**	**Total**
Cash Beginning Balance	245,074	675	684	684	245,074
Donations	60,546,298	-	-	-	60,546,298
Dividends	71,661	9	-	-	71,670
Realized Gain/Loss	12,593	-	-	-	12,593
Total Receipts	60,630,551	9	-	-	60,630,560
Custody Fees (State Street)	20,908				20,908
Payments to City	195,559				195,559
Total Disbursements	216,467	-	-	-	216,467
Transfer to Operations Cash KF80	21,474,843	-	-	-	21,474,843
Transfer to Investments	39,183,640	-	-	-	39,183,640
Total Transfers	60,658,483	-	-	-	60,658,483
Cash Ending Balance	675	684	684	684	684
Investments Beginning Balance	220,095,568	276,035,732	284,179,863	284,179,863	220,095,568
Dividends	166,163	232,631	-	-	398,794
Interest	518,180	585,947	-	-	1,104,127
Realized Gain/Loss	(316,996)	(453,555)	-	-	(770,551)
Unrealized Gain/Loss	16,428,740	7,826,318	-	-	24,255,058
Fund Manager Fees	(39,563)	(47,210)	-	-	(86,774)
Net Investment Activity	16,756,524	8,144,131	-	-	24,900,655
Donations Invested	39,183,640	-	-	-	39,183,640
Investments Ending Balance	276,035,732	284,179,863	284,179,863	284,179,863	284,179,863
Total Endowment Balance	276,036,407	284,180,547	284,180,547	284,180,547	284,180,547

Operations Cash - KF80	**Q1**	**Q2**	**Q3**	**Q4**	**Total**
Operations Cash Beginning Balance	-	13,672,787	5,852,475	5,852,475	-
Transfer from Endowment Cash	21,474,843	-	-	-	21,474,843
Total Transfers	21,474,843	-	-	-	21,474,843
Dividends	84,078	144,455	-	-	228,534
Total Receipts	84,078	144,455	-	-	228,534
Custody Fees (State Street)	20,100	37,786	-	-	57,886
Payments to City	7,866,034	7,926,982	-	-	15,793,016
Total Disbursements	7,886,134	7,964,768	-	-	15,850,902
Operations Cash Ending Balance	13,672,787	5,852,475	5,852,475	5,852,475	5,852,475
Total Foundation for Excellence Balance	289,709,195	290,033,021	290,033,021	290,033,021	290,033,021

Kalamazoo Foundation for Excellence

FFE Finance Committee Staff Report

TO: Foundation for Excellence Finance Committee

FROM: Steve Brown, Executive Director

DATE: August 26, 2024

SUBJECT: (No Action) Draft 2025 Budget

RECOMMEDATION:

(No Action) Draft 2025 Budget

BACKGROUND:

The draft FFE budget is presented to the Finance Committee for first discussion. The attached draft includes multiyear trends, expenditures to date, and notes, to offer a broad context. The 2025 tax reimbursement payment to the City remains an estimate pending transmittal of the 2025 budget request memo from the City to the FFE. The total proposed expenditures from the endowment are compared to the long-term endowment projection targets. The draft budget currently retains flexibility compared to long-term endowment projection targets.

Timeline:
8/26/24 - FFE Finance Committee: Recommend draft for Board review
9/23/24 - FFE Board: Review
10/7/24 - FFE Finance Committee: Recommend final draft
10/7/24 - City Commission: Review
10/28/24 - FFE Board: Approve and recommend to City Commission
1/6/24 - City Commission: Approve

FFE Budgets

21-Aug-24	Draft 2025 Expenses		
Account Title	Endowment Withdrawals	Net of Fees Costs	
BASE PAY - FULL TIME	$146,823		Pending Board
BASE PAY - PART TIME			
TEMPORARY PAY - REGULAR			
OVERTIME PAY			
OVERTIME - PART TIME			
TEMPORARY PAY - OVERTIME			
PREMIUM PAY			
BONUS PAY			
ALLOWANCES	$5,400		
EMPLOYER SOCIAL SECURITY	$11,232		
HEALTH BENEFIT ALLOCATION	$12,112		
HSA CONTRIBUTION			
DENTAL INSURANCE ALLOCATION	$893		
ALLOCATION	$226		
ALLOCATION	$3,010		
ALLOCATION	$910		
DEFERRED COMPENSATION	$2,202		
CONTRIBUTION	$2,600		
OFFICE SUPPLIES AND FORMS	$200		
MEETING SUPPLIES	$200		$50/meeting x 5
POSTAGE	$8,610		2024 NL actual x 1.05
CONTRACTUAL SERVICES	$21,355		2024 NL x 1.05: $10,000 PR
BANK FEES			
INVESTMENT MANAGEMENT FEES		$173,040	2024 x 1.03
CONSULTING SERVICES AND FEES	$200,078		2024 x 1.03
AUDIT FEES	$15,347		2024 x 1.03
CUSTODIAN FEES		$146,003	2024 x 1.03
PLANNING AND STUDIES			
LEGAL SERVICES	$80,000		Est.
OTHER OPERATIONAL			
BUSINESS AND EMERGENCY MEALS			
SUBSCRIPTIONS	$385		ICMA, AFP
DUE DILIGENCE	$20,000		
PROFESSIONAL DEVELOPMENT	$8,000		Adjusted downward to actual
SOFTWARE AND APPLICATIONS	$7,700		Adjusted downward to actual
INSURANCE	$42,008		Est. Pending renewal
			2024 x 1.03
ADMINISTRATIVE FEES	$51,500		City service agreement x 1.03%
CONTRIBUTION TO GENERAL FUND	$20,740,000		Tax Reimbursement est. pending final • Tax Est.: $15,810,000 • Budget Stabilization: $4.93M • Aspirational Investments: $5M
ASPIRATIONAL PROJECT	$5,000,000		
Personnel Subtotal	$185,408		
Operations Subtotal	$640,791		
SUBTOTAL	$26,380,791	$319,043	
TOTAL	**$26,699,834**		

15-Year Projection Targets		
Operational Subtotal	$	710,000.00
Total Distributions	$	26,760,000.00

City of Kalamazoo - Preliminary Recommendations for 2025 FFE Aspirational Projects

Request Name	Amount	IK2025 Goal Alignment	FFE Goal Alignment	Project Details
Capacity Building Small Business Support	$50,000	Economic Vitality	Remove Barriers to Employment	Supports two Workforce Development projects, Core 60 and the Black Entrepreneur Training Academy (BETA) program who will provide free training to City of Kalamazoo residents.
Critical Code Repair	$138,000	Safe Community	Capital and Human Infrastructure	Partnership with Community Homeworks which provides free critical repairs to low income households to bring their homes into code compliance.
Event Support	$10,000	Strength through Diversity	Neighborhood Improvement to Attract and Connect	Supports cost recovery of fees for events hosted by non-profits which are open to all residents and free to attend.
HomeShare Program Pilot	$236,000	Complete Neighborhoods	Address Generational Poverty	Pilots a HomeShare program in Kalamazoo County, where two or more unrelated people share a house or apartment - generating income and utilizing space more efficiently to create housing opportunities.
Housing Development Fund	$1,550,000	Complete Neighborhoods	Capital and Human Infrastructure	Supports affordable housing opportunites through three strategies: mixed income multi-family gap financing, housing rehabilitation, and appraisal gap/rental subsidy.
All Things Possible	$116,000	Youth Development	Promote Youth Development	Supports a program for students transitioning from Middle to High school during the summer to eliminate "summer slide" and build social emotional learning.
MyCITY Summer Youth Employment	$619,000	Youth Development	Promote Youth Development	Partnership with KRESA to employ youth ages 14-21 and teach employability skills.
Super Rec	$230,000	Youth Development	Promote Youth Development	Providers nines week of free summer camp for city youth ages 6-12 at five neighborhood sites in Kalamazoo.
Youth Action Council	$15,000	Youth Development	Promote Youth Development	Supports Parks and Recreation department's Youth Advisory Board providing input and leadership for programs, activities, and events.
Counselor In Training	$24,000	Youth Development	Promote Youth Development	Supports up to 30 youth who serve as leaders in Parks and Rec summer youth programming, receiving stipends and learning life and leadership skills.
Pedestrian Sidewalk Improvement Projects	$1,360,000	Connected City	Promote Youth Development	Supports a Connected Cith by removing and replacing sidewalk sections, ramps, curbs, and gutter and other items to promote connectivity and pedestrian access to amenities.
Total Project Budget	**$4,348,000**			
Project Administration	$652,000	Good Governance		In accord with Federal de minimus rates, supports implementation, evaluation, and adminstration of projects.
Total 2025 FFE Aspirational Budget	$5,000,000			

* Project in Green were not FFE funded in 2024; projects in orange were supported by FFE in 2024.

FFE Finance Committee
Staff Report

Kalamazoo Foundation for Excellence

TO: Foundation for Excellence Finance Committee

FROM: Steve Brown, Executive Director

DATE: August 26, 2024

SUBJECT: Recommend Draft Chief Financial Officer (CFO) Description to the Board

RECOMMEDATION:

Recommend Draft Chief Financial Officer (CFO) Description to the Board

BACKGROUND:

As stated in the FFE Bylaws, the City's Finance Director is an ex officio member of the FFE's Finance Committee. To add additional clarity to this role, City Finance Director Steve Vicenzi was recommended for appointment as the FFE's Chief Financial Officer (CFO) by the Finance Committee on February 21, 2019; the Finance Committee's 2.21.2019 report was approved by the Board at its April 22, 2019, meeting. The CFO is a key position to the strategic and daily operations of FFE by offering recommendations and implementing Board approved investment and administrative policies. The CFO is currently made available to the FFE under the Service Agreement between the FFE and the City. This annual agreement is up for renewal in October 2024. As part of the renewal, staff recommend that a CFO Description be recommended by the Finance Committee to the Board for approval in October. The draft included in this packet has been created in consultation with sector best practices and reviewed by the CFO and Executive Director in concert with existing Finance Policies.

DRAFT

Chief Financial Officer (FFE)
Role Description

Approved by the Board of Directors on XX/YY/XXXX.

The Foundation for Excellence (FFE) Chief Financial Officer (CFO) is responsible for managing the financial operations of the organization and helping to ensure its financial health and sustainability. The CFO oversees budgeting, financial reporting, and compliance requirements. The CFO works closely with the Executive Director, Finance Committee and Investment Subcommittee and Board of Directors on financial analysis and forecasting achieve the FFE's goals. The CFO shall be an FFE Board Appointee reporting to the FFE Executive Director.

- Board and Committee Assignments
  - Board of Directors: Attend
  - Finance Committee: Member
  - Investment Subcommittee: Liaison and Secretary
- Budgeting and Forecasting
  - FFE Budget preparation and approval, monitoring, reporting, adjustments and amendments.
  - Estimate Annual Tax Assessment and Reimbursement Estimates, finals, and true-ups
  - Monitor actual performance against budget and provide regular updates and analysis to the Executive Director and Board of Directors
  - Maintain financial forecasting models that support long-term decision-making
- Tax Filing and Compliance
  - Ensure compliance with filing, reporting, and regulatory requirements
  - Oversee tax filings and 990
  - Coordinate external auditor and financial service providers
- Financial Management
  - Work with Executive Director to develop and implement financial strategies that support FFE goals
  - Manage and oversee all financial operations, including accounting, budgeting, forecasting, and financial analysis
  - Ensure the accuracy and completeness of financial records, including the general ledger, accounts payable and receivable, payroll, and other financial systems
  - Prepare and present financial reports to the Executive Director and Board of Directors, providing analysis and recommendations as needed
  - Manage relationships with banks and other financial service providers
- FFE Endowment and Investments
  - Carry out investment actions per approved policy guidelines
  - Work with investment consultants
  - Prepare or delegate creation of quarterly investments packets
  - Hire and terminate asset managers in consultation with Investment Subcommittee and consultants;
  - Select and work with the custodial agent in the management of the Corporation's assets.

Adapted in part from https://www.foundationlist.org/nonprofit-cfo-job-description-template/