Kalamazoo Foundation for Excellence

Agenda
FFE Finance Committee

Monday, October 7, 2024 2:00 PM

Kalamazoo City Hall – 241 West South Street

A. CALL TO ORDER

B. APPROVAL OF MINUTES

1. Approve Minutes of August 26, 2024, meeting.

C. REPORTS AND COMMUNICATIONS

D. REGULAR AGENDA

1. Recommend 2025 Finance Committee Meeting Schedule for Approval

2. Recommend an Update to the Investment Allocation for the FFE Endowment

3. Recommend the 2025 Budget for Approval

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 August 26, 2024

A. Call to Order
    1. The meeting of the Kalamazoo Foundation for Excellence (KFFE) Finance Committee was called to order at 2:06 p.m. in the Community Room of City Hall by President Calderon-Huezo. Vice President Ritsema, Directors Carrel and Parker, and Chief Financial Officer Vicenzi were present. Directors Balkema had a notified absence. Motion to excuse Director Balkema was made by Vice President Ritsema and seconded by Director Carrel. The motion was approved by unanimous voice vote. A quorum was present.

B. The draft minutes of the April 8, 2024, meeting were moved for approval by Director Carrel and seconded by CFO Vicenzi. The motion was approved by unanimous voice vote.

C. Reports and Communications.
    1. The Cash Flow and Endowment Reports included in the packet were presented by the Executive Director and CFO. There was general discussion by Directors and no major comments or concerns to reflect. No action was requested.
    2. The Draft 2025 Budget included in the packet was presented by the Executive Director and CFO. There was general discussion by Directors and no major comments or concerns to reflect. No action was requested.

D. Regular Agenda
    1. A motion was made by Vice President Ritsema and seconded by Director Carrel to recommend the Draft CFO Description to the Board for approval including four edits and corrections made in committee: addition of “to” to summary; removal of both instances of “and Board of Directors”; removed “or delegate creation of.” The motion passed by unanimous voice vote. Staff were asked to circulate the new draft to FFE Counsel for review.

E. No public comments.

F. No board comments.

G. President Calderon-Huezo adjourned the meeting at 2:55 p.m.

The next meeting is scheduled for Monday, October 7, 2024, at 2 p.m.

Minutes Drafted: August 26, 2024.

Minutes Approved: _________

____
Steve Brown, Recording Secretary

DRAFT

Kalamazoo Foundation for Excellence

241 W. South Street, Kalamazoo, MI 49007
www.kalamazooffe.org | (269) 337-8047

2025 Schedule of Public FFE Board and Committee Meetings

Board meetings are held in Parks & Recreation Headquarters at Mayor's Riverfront Park, 251 Mills Street. Finance and Executive Committee meetings and Audit Subcommittee meetings are held in Kalamazoo City Hall, 241 W. South Street. Agendas can be viewed online beginning no later than the Friday prior to a meeting via the "Meetings" section of FFE's website.

	Committees & Subcommittees			**Board of Directors**
Date	**Finance Committee**	**Audit Subcommittee**	**Executive Committee**	
January 27	2:00 p.m.		3:00 p.m.	
February 10				
February 24				2:00 p.m.
March 3				
March 24		2:00 p.m.		
March 31	2:00 p.m.		3:00 p.m.	
April 28				2:00 p.m.
September 8	2:00 p.m.		3:00 p.m.	
September 15		2:00 p.m.		
September 22				2:00 p.m.
October 6	2:00 p.m.		3:00 p.m.	
October 27				2:00 p.m.
December 8	2:00 p.m.		3:00 p.m.	
December 15		2:00 p.m.		
Approved: Published:				

Kalamazoo
Foundation for
Excellence

FFE Finance Committee Staff Report

TO: Foundation for Excellence Finance Committee

FROM: Investment Subcommittee

DATE: October 7, 2024

SUBJECT: Recommend an Update to the Investment Allocation for the FFE Endowment

RECOMMEDATION:

Recommend an Update to the Investment Allocation for the FFE Endowment

BACKGROUND:

The FFE Investment Subcommittee (FFEIS) is responsible for formulating and recommending to the Finance Committee investment policies, strategies, and guidelines for approval by the Board. At the August 28th meeting, the Investment Subcommittee approved a recommendation to the Finance Committee to update the investment allocation for the FFE Endowment with the assistance from advisors from Zhang Financial.

The recommendation would diversify and overall reduce US Large Equity holdings from 70% to 60%, increase Small US Equity holdings from 0% to 5%, and increase International Equity holdings from 0% to 5%. Bond holdings would remain unchanged at 25% and Real Estate at 5%.

This recommendation seeks to increase the diversity within the portfolio, which as a whole is intended to provide steady income for FFE with a strong focus on capital preservation. An additional recommendation from the Investment Subcommittee to the Finance Committee for similar incremental increases in diversification is anticipated in the next year.

Attached to the packet is the original proposal memo from Zhang Financial. This proposal originally came with two recommendations. The FFEIS has recommended a proposal per the table in the attached document.

Asset Allocation Proposal & Analysis
Kalamazoo Foundation for Excellence

August 28, 2024

- **Objective**: To reallocate the assets of the Foundation for Excellence to reflect a long-term investment portfolio with more sustainable risk and return characteristics.

- **Process:** Broaden equity holdings to include US small cap and international holdings

- **Recommendation:** We propose two alternative portfolio structures:

    - Proposal 1- expand current positioning to include broad exposure in line with the total world stock market.

    - Proposal 2 – expand current positioning to increase exposure within US Mid-Cap, US Small Cap Value, and Large Cap International equity, while reducing US Large Cap Growth equity.

- We acknowledge that the inclusion of equity assets other than the existing Blackrock 500 allocation will result in inferior back tested results, as the S&P 500 (+18.14% annualized) has outpaced nearly all major indexes (NASDAQ 100 +21.65%, DJIA +14.39%, Russell 2000 +12.80%, MSCI World ex USA +8.54%, MSCI Emerging Markets +3.93%) from inception (5.1.2020) through 6.30.24.

- NOTE: Given Blackrock's S&P 500 portfolio is not public we have used VFIAX Vanguard 500 as a **proxy**.

Respectfully submitted,
August 28, 2024

Kalamazoo Foundation for Excellence				
FISC Asset Allocation Recommendation of 28Aug2024				
Investment	**Type**	**Ticker /Symbol**	**Current**	**Proposed**
Blackrock S&P 500	CTF	Equity Index B	70.00%	55.00%
DFA US Large Cap Value I	MF	DFLVX	0.00%	5.00%
Total US Large Equity			70.00%	60.00%
DFA US Small Cap Value I	MF	DFSVX	0.00%	5.00%
Total Small US			**0.00%**	**5.00%**
Total US Equity			**70.00%**	**65.00%**
DFA International Small Cap Value I	MF	DISVX	0.00%	2.50%
DFA Emerging Markets Value I	MF	DFEVX	0.00%	2.50%
Total International Equity			**0.00%**	**5.00%**
Total Equity			**70.00%**	**70.00%**
Jennison Intermediate Bonds	SepAcct	FI Core Active	25.00%	25.00%
Total US Bonds			**25.00%**	**25.00%**
Vanguard REIT Index	MF	VGSNX	5.00%	5.00%
Total Real Estate			**5.00%**	**5.00%**
Total			**100.00%**	**100.00%**

FFE Finance Committee Staff Report

Kalamazoo Foundation for Excellence

TO: Foundation for Excellence Finance Committee

FROM: Steve Brown, Executive Director

DATE: October 7, 2024

SUBJECT: Recommend the 2025 Budget for Approval

RECOMMEDATION:

Recommend the 2025 Budget for Approval

BACKGROUND:

The draft budget was presented to the Board at their September 23, 2024, meeting for discussion and comment. No changes were recommended by Directors, but two minor adjustments were needed in the interim:

Grants: The City of Kalamazoo grant request transmittal letter is attached. Minor adjustments have been made to the Budget Stabilization Grant to the City, from $4.93 million to $4.88 million.

Operations: The salary line has been finalized.

Review and Approval Timeline:

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

Department of Management Services
241 West South Street
Kalamazoo, MI 49007-4796
Phone: 269.337.8020
Fax: 269.337.8448
www.kalamazoocity.org

September 27, 2024

Steve Brown
Executive Director, Kalamazoo Foundation For Excellence (FFE)

Mr. Brown,

I am writing on behalf of the City of Kalamazoo to formalize the initial budget request for 2025. We are requesting the following amounts for the 2025 budget.

$15,904,940 – Tax reduction
$86,660 – Tax reduction reconciliation payment
$4,886,859 – Budget Stabilization
$5,000,000 – Aspirational from Endowment (Any remaining Grant funds expended first)

TAX REDUCTION

Bylaws, Section 9.03, Subsection A: "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 (…)"

Total 2024 Projected Effective Taxable Value = $2,146,436,174.

Projected difference in taxes under 19.2705 mills and current 12 mills = $15,904,940.

TAX REDUCTION RECONCILIATION PAYMENT

Due to the timing of the Foundation for Excellence's budget timeline, the City provides an estimate for the upcoming year's tax valuations. The City sets taxable values less exemptions after the March Board of Review. The values are then created by assessing for the tax bills to be sent out in July.

The final personal property tax value to be reimbursed for the prior year is provided by the State of Michigan in October.

Due to the timing of the estimates and the State's reporting, this calculation is done on a lookback basis that can span multiple years.

Prior payments to the City for tax reduction - $29,718,730

Current projected calculation of property taxes eligible to be reimbursed through 2024 - $29,805,390.

This difference equals $86,660.

THE CITY OF Kalamazoo

Department of Management Services
241 West South Street
Kalamazoo, MI 49007-4796
Phone: 269.337.8020
Fax: 269.337.8448
www.kalamazoocity.org

BUDGET STABILIZATION

Bylaws, Section 9.03, Subsection B: $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. This year's request is calculated using the amount provided in 2024, $4,739,921 increased by 3.1%.

ASPIRATIONAL PROJECTS AND PROGRAMS

Bylaws, Section 9.03, Subsection C: 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 (…)

Our proposed 2025 aspirational projects will utilize any remaining grant dollars first and endowment funds as needed on a reimbursement basis. These funds will be utilized as described in the chart on the next page.

I am also proposing the following draw schedule from the endowment for 2025.

March 1	$8,039,130 – Tax Reduction and reconciliation payment
June 3	$7,952,470 – Tax Reduction
September 2	$2,443,430 – Budget Stabilization
December 2	$2,443,429 – Budget Stabilization

Aspirational and operational funds reimbursed quarterly.

Stephen Vicenzi
Chief Financial Officer
City of Kalamazoo

Proposed 2025 Aspirational Projects, Alignment, and Details

New or Returning	Request Name	Project Details	IK2025 Goal Alignment	FFE Goal Alignment	Amount
Returning/New	Housing Development Fund	Supports affordable housing opportunities through three strategies: mixed income multi-family gap financing, housing rehabilitation, and appraisal gap/rental subsidy.	Complete Neighborhoods	Capital and Human Infrastructure	$1,706,000
Returning	Pedestrian Sidewalk Improvements	Supports a Connected City by removing and replacing sidewalk sections, ramps, curbs, and gutter and other items to promote connectivity and pedestrian access to amenities.	Connected City	Capital and Human Infrastructure	$1,360,000
Returning	MyCITY Summer Youth Employment	Partnership with KRESA to employ youth ages 14-21 and teach employability skills.	Youth Development	Promote Youth Development	$619,000
Returning	Super Rec	Provides nine week of free summer camp for city youth ages 6-12 at five neighborhood sites in Kalamazoo.	Youth Development	Address Generational Poverty	$230,000
New	Critical Code Repair	Partnership with Community Homeworks which provides free critical repairs to low income households to bring their homes into code compliance.	Safe Community	Capital and Human Infrastructure	$138,000
Returning	All Things Possible	Supports a program for students transitioning from Middle to High school during the summer to eliminate "summer slide" and build social emotional learning.	Youth Development	Promote Youth Development	$116,000
New	HomeShare Program Pilot	Feasibility and Impact study for potential 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.	Complete Neighborhoods	Neighborhood Improvement to Attract and Connect	$80,000
New	Capacity Building Small Business Support	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.	Economic Vitality	Remove Barriers to Employment	$50,000
Returning	Counselor In Training	Supports up to 30 youth who serve as leaders in Parks and Rec summer youth programming, receiving stipends and learning life and leadership skills.	Youth Development	Neighborhood Improvement to Attract and Connect	$24,000
Returning	Youth Action Council	Supports Parks and Recreation department's Youth Advisory Board providing input and leadership for programs, activities, and events.	Youth Development	Promote Youth Development	$15,000
New	Event Support	Supports cost recovery of fees for events hosted by non-profits which are open to all residents and free to attend.	Strength through Diversity	Neighborhood Improvement to Attract and Connect	$10,000
	Total Project Budget				$4,348,000
	Project Administration	In accord with Federal de minimus rates, supports implementation, evaluation, and administration of projects.	Good Governance		$652,000
	Total 2025 FFE Aspirational Budget				$5,000,000

FFE Budgets

30-Sep-24

Account Title	2025 Expenses		
	Endowment Withdrawals	Net of Fees Costs	
BASE PAY - FULL TIME	$145,422		
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	$893		
GROUP LIFE INSURANCE	$226		
OTHER FRINGE BENEFIT	$3,010		
WORKERS COMPENSATION	$910		
DEFERRED COMPENSATION	$2,202		
DEFINED RETIREE HEALTH	$2,600		
OFFICE SUPPLIES AND FORMS	$200		
MEETING SUPPLIES	$200		
POSTAGE	$8,610		
PROFESSIONAL AND CONTRACTUAL SERVICES	$21,355		
BANK FEES	$700		
INVESTMENT MANAGEMENT FEES		$230,000	
CONSULTING SERVICES AND FEES	$200,078		
AUDIT FEES	$16,500		
CUSTODIAN FEES		$171,600	
PLANNING AND STUDIES			
LEGAL SERVICES	$80,000		
OTHER OPERATIONAL			
BUSINESS AND EMERGENCY MEALS			
MEMBERSHIPS AND SUBSCRIPTIONS	$385		
DUE DILIGENCE	$20,000		
PROFESSIONAL DEVELOPMENT	$8,000		
SOFTWARE AND APPLICATIONS	$9,700		
LIABILITY and FIDUCIARY INSURANCE	$42,008		
ADMINISTRATIVE FEES	$51,500		2025 Tax Est.: $15,904,940
CONTRIBUTION TO GENERAL FUND	$20,878,459		2024 Tax True-up: $86,660
ASPIRATIONAL PROJECT	$5,000,000		Budget Stabilization: $4,886,859
Operations Subtotal	$643,243		
Subtotals	$26,521,702	$401,600	
TOTAL EXPENSES	**$26,923,302**		

From 15-Year Projection Targets	
Operations Subtotal	*$710,000*
Total Expenses	*$26,760,000*