



Kalamazoo
Foundation for
Excellence

Agenda FFE Finance Committee

Monday, December 9, 2024

2:00 PM

Kalamazoo City Hall – 241 West South Street

A. CALL TO ORDER

B. APPROVAL OF MINUTES

1. Approve the minutes of October 7, 2024.

C. REPORTS AND COMMUNICATIONS

1. (No Action) FFE Endowment Update
2. (No Action) Investment Subcommittee Meeting Structure

D. REGULAR AGENDA

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 7, 2024

- A. Call to Order
 - 1. The meeting of the Kalamazoo Foundation for Excellence (KFFE) Finance Committee was called to order at 2:02 p.m. in the Community Room of City Hall by President Calderon-Huezo.
 - 2. Roll Call. Vice President Ritsema, Directors Carrel, Parker, Balkema, and Chief Financial Officer Vicenzi were present. A quorum was present.
- B. The draft minutes of the August 26, 2024, meeting were moved for approval by Treasurer Balkema and seconded by Director Carrel. The motion was approved by unanimous voice vote.
- C. Reports and Communications.
- D. Regular Agenda
 - 1. A motion was made by Treasurer Balkema and seconded by Vice President Ritsema to recommend the 2025 Finance Committee Meeting Schedule for Approval. The motion passed by unanimous voice vote.
 - 2. A motion was made by Treasurer Balkema and Seconded by Vice President Ritsema to recommend an update to the investment allocation described in the table on Page 7 of the packet. There was discussion of opening an RFP for investment consultation services in the future. The motion passed by unanimous voice vote.
 - 3. A motion was made by Treasurer Balkema and seconded by Director Carrel to recommend the 2025 Budget of \$26,923,302 included on page 12 of the packet for approval. There was discussion of combining draws to two from four: tax reduction payments in June instead of March because tax levies do not get realized by the City until June for the 2026 budget and that Budget stabilization could be transferred earlier. The motion passed by unanimous voice vote.
- E. No public comments.
- F. No board comments.
- G. President Calderon-Huezo adjourned the meeting at 2:27 p.m.

The next meeting is scheduled for Monday, December 9, 2024, at 2 p.m.

Minutes Drafted: October 7, 2024.

Minutes Approved: _____

Steve Brown, Recording Secretary



Kalamazoo
Foundation for
Excellence

FFE Finance Committee Staff Report

TO: Foundation for Excellence Finance Committee

FROM: Steve Brown, Executive Director

DATE: December 9, 2024

SUBJECT: (No Action) FFE Endowment Update

RECOMMEDATION:

(No Action) FFE Endowment Update

BACKGROUND:

Please refer to the attached Endowment Update for full information.



Kalamazoo Foundation for Excellence

September 30, 2024

Report to the Investment Subcommittee

Wednesday, December 4, 2024
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, 2024

The market value of portfolio assets increased from \$284.2 million to \$302.1 million during the third quarter of 2024, an increase of \$17.9 million or 6.30%. During the quarter there were no contributions or withdrawals totaled \$13,325.50. In the investment account there were dividends and interest income of \$345,568.63.

The portfolio weighted average return for the quarter, net of manager fees, was 6.31%. The 1-year return, net of manager fees, was 29.29%.

Equities comprised 71.3% of the Kalamazoo Foundation for Excellence portfolio at the end of the quarter. The equity portion of the portfolio returned 5.87% for the quarter, and 36.31% over the last year.

Fixed Income comprised 23.5% of the Kalamazoo Foundation for Excellence portfolio at the end of the quarter. The fixed income portion of the portfolio returned 5.44% for the quarter, and 11.90% over the last year.

Real Estate comprised 5.2% of the Kalamazoo Foundation for Excellence portfolio at the end of the quarter. The real estate portion of the portfolio returned 17.19% for the quarter and 34.37% over the last year.

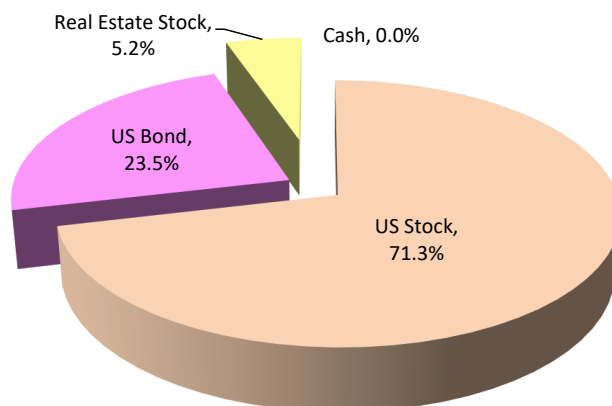
Cash and equivalents totaled \$684, or essentially 0.0% of the total assets.

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 5.95% as the US BLS All Urban inflation rate for the quarter was 0.36%. With an annual inflation rate of 2.44% the one-year real return was 26.85%. Since May 1, 2020, the return on the portfolio, net of manager fees, has been 10.97% nominal and 6.17% real with a since-inception inflation rate of 4.80%.

Respectfully submitted,
December 4, 2024

Kalamazoo Foundation for Excellence
Asset Allocation
September 30, 2024



Market Value \$ 302,101,584

Since-Inception (5/1/2020)

Annualized Net Return % 10.97

3-Year Stats

Standard Deviation 14.47

Sharpe Ratio 0.31

PORTFOLIO EXPOSURE

Geographic Exposure

U.S	100.0%
Foreign	<u>0.0%</u>
	100.0%

Currency (Direct Exposure)

USD	100.0%
Non-USD	<u>0.0%</u>
	100.0%

Fixed Income Risk

	Jennison	Bloomberg US Agg Bond TR USD
Coupon	3.31%	3.37%
Yield	4.18%	4.25%
Effective Duration (yrs)	6.03	6.03
Convexity	0.36	0.48
Maturity (yrs)	7.90	8.28
Quality	AA	AA

Performance Attribution⁽¹⁾

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

3 Months (bps)	
Yield Curve	29
Sector Allocation	8
Security Selection	(9)
Other	(1)
Total	28

Sector Allocation

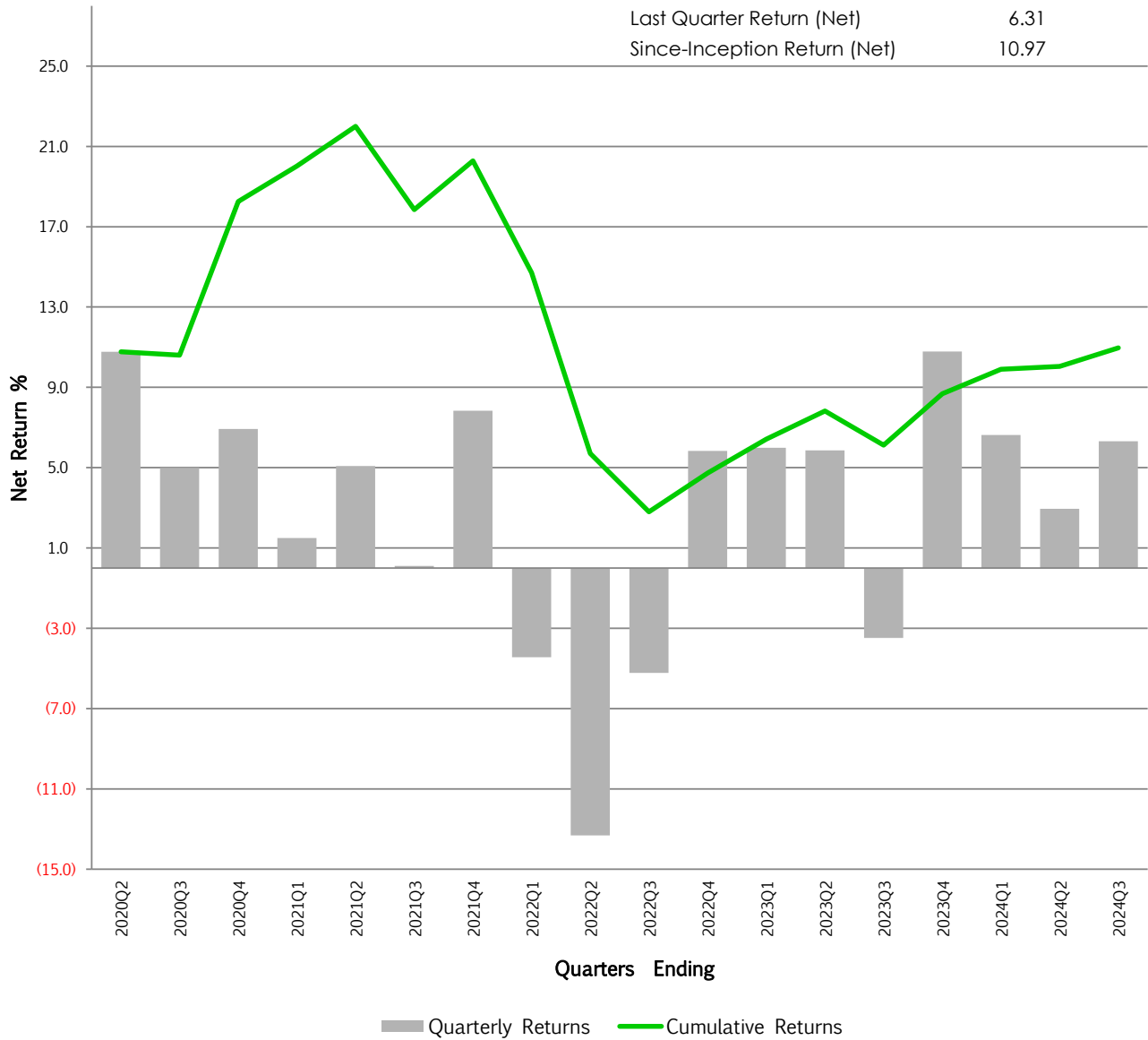
Asset Classes	Actual%	Policy%	+/-		Jennison	Bloomberg US Agg Bond TR USD	+/-
Equity	71.3%	70.0%	1.3%	Treasury	26.3	43.6	(17.3)
Fixed	23.5%	25.0%	-1.5%	Agency	0.6	0.8	(0.2)
Real Estate	5.2%	5.0%	0.2%	Finance	13.2	8.0	5.2
Cash	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>	Industrial	13.1	14.2	(1.2)
	100.0%	100.0%	0.0%	Utility	3.5	2.3	1.2
				Non-Corporate	0.0	3.7	(3.7)
				Mortgage	28.5	25.4	3.1
Liquidity-Daily		100.0%		CMO	0.5	0.0	0.5
Liquidity> 1 day & < 90 days		0.0%		Asset Backed	12.1	0.5	11.7
Liquidity> 91 days & < 2 years		0.0%		CMBS	1.6	1.5	0.1
Liquidity> 2 years		<u>0.0%</u>		Cash	<u>0.6</u>	<u>0.0</u>	<u>0.6</u>
Total		100.0%		Total	100.0	100.0	0.0

Weighted Average Manager Fee 0.08%

(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, 2024



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

100% of Stryker liquidated on 4/15/2020 by State Street.

Jennison Intermed. Bonds purchased on 4/29/2020; \$40.0MM at 50% allocation.

BlackRock Fund B purchased on 5/6/2020; \$40.8MM at 50% allocation.

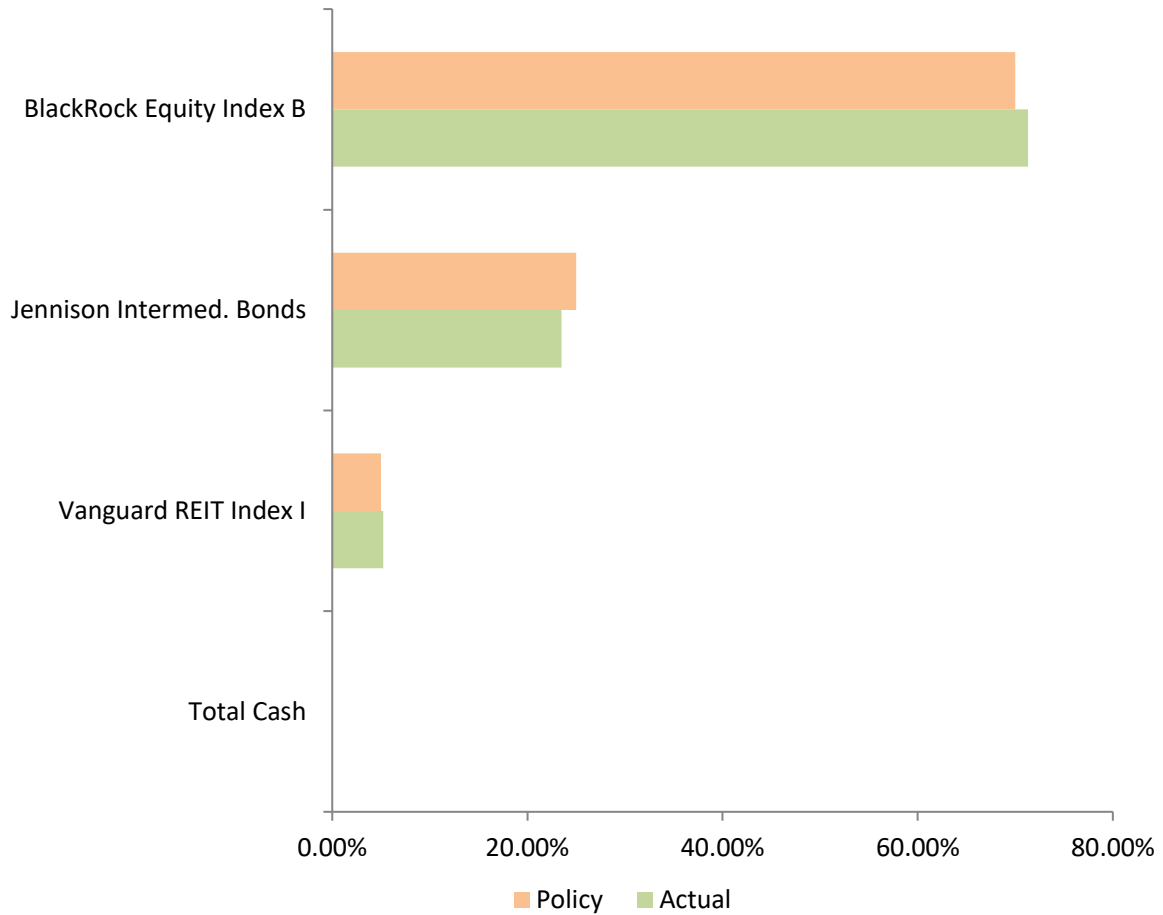
Gift of \$38.1 million received on 8/12/2021.

Vanguard REIT purchased 11/5/2021; \$7,300,000 at 5% allocation.

Kalamazoo Foundation for Excellence

Policy Allocation vs. Actual

September 30, 2024



	<u>Amount \$</u>	<u>Actual</u>	<u>Policy</u>	<u>Variance %</u>
BlackRock Equity Index B	215,411,417	71.3%	70.0%	1.30%
Jennison Intermed. Bonds	70,925,215	23.5%	25.0%	-1.52%
Vanguard REIT Index I	15,764,259	5.2%	5.0%	0.22%
Total Cash	693	0.0%	0.0%	0.00%
	302,101,584	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
2024 State Street Expense Report

Foundation for Excellence Expenses	1Q	2Q	3Q	4Q	Total
State Street Fees - Oct 2023	10,101	-	-	-	10,101
State Street Fees - Nov 2023	10,807	-	-	-	10,807
State Street Fees - Dec 2023	10,133	-	-	-	10,133
State Street Fees - Jan 2024	9,967	-	-	-	9,967
State Street Fees - Feb 2024	-	13,493	-	-	13,493
State Street Fees - Mar 2024	-	12,424	-	-	12,424
State Street Fees - Apr 2024	-	11,869	-	-	11,869
State Street Fees - May 2024	-	-	13,492	-	13,492
State Street Fees - Jun 2024	-	-	12,305	-	12,305
State Street Fees - Jul 2024	-	-	11,508	-	11,508
Total Custody Fees	41,008	37,786	37,304	-	116,098
BlackRock Fees - 4Q2023	7,460	-	-	-	7,460
BlackRock Fees - 1Q2024	-	8,969	-	-	8,969
BlackRock Fees - 2Q2024	-	-	9,730	-	9,730
Fund Manager Fees - BlackRock	7,460	8,969	9,730	-	26,160
Jennison Fees - Dec 2023	10,237	-	-	-	10,237
Jennison Fees - Jan 2024	10,537	-	-	-	10,537
Jennison Fees - Feb 2024	11,329	-	-	-	11,329
Jennison Fees - Mar 2024	-	12,865	-	-	12,865
Jennison Fees - Apr 2024	-	12,601	-	-	12,601
Jennison Fees - May 2024	-	12,776	-	-	12,776
Jennison Fees - Jun 2024	-	-	12,881	-	12,881
Jennison Fees - Jul 2024	-	-	13,153	-	13,153
Jennison Fees - Aug 2024	-	-	13,326	-	13,326
Fund Manager Fees - Jennison	32,103	38,241	39,359	-	109,703
Total Fund Manager Fees	39,563	47,210	49,089	-	135,863
Total Foundation For Excellence Exp	80,572	84,996	86,393	-	251,961

Kalamazoo Foundation for Excellence
2024 State Street Cash Flow Report

Endowment	Q1	Q2	Q3	Q4	Total
Cash Beginning Balance	245,074	675	684	693	245,074
Donations	60,546,298	-	-	-	60,546,298
Dividends	71,661	9	9	-	71,679
Realized Gain/Loss	12,593	-	-	-	12,593
Total Receipts	60,630,551	9	9	-	60,630,569
Custody Fees (State Street)	20,908				20,908
City Operations expense reimbursement	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	693	693	693
Investments Beginning Balance	220,095,568	276,035,732	284,179,863	302,100,892	220,095,568
Dividends	166,163	232,631	178,774	-	577,567
Interest	518,180	585,947	631,980	-	1,736,107
Realized Gain/Loss	(316,996)	(453,555)	276,092	-	(494,458)
Unrealized Gain/Loss	16,428,740	7,826,318	16,883,271	-	41,138,330
Fund Manager Fees	(39,563)	(47,210)	(49,089)	-	(135,863)
Net Investment Activity	16,756,524	8,144,131	17,921,029	-	42,821,683
Donations Invested	39,183,640	-	-	-	39,183,640
Investments Ending Balance	276,035,732	284,179,863	302,100,892	302,100,892	302,100,892
Total Endowment Balance	276,036,407	284,180,547	302,101,584	302,101,584	302,101,584

Kalamazoo Foundation for Excellence
2024 State Street Cash Flow Report

Operations Cash - KF80	Q1	Q2	Q3	Q4	Total
Operations Cash Beginning Balance	-	13,672,787	5,852,475	3,343,920	-
Transfer from Endowment Cash	21,474,843	-	-	-	21,474,843
Total Transfers	21,474,843	-	-	-	21,474,843
Dividends	84,078	144,455	64,455	-	292,989
Total Receipts	84,078	144,455	64,455	-	292,989
City Aspirational Projects payment	-	-	-	-	-
City Budget Stabilization payment	-	-	2,369,960	-	2,369,960
City Operations expense reimbursement	-	60,948	165,745	-	226,694
City Tax Reduction payment	7,866,034	7,866,034	-	-	15,732,068
Custody Fees (State Street)	20,100	37,786	37,304	-	95,190
Total Disbursements	7,886,134	7,964,768	2,573,009	-	18,423,911
Operations Cash Ending Balance	13,672,787	5,852,475	3,343,920	3,343,920	3,343,920
Total Foundation for Excellence Balance	289,709,195	290,033,021	305,445,505	305,445,505	305,445,505



Kalamazoo
Foundation for
Excellence

FFE Finance Committee Staff Report

TO: Foundation for Excellence Finance Committee

FROM: Steve Brown, Executive Director

DATE: December 9, 2024

SUBJECT: (No Action) Investment Subcommittee Meeting Structure

RECOMMEDATION:

(No Action) Investment Subcommittee Meeting Structure

BACKGROUND:

A memo from FFE legal counsel will be provided.