Kalamazoo Foundation for Excellence

Agenda
FFE Board of Directors

Monday, April 28, 2025 2:00 PM

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

A. CALL TO ORDER

1. Roll Call
2. Approve Agenda
3. Welcome Guests

B. APPROVAL OF MINUTES

1. Approve minutes of the February 24, 2025, meeting

C. REPORTS AND COMMUNICATIONS

1. (No Action) Receive Annual Financial Report Information and Annual Audit
2. (No Action) Housing Development Fund updates
3. (No Action) Key Performance Indicators (KPI)

D. CONSENT AGENDA

E. REGULAR AGENDA

1. Approve Nominations and (Re)Appointments of Directors to the Foundation for Excellence Board
2. Elect Officers for One-Year Terms Ending at the Annual Board Meeting to be held in April of 2026
3. Approve Committee Appointments for One-Year Terms Ending at the Annual Board Meeting to be held in April of 2026

4. Approve the Estimated 2026 Grant Distribution to the City of Kalamazoo

F. PUBLIC COMMENTS

G. BOARD MEMBER COMMENTS

H. 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

Minutes
FFE Board of Directors

Kalamazoo Foundation for Excellence

Monday, February 24, 2025, Meeting Minutes 2:09 PM

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

A. CALL TO ORDER

1. Roll Call

- Present- Calderon-Huezo; Ritsema; Balkema, Bostrom; Bogan; Carrel; Hess; Hoffman; Lonberg; McKague; Salas; Vazquez-Alatorre; Parker
- Excused absence- Anderson and Decker
- Unexcused absence- Taylor

2. Approve Agenda

- Motion to approve agenda- Balkema
- Second- Parker
- **Motion approved unanimously**

3. Welcome Guests

- Carrie Lynn Williams- City Grants Division Manager- Unable to attend due to illness. ED Brown to fill in on most of the presentation.
- Chad Wendt- Recreation Manager

B. APPROVAL OF MINUTES

1. Approve the minutes of October 28, 2024.

- Motion to approve October 28, 2024 minutes- Bostrom
- Second- Carrel
- **Motion approved unanimously**

C. REPORTS AND COMMUNICATIONS

1. (No Action) FFE Endowment Update
   - **Endowment Status:**
     - Principal investment exceeding $300 million for the first time
     - Annual valuation growth at 37.9%
     - Second installment of an additional $45 million received to correct COVID-19 setbacks
     - On track to reach the $500 million goal by 2030

- **Financial Performance:**
    - Average net growth rate of 1.48%
    - Real return since inception at 10.48%
    - Current tax reduction contribution: 54%
    - Budget stabilization: 15%
    - Aspirational projects: 30%
    - Operations and fixed costs: 1%
- **Future Projections:**
    - Expected total investment by 2040: $483 million
    - Continued adherence to Prudent Management of Institutional Funds Act
    - Focus on maintaining a net growth rate above 1%
- **Investment Strategy:**
    - Emphasis on balancing tax reductions, budget stabilization, and aspirational projects
    - Use of Monte Carlo simulations for risk assessment and resilience planning
- **Challenges Identified:**
    - Difficulty in translating large financial figures into personal impact
    - Need for more granular data to effectively communicate benefits to individual residents
    - Low output and outcome percentages in housing development programs due to long project timelines
- **Action Items:**
    - Explore more detailed and relatable metrics for endowment performance, so the public can easily understand and relate
    - Implement multi-year tracking for long-term projects like housing development
    - Enhance data collection methods to better capture program impacts

2. (No Action) Multi-Year FFE-Funded Program Data

- Parks and Recreation 2024 Presentation
- Chad Wendt- Recreation Manager
- **Parks Programs Overview:**
    - Focus on youth sports, camps, Teen Council, after-school programs, Police Athletic League, adult programs, and special community events
    - Parks Department offers seasonal programming with summer being the most active
- **FFE Endowment Funded Programs:**
    - **All Thigs Possible**:
    - **Super Rec:** Largest program serving 338 unique participants with free camp experiences
    - **Youth Action Council:** Empowers youth to engage in city governance and event planning
    - **Counselor Training**: Develops a pipeline for future camp staff
        - Director Parker asked how many participants were actually hired under this program.
    - **Outcomes and Challenges:**

        - Attendance goals met with adjustments in program duration
        - Feedback indicates significant family and community impact
        - Director Bogan -Expansion needed for adult programs to engage young professionals
    - **Financial Impact:**
        - FFE funds 15% of departmental funding, serving 37% of youth participants
        - Leveraging partnerships to maximize program reach and effectiveness

3. (No Action) City FFE Special Request Process Review
- ED suggested that this subject be skipped for this meeting in an interest in time. The topic was skipped as no action is required for this topic.

4. (No Action) 2024 and 2025 SWOT
- Board reviewed SWOT analysis.
- Director Parker -Maybe rename to annual work plan
- View more columns on spread sheet
- Use for ED evaluation
- Majority of goals achieved

5. (No Action) Annual Board Survey
- **Participation:** High engagement with nearly full board participation

<u>Key Findings:</u>

- Positive Metrics:
    - 100% understand the board's mission
    - 85% are very familiar with the budget
    - Increased comfort in demonstrating leadership and discussing difficult topics
- Areas for Improvement:
    - 77% feel familiar with aspirational programs
    - 77% understand how to represent their stakeholder group
- Attendance Metrics:
    - Average board attendance at 84%, with a low of 76% and a high of 100%
    - Minimal instances of meetings lacking a quorum

D. CONSENT AGENDA

No items on for the board to consider for the consent agenda.

*****Breakout Session*****

E. REGULAR AGENDA

1. Executive Director Annual Review and Compensation

- The Executive Committee assigned Treasurer Balkema at the 12/9/2024 meeting to compile the

reviews and make a recommendation to the Executive Committee and the full board at the February meeting.

Based upon the reviews and the feedback, this is the recommendation:

  - Cost of Living 3.1%
  - Merit Raise 5.0%
  - Final salary amount: $157,426.69
  - Effective immediately and retroactive pay to January 1, 2025

- Motion to Approve ED Annual Review and Compensation - Ritsema
- Second- Parker
- Approved by a unanimous roll-call vote.

F. PUBLIC COMMENTS

- **No public comments**

G. BOARD MEMBER COMMENTS

- **No board members comments.**

H. ADJOURNMENT- Meeting adjourned 5:01 pm

FFE Board of Directors
Staff Report

Kalamazoo Foundation for Excellence

TO: Foundation for Excellence Board of Directors

FROM: Steve Brown, Executive Director

DATE: April 28, 2025

SUBJECT: (No Action) Receive Annual Financial Report Information and Annual Audit

RECOMMEDATION:

(No Action) Receive Annual Financial Report Information and Annual Audit

BACKGROUND:

In compliance with Sections 4 and 6 of the FFE Bylaws, the following financial statements and reports are presented for Board review:

- An FFE Income Statement (Audit).
- Year-end balance sheet, including trust funds and funds restricted by donors or the Board (Audit).
- 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.

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 31, 2025

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 $20,471,989 from the FFE endowment for the fiscal year beginning 1.1.2024 and ending 12.31.2024.

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

Report Regarding Projects

City Property Tax Reduction Reimbursement Grant – Required
The FFE 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] (…)"

For 2024, $15,347,374 was received by the City from the FFE to achieve this end. Furthermore, $384,694 was received by the City from the FFE to true-up the 2023 City property tax reduction.

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."

For 2024, $4,739,921 was received by the City from the FFE to stabilize the City's budget.

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 (…)."

For 2024, $670,344 of new Aspirational funds were approved but none were transferred to the City from FFE because existing resources at the City from prior grants and grant years were sufficient to pursue projects. A report on those projects is provided below.

2024 Approved Aspirational Projects

Background

Since 2021 the City and FFE have collaborated to track performance of investments using a Key Performance Indicator (KPI) approach that sets measurable goals within a set time frame by which to establish if a project has achieved its intentions or not. City staff choose their own KPI categories and targets with help from other staff as needed. Categories and targets are never imposed on project leaders. Each project must establish a minimum of one and a maximum of three outputs as well as the same amount for outputs to receive FFE funding.

Outputs and Outcomes

An output is defined as numbers of people, events, services, objects, or similar items that can be counted, such as number of youths enrolled in a program. An outcome is defined as the change in knowledge, skill or attitude of a person, such as percentage of youth enrolled who exhibit better time-management skills when leaving the program than on arrival.

Assessment

Each annual output and outcome target should be met, but a variance of +/- 10% is afforded every project because of acceptable real-world variations, such that a project targeting 10 participants but receiving only 9 would be recorded as achieving its objective.

Reporting

The information in this table records the quantity of targets met within the allowed variance.

2024 Project	Grant	Status	Output Targets Achieved	Outcome Targets Achieved
Neighborhood Engagement and Activation	$79,063	Completed	0/1	Incomplete data
MyCity YOU	$27,391	Completed	2 of 3	3 of 3
All Things Possible	$168,613	Completed	2 of 3	3 of 3
SuperRec	$248,542	Completed	2 of 3	2 of 3
Youth Action Council	$21,606	Completed	2 of 3	3 of 3
Youth Development Stipend	$25,629	Completed	1 of 3	2 of 3
Youth Mobility Fund	$99,500	Completed	0 of 1	1 of 1
Total	**$670,344**		9 of 17 (53%)	14 of 16 (88%)

Kalamazoo
Foundation for
Excellence

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

MEMORANDUM

Date: March 31, 2025

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

From: Mary Balkema, Treasurer, Kalamazoo Foundation for Excellence

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Mayor Anderson and City Manager Ritsema;

The following report is submitted 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 $20,471,989 from its endowment to the City of Kalamazoo from January 1, 2024, to December 31, 2024. Of that sum, $15,347,374 was used to lower 2024 City property taxes for all taxpayers to 12 mills, $384,694 was used to true-up the 2023 City property tax reduction, and $4,739,921 was paid to stabilize the City's budget consistent with Section 9.03 of the FFE Bylaws. No funds were transferred for Aspirational projects.

Respectfully Yours,

Mary Balkema

Mary Balkema
Treasurer and Housing 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.

Maner Costerisan

2425 E. Grand River Ave.,
Suite 1, Lansing, MI 48912
517.323.7500
517.323.6346

March 18, 2025

To the Board of Directors of the
Kalamazoo Foundation For Excellence
Kalamazoo, Michigan

We have audited the financial statements of Kalamazoo Foundation For Excellence for the year ended December 31, 2024, and we will issue our report thereon dated March 18, 2025. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter to you. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Kalamazoo Foundation For Excellence are described in Note 1 to the financial statements. No new accounting policies were adopted, and the application of existing policies was not changed during 2024. We noted no transactions entered into by the Foundation during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

> The functional expenses are allocated based on an analysis of wages and management's estimated use of resources. We evaluated the key factors and assumptions used to develop the allocation in determining that it is reasonable in relation to the financial statements taken as a whole.
>
> Management's estimate of the calculation of the allowance for doubtful accounts related to promise to give is based on using present value techniques incorporating risk-adjusted discount rates. We evaluated the key factors and assumptions used to develop the allowance for doubtful accounts in determining that it is reasonable in relation to the financial statements taken as a whole.
>
> Management's estimate of the calculation of the fair value of investments is based on daily closing prices and yields for comparable securities. We evaluated the key factors and assumptions used to develop the fair value of investments in determining that it is reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. We did not identify any misstatements during the audit.

Disagreements with Management

For purposes of this letter, a disagreement with management is a disagreement on a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated March 18, 2025.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Foundation's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Foundation's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

This information is intended solely for the use of the Board of Directors and management of Kalamazoo Foundation For Excellence and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Maner Costerisan PC

KALAMAZOO FOUNDATION FOR EXCELLENCE

REPORT ON FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2024

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Maner Costerisan

2425 E. Grand River Ave.,
Suite 1, Lansing, MI 48912
517.323.7500
517.323.6346

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the
Kalamazoo Foundation For Excellence
Kalamazoo, Michigan

Opinion

We have audited the accompanying financial statements of Kalamazoo Foundation For Excellence (a nonprofit organization), which comprise the statement of financial position as of December 31, 2024, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Kalamazoo Foundation For Excellence as of December 31, 2024, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Kalamazoo Foundation For Excellence and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Kalamazoo Foundation For Excellence's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Kalamazoo Foundation For Excellence's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Kalamazoo Foundation For Excellence's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Maner Costerisan PC

March 18, 2025

KALAMAZOO FOUNDATION FOR EXCELLENCE
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2024

ASSETS	
Current assets	
Cash and cash equivalents	$ 4,443
Current portion of contributions receivable, net	37,085,000
Total current assets	37,089,443
Noncurrent assets	
Investments	304,588,835
Contributions receivable, net (less current portion)	175,253,000
Total noncurrent assets	479,841,835
TOTAL ASSETS	$ 516,931,278
LIABILITIES AND NET ASSETS	
LIABILITIES	
Current liabilities	
Accounts payable	$ 39,760
Due to City of Kalamazoo	192,605
TOTAL LIABILITIES	232,365
NET ASSETS	
Without donor restrictions	304,360,913
With donor restrictions	
Time-restricted for future periods	212,338,000
TOTAL NET ASSETS	516,698,913
TOTAL LIABILITIES AND NET ASSETS	$ 516,931,278

See accompanying notes to financial statements.

KALAMAZOO FOUNDATION FOR EXCELLENCE
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Contributions	$ 22,768,518	$ -	$ 22,768,518
Investment return, net	44,740,921	-	44,740,921
Net assets released from restrictions	37,793,000	(37,793,000)	-
TOTAL SUPPORT AND REVENUE	105,302,439	(37,793,000)	67,509,439
EXPENSES			
Program services			
Operational assistance	20,471,989	-	20,471,989
Supporting services			
General and administrative	524,244	-	524,244
Fundraising	55,146	-	55,146
Total supporting services	579,390	-	579,390
TOTAL EXPENSES	21,051,379	-	21,051,379
CHANGE IN NET ASSETS	84,251,060	(37,793,000)	46,458,060
Net assets, beginning of year	220,109,853	250,131,000	470,240,853
Net assets, end of year	$ 304,360,913	$ 212,338,000	$ 516,698,913

See accompanying notes to financial statements.

KALAMAZOO FOUNDATION FOR EXCELLENCE
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2024

	Program Services	Supporting Services			
	Operational Assistance	General and Administrative	Fundraising	Total Supporting Services	Total
Salaries and benefits	$ -	$ 142,076	$ 35,519	$ 177,595	$ 177,595
Bank fees	-	764	-	764	764
Professional fees	-	277,255	-	277,255	277,255
Insurance	-	30,519	-	30,519	30,519
Professional development	-	1,816	10,427	12,243	12,243
Postage	-	6,204	-	6,204	6,204
Software and applications	-	-	9,200	9,200	9,200
Administrative fees	-	50,004	-	50,004	50,004
Memberships	-	15,200	-	15,200	15,200
Supplies	-	406	-	406	406
Contributions to City of Kalamazoo	20,471,989	-	-	-	20,471,989
TOTAL EXPENSES	$ 20,471,989	$ 524,244	$ 55,146	$ 579,390	$ 21,051,379

See accompanying notes to financial statements.

KALAMAZOO FOUNDATION FOR EXCELLENCE
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2024

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	$ 46,458,060
Adjustments to reconcile change in net assets to net cash (used) by operating activities	
Contributed stock	(60,546,298)
Realized and unrealized (gain)/loss on investments	(41,553,671)
Decrease in:	
Contributions receivable, net	37,793,597
Increase (decrease) in:	
Accounts payable	(9,930)
Due to City of Kalamazoo	8,749
NET CASH USED BY OPERATING ACTIVITIES	(17,849,493)
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of investments	(64,071,359)
Sales of investments	81,923,142
NET CASH PROVIDED BY INVESTING ACTIVITIES	17,851,783
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,290
Cash and cash equivalents, beginning of year	2,153
Cash and cash equivalents, end of year	$ 4,443

See accompanying notes to financial statements.

NOTE 1 - NATURE OF THE ORGANIZATION

The mission of Kalamazoo Foundation For Excellence (the Foundation) 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 Foundation was created to help the City of Kalamazoo accomplish priorities established, from time to time, by the City Commission to set the course for the City of Kalamazoo's future direction, to provide budget stability to the City resulting from the City's reduction of the ad valorem tax rate on property in addition to the reduction of payments received from the State, to provide for aspirational projects which the City of Kalamazoo wishes to undertake, and to perform any activities that may assist in exploring budgetary savings of the City or assisting the City which would be the best way to utilize the grants transferred to the City from the Foundation. The majority of the Foundation's revenue is from donations received from the general public.

The Foundation will make annual distributions to the City authorized by majority vote of the Board of Directors in an amount that is:

a. Equal to the difference between the amount that the City would have received in property tax revenue for the fiscal year-in-question calculated using a millage rate of 19.2705 mills ($19.2705 per $1,000 of taxable value) and the property tax revenue the City is budgeted to receive for the fiscal year-in-question under the City's proposed millage rate, plus,

b. $4,000,000 for budget fiscal year 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, so as to address the structural revenue imbalance to City finances due to shortcomings of Michigan's municipal finance system, and

c. Additional annual distributions may be approved and made by the Foundation if requests are consistent with the Foundation's purposes and consistent with donor intent.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Foundation's accounting policies conform to U.S. generally accepted accounting principles (GAAP) as applicable to nonprofit entities. The Financial Accounting Standards Board (FASB) is the accepted standard-setting body for establishing nonprofit accounting and financial reporting principles.

The following is a summary of the significant accounting policies of the Foundation:

Basis of Accounting

The Foundation utilizes the accrual method of accounting, which recognizes income when earned and expenses when incurred.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash accounts and money market funds. The Foundation considers short-term highly liquid investments with maturities of three months or less as cash equivalents. Cash included in the investment category is not classified as a cash or cash equivalent.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments

Investments are stated at fair value. Net investment return is included in the statement of activities and consists of interest and dividend income, realized and unrealized gains and losses, less investment expenses. Investments are recorded as long-term as it is management's intent to hold for long-term purposes and not spend in the next 12 months. See Note 6 for discussion of fair value measurements.

Investments are managed by professional advisors subject to the Foundation's investment policy. The degree and concentration of market and credit risk vary by type of investment.

Contributions Receivable

Contributions receivable consists almost entirely of unconditional promises. We record unconditional promises to give that are expected to be collected within one year at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statements of activities. We determine the allowance for uncollectable promises to give based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectable. At December 31, 2024, the allowance was $0.

Beginning and ending balances for contributions receivable is reported as follows for the year ended December 31:

Beginning of year	$ 250,131,597
End of year	$ 212,338,000

Net Assets

Net assets, revenues, gains, and losses are classified on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions - Net assets available for use in general operations and not subject to donor or grantor restrictions.

Net Assets With Donor Restrictions - Net assets subject to donor (or grantor) imposed restrictions. Some donor restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor restrictions are perpetual in nature, where the donor stipulates that resources are maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. Donor restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, or when the stipulated purpose has been accomplished.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue and Revenue Recognition

Contributions of cash and other assets received without donor stipulations are reported as revenue and net assets without donor restrictions. Gifts received with a donor stipulation that limits their use are reported as revenue and net assets with donor restrictions. When a donor-stipulated time restriction ends, or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Unconditional contributions expected to be collected within one year are reported at their net realizable value. Unconditional contributions expected to be collected in future years are initially reported at fair value determined using the discounted present value of estimated future cash flows technique. The resulting discount is amortized using the level-yield method and is reported as contribution revenue.

Conditional contributions depend on the occurrence of a specified future and uncertain event to bind the donor and are recognized as assets and revenue when the conditions are substantially met, and the gift becomes unconditional.

Functional Expense Allocation

The costs of providing program and other activities will be reported in the statement of activities. The statement of functional expenses presents the natural classification of expenses that are allocated to program or supporting functions of the Foundation. Allocated expenses primarily consist of personnel costs, professional fees, and general expenses based on an analysis of wages and management's estimated use of resources.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

Concentration of Risk

The Foundation is required to disclose significant concentrations of risk regardless of the degree of such risk. Financial instruments that potentially subject the Foundation to concentrations of credit risk consist principally of cash and cash equivalents, investments, and contributions receivable. The Foundation places its cash with FDIC insured financial institutions. Although such cash balances exceeded the federally insured limits at certain times during the year, they are, in the opinion of management, subject to minimal risk. The Foundation has not experienced losses in any of these accounts.

Credit risk associated with contributions receivable is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from foundations supportive of the Foundation's mission.

Investments are maintained with diversified investment managers whose performance is monitored by management of the Foundation and the investment committee of the Board of Directors. Although the fair values of investments are subject to fluctuation on a year-to-year basis, the Foundation believes that the investment policies and guidelines are prudent for the long-term welfare of the Foundation.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Subsequent Events

In preparing these financial statements, the Foundation's management has evaluated events and transactions for potential recognition or disclosure through March 18, 2025, the date the financial statements were available to be issued.

NOTE 3 - TAX STATUS

The Foundation is exempt from U.S. federal income taxes under Section 501(c)(3) of the Internal Revenue Code, except for tax on "unrelated business income", as defined. The Foundation is not classified as a private foundation. No provision for U.S. income taxes is required.

In preparation of tax returns, tax positions are taken based on interpretation of income tax laws. Management periodically reviews and evaluates the status of uncertain tax positions and makes estimates of amounts, including interest and penalties, ultimately due or owed. No amounts have been recorded in the financial statements as uncertain positions. Tax returns generally remain open for examination by the various taxing authorities for a period of three to four years.

NOTE 4 - CONTRIBUTIONS RECEIVABLE

Unconditional promises to give are estimated to be collected as follows at December 31, 2024**:**

Within one year	$ 40,000,000
In one to five years	200,000,000
	240,000,000
Less discount to net present value at rate of 1.91%	(27,662,000)
Contributions receivable, net	$ 212,338,000

At December 31, 2024, one donor accounted for nearly 100% of total promises to give.

During the year ended December 31, 2021, long-term residents of the community made an unconditional promise to give the Foundation $40,000,000 annually for ten consecutive years. Contributions received in the current year were released from restriction, while the remainder of the original promise to give that was made in 2021 was reported as contributions with donor-imposed time restrictions.

NOTE 5 - LIQUIDITY AND AVAILABILITY

The Foundation regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Foundation considers all expenditures related to its ongoing program service activities as well as the conduct of services undertaken to support those activities to be general expenditures.

The following table reflects the Foundation's financial assets as of December 31, 2024, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date. Amounts appropriated from net assets with donor restrictions with one year of the date of the statement of financial position are considered available.

Financial assets available at year-end	
Cash and cash equivalents	$ 4,443
Contributions receivable, net of discount	212,338,000
Investments	304,588,835
Total financial assets available at year-end	516,931,278
Donor imposed restrictions	
Less time-restricted for future periods	(212,338,000)
Financial assets available to meet cash needs for general expenditures within one year	$ 304,593,278

The overall investment goal of the management of the assets of the Foundation is to maximize the likelihood of meeting the Foundation's spending objectives in perpetuity as it relates to the Foundation's mission and to the disbursement of funds by the Foundation's Board of Directors.

In addition, the investment goals include:

- Maintaining the ability to pay all distributions and obligations when due.
- Maximizing return within reasonable and prudent levels of risk.
- Preserving the real (i.e., inflation adjusted) purchasing power of assets.

In addition to financial assets available to meet general expenditures over the next 12 months, the Foundation operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures. Investments that are considered long term on the statement of financial position are included in the financial assets available to meet cash needs for general expenditures and could be used to meet general expenditures.

NOTE 6 - FAIR VALUE MEASUREMENTS

GAAP have established a hierarchy that prioritizes the inputs to valuation techniques giving the highest priority to readily available unadjusted quoted prices in active markets for identical assets (Level 1 measurements) and lowest priority to unobservable inputs (Level 3 measurements) when market prices are not readily available or reliable.

The three levels of the hierarchy under GAAP are described below.

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that we can access at the measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

Level 3: Unobservable inputs for the asset or liability. In these situations, we develop inputs using the best information available in the circumstances.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2024.

Mutual Funds: Valued at the daily closing price as reported by the fund. Mutual funds held by the Foundation are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the Foundation are deemed to be actively traded.

Debt Instruments - Corporate Bonds and U.S. Government Securities: The investment grade debt securities held by the Foundation often do not trade in active markets on the measurement date. If they do, they are measured at the closing price in that active market. In the absence of a trade on the measurement date for the identical security in an active market, corporate bonds and U.S. government securities are valued using inputs including yields currently available on comparable securities of issuers with similar credit ratings, recent market price quotations (where observable), bond spreads, and fundamental data relating to the issuer.

The preceding method described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

NOTE 6 - FAIR VALUE MEASUREMENTS (continued)

The following is market value summary by the level of inputs used, as of December 31, 2024, in evaluating the Foundation's assets carried at fair value. The inputs or methodology used for valuing securities may not be an indication of the risk associated with investing in those securities.

	Level 1	Level 2	Level 3	Total
U.S. Equities				
Mutual funds	$ 232,581,095	$ -	$ -	$ 232,581,095
U.S. Fixed Income				
Corporate securities	-	18,227,468	-	18,227,468
Government and agencies	-	51,238,991	-	51,238,991
International Fixed Income				
Corporate securities	-	2,541,281	-	2,541,281
Total	$ 232,581,095	$ 72,007,740	$ -	$ 304,588,835

NOTE 7 - INVESTMENTS

The following table summarizes the cost basis and fair value (carrying value) of investments as of December 31, 2024:

	Cost	Fair Value
U.S. Equities		
Mutual funds	$ 175,741,591	$ 232,581,095
U.S. Fixed Income		
Corporate securities	19,288,767	18,227,468
Government and agencies	55,064,924	51,238,991
International Fixed Income		
Corporate securities	2,577,415	2,541,281
Total	$ 252,672,697	$ 304,588,835

NOTE 8 - RELIANCE ON FUNDING SOURCES

The Foundation receives a substantial amount of their support from donations made by the general public. A significant reduction in the level of this support, if it were to occur, would have an effect on the Foundation's programs and activities.

NOTE 9 - RELATED PARTY TRANSACTIONS

As indicated in Note 1, the Foundation exists to help the City of Kalamazoo. The Foundation is a component of the City of Kalamazoo and is included in the City's audited financial statements. Additionally, the City of Kalamazoo provides personnel to perform the administrative and financial services for the Foundation.

NOTE 10 - SUBSEQUENT EVENT

In February 2025, the Foundation received the fifth installment of the unconditional promise to give that is detailed in Note 4, and an additional donation of $15 million dollars from an anonymous donor. The fair value of these contributions as of that date was $54,749,114.

Kalamazoo Foundation for Excellence

2024

Annual Report

A Proven Partnership for Everyone in Kalamazoo

The Foundation for Excellence (FFE) is an innovative 501(c)3 non-profit support corporation that was created in 2017 to address systemic challenges to the prosperity of Kalamazoo. The FFE was originally announced alongside a commitment of $70.3 million to support its creation, and to stabilize the City's budget, lower the property tax rate, and invest in aspirational community projects.

To-date, the FFE has supported many aspirational projects and programs that have the potential to impact the lives of all residents, including infrastructure, affordable housing, economic development, and youth development.

Fiscal Year 2024

The 2024 Foundation for Excellence budget of $22,145,187 was approved by the Board of Directors on October 30, 2023, including $1,002,854 for operation and investment expenses, and grants to the City of Kalamazoo of $4,739,921 for budget stabilization, $15,732,068 for a 2024 property tax reduction reimbursement and 2023 reconciliation, and $670,344 for aspirational City programs, which The City Commission adopted on January 22, 2024.

Budget Stabilization

A stable City budget reduces challenges to operating and helps to ensure that highly impactful and equitable aspirational projects are possible.

Tax Reduction

The significant investment in tax reduction for all City properties is intended to result in improved prosperity for our community. City property tax rates in Kalamazoo have been reduced 38% for all payers because of FFE.

Aspirational Support, by Project and Goal

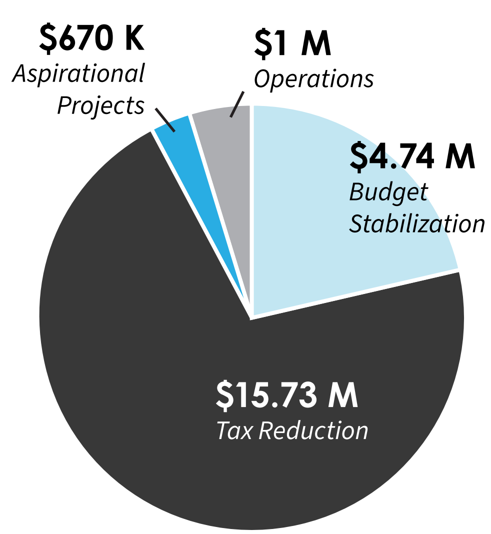
Residents are the beginning and the end of FFE's cycle of impact. All community goals funded by FFE were outlined by residents as part of the award-winning Imagine Kalamazoo 2025 planning process. This work builds on the City's deep investment in broad community involvement and collaboration.

The Imagine Kalamazoo goals are derived from extensive community input, which focused the attention of City activities on five core neighborhoods with high levels of generational poverty and needed re-investment: Northside, Eastside, Edison, Vine, and Oakwood.

The FFE's founding documents guide programming choices to address generational poverty, youth development, remove barriers to under-employed and unemployed people, and improve infrastructure and neighborhoods, which align with the ten goals of Imagine Kalamazoo. City of Kalamazoo staff currently use a scoring process to ensure that projects proposed by City departments align with FFE and Imagine Kalamazoo goals, and have conducted the appropriate planning work to be successful. These projects are proposed to the FFE Board of Directors and City Commission in alternating public meetings for review, discussion, and final approval.

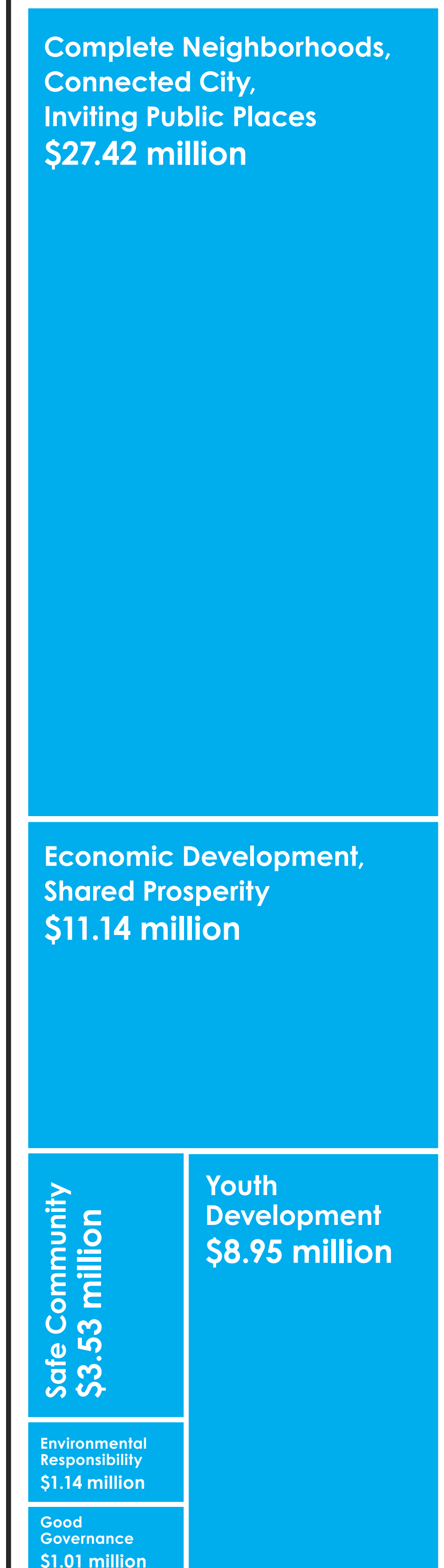
The FFE's online Investment Map documents that aspirational investments have overwhelmingly been made in city core neighborhoods and shows that the Imagine Kalamazoo plan is working where it is needed most.

2024 FFE Budget Allocation



An interactive map of savings as well as aspirational investments is available at **kalamazooffe.org.**

Aspirational Project Budgets 2017 - 2024



$ 53.19 million total

Statement of Financial Position

December 31, 2024

ASSETS	
Current assets	
Current portion of cash and cash equivalents	$ 4,443
Current portion of contributions receivable, net	37,085,000
Total current assets	37,089,443
Noncurrent assets	
Investments	304,558,835
Contributions receivable, net (less current portion)	175,253,000
Total noncurrent assets	479,841,835
TOTAL ASSETS	$ 516,931,278
LIABILITIES AND NET ASSETS	
Current liabilities	
Accounts payable	$ 39,760
Due to City of Kalamazoo	192,605
TOTAL LIABILITIES	232,365
NET ASSETS	
Without donor restrictions	304,360,913
With donor restrictions	
Time-restricted for future periods	212,338,000
TOTAL NET ASSETS	516,698,913
TOTAL LIABILITIES AND NET ASSETS	$ 516,931,278

Statement of Activities

Year Ended December 31, 2024

	Without donor restrictions	With donor restrictions	Total
SUPPORT AND REVENUE			
Contributions	$ 22,768,518	$ -	$ 22,768,518
Investment return, net	44,740,921	-	44,740,921
Net assets release from restrictions	37,793,000	(37,793,000)	-
TOTAL SUPPORT AND REVENUE	105,302,439	(37,793,000)	67,509,439
EXPENSES			
Program Services			
Operational Assistance	20,471,989	-	20,471,989
Supporting services		-	
General and administrative	524,244	-	524,244
Fundraising	55,146		55,146
Total Supporting Services	579,390	-	579,390
TOTAL EXPENSES	$ 21,051,379	-	$ 21,051,379
CHANGE IN NET ASSETS	84,251,060	(37,793,000)	46,458,060
Net assets, beginning of year	220,109,853	250,131,000	470,240,853
Net assets, end of year	$ 304,360,913	$ 212,338,000	$ 516,698,913

2024 FFE Board of Directors

Sandra Calderon-Huezo
President, Neighborhood Focus: Edison

James K. Ritsema
Vice President, City Manager

Mary Balkema
Treasurer, Housing Sector

Dr. Andrea Bostrom
Secretary, Healthcare Sector

David Anderson
Mayor

Jamauri Bogan
At-Large Member

Alisa Carrel
Arts Organizations

Jeanne Hess
City Commissioner

Stephanie Hoffman
City Commissioner

Rachel Lonberg
Faith-Based Organizations

Kelsey McKague
Neighborhood Focus: Oakwood

Ida Salas
Business Sector

Adrian Vazquez-Alatorre
Affinity Organizations

Alice Taylor
Neighborhood Focus: Northside

Dr. Karika Parker
Education

Bobby J. Hopewell
Founding Director Emeritus

How does FFE work?

Donations to the Foundation for Excellence are invested in an endowment to ensure it will last for generations to come. Every year, the endowment earnings provide millions of dollars to fund projects and programs to realize our community's vision, stabilize the city budget, and reduce taxes. Annual grants are approved by the FFE Board of Directors before final approval by Kalamazoo's elected representatives, the City Commission.

Governance and Policies

The FFE strives to maintain the highest ethical standards and maximum transparency in everything it does. All meetings are announced in advance and open to the public subject to the Open Meetings Act. In 2018, the Board of Directors unanimously approved core governance policies, including those regarding conflicts of interest, diversity and equal opportunity, financial accountability, and whistle-blower protections. An open document library including all policies is available online at **www.kalamazooffe.org**.

Who is on the FFE Board of Directors?

The FFE bylaws establish a 15-member Board of Directors. Ten members are stakeholder directors, each representing a community interest such as healthcare, education, or business. Five are City Directors, representing the City of Kalamazoo generally. These members include the Mayor, City Manager, two City Commissioners, and one At-Large city representative. Stakeholder and At-Large terms rotate every three years while City Directors serve for the duration of their employment or elected service. An effort is made to cultivate a Board that is largely representative of the community and that will add unique insights about every facet of Kalamazoo.

One-third of board positions expire each year, meaning there are opportunities annually for community members to participate. Board members are responsible for attending at least three meetings per year and contributing to the responsible and transparent operation of the foundation. There are no requirements on previous board membership or restrictions on who can apply, (though an overall percentage of city residents is required). Positions expire on May 31 each year and vacancies are announced along with application instructions in December.

Questions or Comments?

241 W South Street
Kalamazoo, MI 49007-4976
ffe@kalamazoocity.org
kalamazooffe.org

Kalamazoo Foundation for Excellence

FFE Board of Directors Staff Report

TO: Foundation for Excellence Board of Directors

FROM: Steve Brown, Executive Director

DATE: April 28, 2025

SUBJECT: (No Action) Housing Development Fund updates

RECOMMENDATION:

(No Action) Housing Development Fund updates

BACKGROUND:

An expanded update from staff regarding the City's Housing Development Fund (HDF) was requested by the board at its February work session. This item includes a presentation from City staff and a question and answer period for board directors.

FFE Board of Directors
Staff Report

Kalamazoo Foundation for Excellence

TO: Foundation for Excellence Board of Directors

FROM: Steve Brown, Executive Director

DATE: April 28, 2025

SUBJECT: (No Action) Key Performance Indicators (KPI)

RECOMMENDATION:

(No Action) Key Performance Indicators (KPI)

BACKGROUND:

An expanded update from staff regarding the City's Key Performance Indicator (KPI) tracking and assessment effort was requested by the board at its February work session. This item includes a presentation from City staff and a question and answer period for board directors.

Date: **4/28/2025**
Item: **E.1.**

City Commission Agenda Report

City of Kalamazoo

TO: Mayor Anderson, Vice Mayor Hess, and City Commissioners

FROM: James K. Ritsema, ICMA-CM, City Manager
Prepared by: Steve Brown, FFE Executive Director

DATE: April 28, 2025

SUBJECT: Approve Nominations and (Re)Appointments of Directors to the Foundation for Excellence Board

RECOMMENDATION:

Approval of the following nominations for appointment and reappointment to the Foundation of Excellence Board of Directors:

- the re-appointment of **Jamauri Bogan** as an At-Large Director for a three-year term ending on May 31, 2028.

- the re-appointment of **Mary Balkema** as Housing Stakeholder Director for a three-year term ending on May 31, 2028.

- the appointment of **Reverend Christine Westbury** as Faith-Based Organization Stakeholder Director for a three-year term ending on May 31, 2028.

- the appointment of **Sarah Drumm** as Neighborhood Stakeholder Director (Vine) for a three-year term ending on May 31, 2028.

BACKGROUND:

A one-page online and paper application was released with instructions for a one-month-long application period from 1.1.2025 to 1.31, 2025. Over 100 partners, City Commissioners and Board members were contacted to share the applications by email, which were also available at City Hall. Extensive social media promotion and 30,000 direct mail FFE newsletters created broad awareness of the application process. All eligible applications were assessed by Stakeholder Group and Nominating Committee members to ensure that final nominations contributed 1) a diversity of abilities to conduct the duties of the Board 2) a diversity of representation across sectors and 3) a diversity of perspectives, using a primary lens of the FFE's Board Engagement Expectations Policy.

There were seven eligible applications for the open Faith-Based Organization Stakeholder Director position. Per the FFE Bylaws, the education stakeholder “shall be a City of Kalamazoo resident who is a local minister or layperson from a local religious institution and such other faith-based providers of religious and social services. ” Furthermore, applicants may not be in debt to the City nor ineligible because of its codes or ordinances, which is determined by relevant City departments.

There were eight eligible applications for the open Neighborhood Stakeholder Director seat. Per the FFE Bylaws, the Neighborhood stakeholder “shall be drawn from persons living in the neighborhoods in the City with an organized neighborhood association. Best efforts shall be made to seek stakeholders from the various neighborhoods on a revolving basis, with priority given to those neighborhoods where at least 51% of households have incomes at or below 80% of the area median income (Eastside, Edison, Northside, Oakwood, Vine). No organized neighborhood association shall have more than one (I) representative on the Board at one time.” Furthermore, applicants may not be in debt to the City nor ineligible because of its codes or ordinances, which is determined by relevant City departments.

STRATEGIC VISION ALIGNMENT:

<u>Strategic Goal Impact:</u>
Good Governance- Ensuring the City organization has the capacity and resources to effectively implement the community's Strategic Vision in a way that is sustainable over the long term.

COMMUNITY ENGAGEMENT:

<u>Appropriate Depth of Engagement</u>

Consult (two-way conversation) – the community will have a chance to react to the project through two-way conversation.

FISCAL IMPACT:

Christina A. Westbury

Summary

Compassionate professional with achievements in providing spiritual leadership to individuals of diverse backgrounds. Highly adept in preparing sermons, leading worship services and providing pastoral care and community building. Skilled in directing day-to-day operations when developing programs to grow ministry and outreach.

Skills

- Computer adept
- Microsoft Office Suite
- Publisher
- Social media
- Zoom
- Google Workspace
- Excellent communicator
- Public Speaking
- Mediation Skills
- Challenging conversations
- Volunteer management
- Crisis management

Education

05/2024
Mediation Skills Training:
Lombard Mennonite Peace Center

10/2023
Certificate:
Executive Leadership
Princeton Seminary

05/2017
Master of Arts:
Religion, Religious Thought
Louisville Presbyterian Theological Seminary

01/2017
M.Div:
Christian Education concentration
Louisville Presbyterian Theological Seminary

05/2001
B.S.:
Anthropology, Museum Studies Minor
Central Michigan University

Experience

First Presbyterian Church - Associate Pastor
Kalamazoo, USA
08/2017 - Current
- Preach, teach classes, lead worship, participate in pastoral care
- Resource the Stewardship, Outreach, Faith Formation, and Congregational Life Committees
- Participate in justice and community care aspects of our ministry
- Work with and manage dozens of volunteers in various ministries of the church

Presbytery of Lake Michigan - Associate Presbyter
11/2023 - 12/2024
- Resourced the Commission on Preparation for Ministry, the Mediation Team, and the Committee on Representation
- Participated in Presbytery leadership including administration, oversight, and communication with 60 churches in Southwest Michigan
- Developed educational and worship programming for leaders throughout the presbytery, including programs on reparations, gender-affirming pronoun use, and creation care

Norton Healthcare - Chaplain Intern
Louisville, USA
01/2017 - 05/2017
- Provided spiritual care for patients and families at three hospitals in the Norton System

Caldwell Chapel, Louisville Presbyterian Theological Seminary - Student Chapel Coordinator
Louisville, USA
08/2015 - 05/2017
- Coordinated chapel services inclusive of theological and cultural diversity on the LPTS campus

Pewee Valley Presbyterian Church - Student Pastor and Christian Education Coordinator
Pewee Valley, USA
09/2014 - 05/2015

- Coordinated the K-5th grade Christian Education programs, including curriculum, volunteer staffing and logistics
- Served as a pastoral intern, participating in various ministries of the church, including preaching, teaching, worship leadership and pastoral care

Chapel Lane Presbyterian Church - Director of Christian Education
Midland, USA
01/2006 - 01/2013

- Coordinated all aspects of infant through adult Christian Education programs, including curriculum, volunteer staffing and logistics
- Worked actively with the children, youth, and adults in the church, teaching and leading educational programs
- Served as Program Director for Chapel Lane's Annual Summer Camp, planning and coordinating activities for 2nd-10th graders
- Wrote newsletter and bulletin announcements and designed other publicity materials for Christian Education programs
- Served as ex officio member of the Board of Christian Education

Post Street Archives - Reference Coordinator and Archives Assistant
01/2005 - 01/2007

- Assisted researchers in locating information relevant to the Dow Family and the Dow Chemical Company
- Assisted in organizing and maintaining archival materials relevant to the Dow Family and the Dow Chemical Company
- Created finding aids and organizational systems for archival collections

Midland County Historical Society - Assistant Curator of Education
01/2000 - 01/2005

- Created and presented creative educational programs for local schools and the general public
- Planned and implemented the summer day camp program
- Created and supervised the Youth Apprentice Docent Program
- Worked with volunteers, supervising, coordinating, and training
- Developed a Docent Training Manual
- Desktop publishing and marketing for MCHS programs, including the quarterly newsletter, the Midland Log publication, newspaper ads, flyers, brochures, and Press Releases

Honors, Awards, Community Involvement

- Center Stage Theatre Kalamazoo, Board Spotlighter
- Kalamazoo Civic Theatre, Center Stage Theatre, and Dormouse Theatre volunteer
- Louisville Seminary Presidential Scholar and recipient of the Burton Z. Cooper Prize in Theology, the Melanie Lane Preaching Award, and the Fielding Lewis Walker Fellowship in Doctrinal and Historical Theology
- Agape Theatre, Louisville Seminary, President 2015-2017
- LPTS Student Board Representative 2015-2016 and 2016-2017 Academic Year
- Volunteer work with Peanut Gallery Children's Theatre, Interim Theatre and Center Stage Theatre at the Midland Center for the Arts – 2001 – 2013

Sarah A. Drumm

Summary of Qualifications

Skilled Group Facilitator—Specializing in establishing positive group dynamics and productive action-planning as well as training others in a variety of facilitation skills.
Experienced Program Director—Well-versed in coordinating all aspects of an on-going program: curriculum development, budget management, participant retention and long-term planning.
Ardent Parent Educator—Organizer in a variety of workshops on parenting and communication. Responsible for grant-writing, developing curriculum and facilitating conversations among local parents.

Professional Experience

Great Start Collaborative, Coordinator, April 2014-present Leading the work of early childhood systems building for Kalamazoo County. This includes convening and facilitating all meetings and work plans. This also includes training internal teams as well as partner organizations on topics ranging from parent interactions to early literacy and equitable content choices.

Great Start Collaborative, Parent Liaison, March 2011-Mar 2014 Responsible for engaging local parents in the early childhood system in Kalamazoo and at the state level.

Drumm: An Agency for Social Change, Owner and Principal Facilitator, 2000-present Clients include:

Diversity Awareness and Leadership Training (DALT)
A partnership between Kalamazoo non-profits, foundations, high school students and staff from 2003-2009
The People's Food Co-op, Kalamazoo, Michigan
Francis W. Parker School, Chicago, Illinois
Earthworks Music Collective, Great Lakes Region
Kalamazoo Valley Museum Race Exhibit, Kalamazoo, Michigan
Open Roads, Kalamazoo, Michigan
Red Ink and Factory Two, Flint, Michigan

High School English Teacher, 1997-2002
Holmes Middle School, Flint, Michigan
Greyhills Academy High School, Tuba City, Arizona, Navajo Nation
Trevor Browne High School, Phoenix, Arizona
South Hills Academy High School, Battle Creek, Michigan

Education

Michigan State University, East Lansing, Michigan
Masters of Arts Degree, Educational Administration: Higher, Adult and LIfelong Education, Expected December 2025--Michigan State University
Secondary Education Certification, May 1997—Language Arts and Social Studies
Bachelor of Arts Degree, May 1996—Social Policy, James Madison College at Michigan State University

FFE Board of Directors
Staff Report

Kalamazoo Foundation for Excellence

TO: Foundation for Excellence Board of Directors

FROM: Steve Brown, Executive Director

DATE: April 28, 2025

SUBJECT: Elect Officers for One-Year Terms Ending at the Annual Board Meeting to be held in April of 2026

RECOMMEDATION:

Elect Officers for One-Year Terms Ending at the Annual Board Meeting to be
held in April of 2026

BACKGROUND:

The Executive Committee recommended the following slate of officers for election at its March 31, 2025, meeting:
President, Dr Andrea Bostrom
Vice President, James K. Ritsema, ICMA-CM
Treasurer, Mary Balkema
Treasurer, Jamauri Borgan

FFE Board of Directors
Staff Report

Kalamazoo Foundation for Excellence

TO: Foundation for Excellence Board of Directors

FROM: Steve Brown, Executive Director

DATE: April 28, 2025

SUBJECT: Approve Committee Appointments for One-Year Terms Ending at the Annual Board Meeting to be held in April of 2026

RECOMMEDATION:

Approve Committee Appointments for One-Year Terms Ending at the Annual Board Meeting to be held in April of 2026

BACKGROUND:

The attached worksheet excerpts relevant aspects of the Bylaws and lists ex officio Committee members and proposed members from each Committee at its previous meeting. The President, with the consent of the Board of Directors, shall designate the persons to serve on each committee, fill vacancies on committees, and serve as Chairperson of the committee. Full Committee descriptions are outlined in Bylaws Sections 6.01 - 6.04 and too extensive to include in this memo.

Kalamazoo Foundation for Excellence

BOARD MEMORANDUM

2025 Committee Appointments

Section 6.01 of the FFE Bylaws - *"The President, with the consent of the Board of Directors, shall designate the persons to serve on each committee, fill vacancies on committees, and serve as Chairperson of the committee."*

Finance Committee

See Section 6.03 of the FFE Bylaws.

Members: The Committee shall consist of FFE's Treasurer, the City's Finance Director or similar position (or a person appointed by the City's Finance Director), the City Manager, and two Stakeholder Directors.

1. ________________ (President, *ex officio*)
2. ________________ (Treasurer)
3. Steve Vicenzi (CFO/Finance Director)
4. James K Ritsema (City Manager)
5. ________________ (Balkema, Bostrom, Calderon-Huezo, Carrel, Lonberg, McKague*, Parker*, Salas, A. Taylor)
6. ________________ (Balkema, Bostrom, Calderon-Huezo, Carrel, Lonberg, McKague*, Parker*, Salas, A. Taylor)

Executive Committee

See Section 6.03 of the FFE Bylaws.

Members: President; Treasurer, Secretary; one City Director; and one representative of the Finance Committee in addition to the Treasurer.

1. ________________ (President, *ex officio*)
2. ________________ (Vice President)
3. ________________ (Treasurer)
4. ________________ (Secretary)
5. ________________ (Anderson, Bogan, Decker, Hoffman)
6. ________________ (Representative from Finance Committee other than Treasurer)

Nominating Committee

Approved Description: The Committee shall consist of members of the FFE board of directors.

1. ________________ (President, *ex officio*)
2. ________________
3. ________________
4. ________________
5. ________________

Audit Subcommittee

Approved Description: The Committee shall consist of members of the FFE board of directors.

1. ________________ (President, *ex officio*)
2. ________________
3. ________________
4. ________________
5. ________________

** Denotes Directors who are pending first appointment to the Board on April 24, 2023.*

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.

FFE Board of Directors
Staff Report

Kalamazoo Foundation for Excellence

TO: Foundation for Excellence Board of Directors

FROM: Steve Brown, Executive Director

DATE: April 28, 2025

SUBJECT: Approve the Estimated 2026 Grant Distribution to the City of Kalamazoo

RECOMMEDATION:

Approve the Estimated 2026 Grant Distribution to the City of Kalamazoo

BACKGROUND:

The attached memorandum contains complete information on this item.

Kalamazoo
Foundation for
Excellence

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

MEMORANDUM

Date: **April 1, 2025**

To: **Board of Directors**

From: **Finance Committee**

Subject: **Estimated Fiscal Year 2026 FFE Grant to the City of Kalamazoo**

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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 estimated FFE grant recommended by Finance Committee on March 31, 2025, to the City of Kalamazoo for the 2026 fiscal year, of $25,624,000, including:

- 2026 Tax Reduction Reimbursement: Estimate of $16,541,000
- Past Tax Reduction Reconciliation: PENDING
- Budget Stabilization: Estimate of $5,083,000
- Aspirational Investments: Estimate of $4,000,000

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 $456 million from 2026 to 2040 and, most importantly, continue in perpetuity:

- Tax Reduction Reimbursement: $302,000,000
- Budget Stabilization: $94,000,000
- Aspirational Investments: $60,000,000

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

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] (…)"

- 2026 est. value of Kalamazoo real estate and personal property: __PENDING____
- 2026 est. City earnings at previous rate of 19.2705 mills: __ PENDING ____

- 2026 est. City earnings at current rate of 12 mills: ___ PENDING ___
- Total 2026 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	2026**	Avg.
Tax Grant*	$10.86	$11.72	$12.18	$12.60	$12.99	$13.60	$14.37	$15.35	$15.81	$16.5	
Annual increase	N/A	7.97%	3.95%	3.42%	3.09%	4.71%	5.66%	6.81%	3.01%	4.00%	4.74%

**In millions of dollars.*

***Projected as of 3/31/2025.*

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	2026**	Avg.
Budget Grant*	N/A	$3.8	$4	$4.12	$4.24	$4.37	$4.5	$4.74	$4.93	$5.08	
Inflating Factor	N/A	N/A	5.26%	3.00%	3.00%	3.00%	3.28%	5.00%	4.00%	3.10%	3.71%

**In millions of dollars.*

***Projected as of 3/31/2025.*

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	2026**
Aspirational Grant*	$3.15	$12.43	$10.01	$10.23	$8.54	$8.61	$4.46	$0.67	$5.00	$4.00

**In millions of dollars.*

***Projected as of 3/31/2025.*

Kalamazoo Foundation for Excellence

Note: The 2024 FFE aspirational grant was lowered to relieve the endowment after financial setbacks related to market downturns associated with COVID and in context of the City receiving $38 million of federal resources including from the American Rescue Plan Act (ARPA).

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. The duration and preservation of the endowment fund

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:

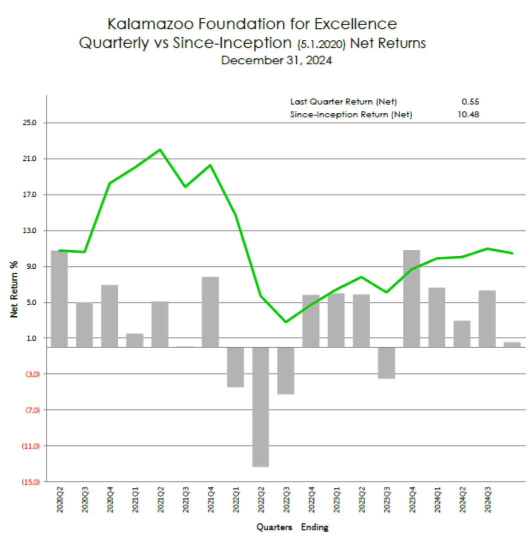
- achieve an endowment >$500 million by 12.31.2030 when major gifts to FFE end;
- maintain >1% annual growth net of expenses and inflation for 15 projected years.

II. The purposes of the institution and the endowment fund

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. General economic conditions

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



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

4

The predicted average gross rates of endowment earnings in the FFE's Investment Policy 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 12.31.2024, FFE has experienced "a since-inception inflation rate of 4.55%." Future annual inflation rates of approximately 3% are accurate for FFE projections. That rate is applied to Budget 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 would 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 would double every 27 years. This would 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 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

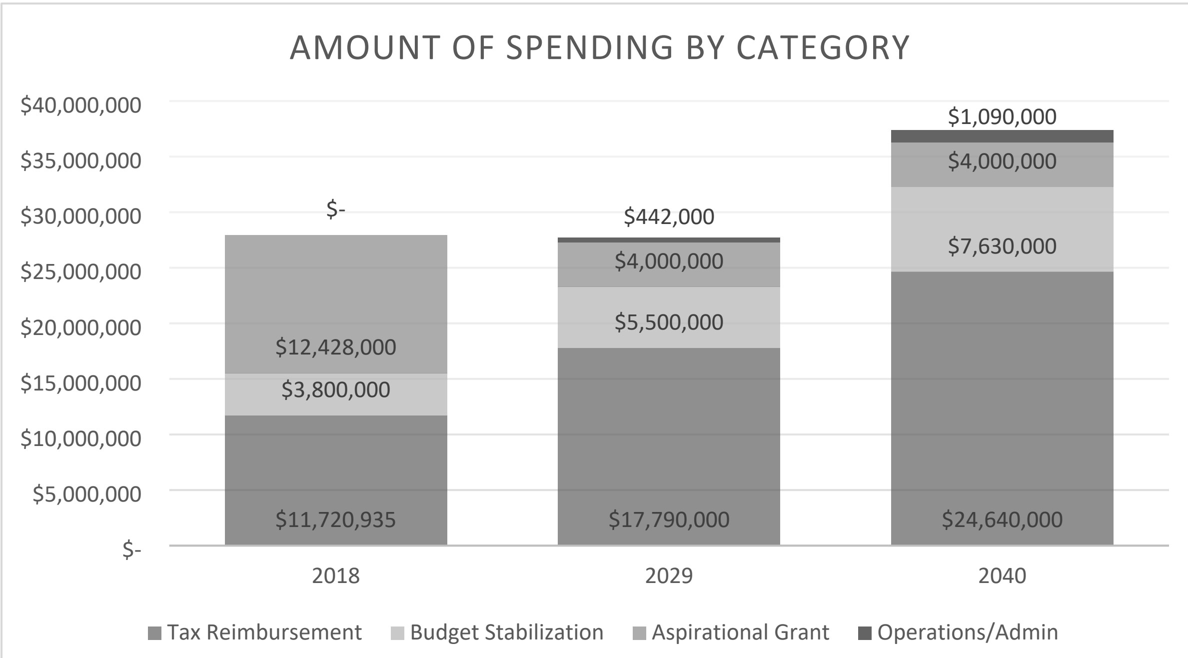
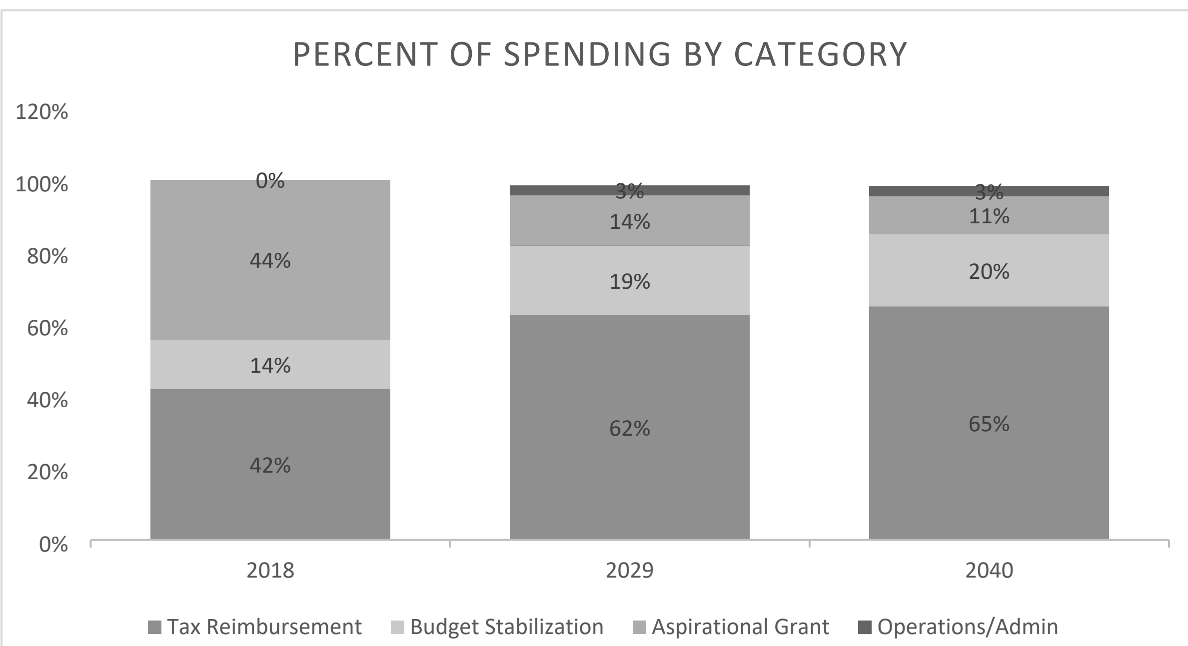


TABLE 8



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 were established in March 2024 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.

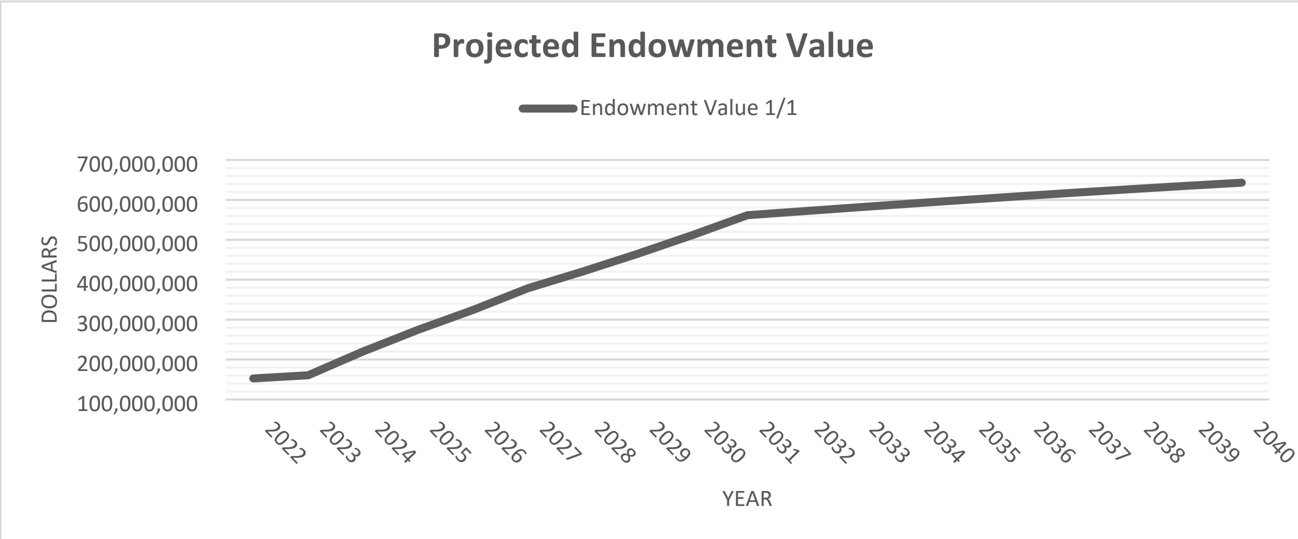
4. SPENDING POLICY CONCLUSION

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 2026 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 2026 APPROVAL

February 26, 2025 – FFE Investment Subcommittee report for Q4-2024 endowment issued;
March 30, 2025 – City Tax Assessment Board of review provides estimated Tax information;
March 31, 2025 – FFE Finance Committee recommends draft 2025 Disbursement amounts;
April 28, 2025 – FFE Board adopts the draft 2026 Grant disbursement amounts;
Tentative, June 2, 2025 – Endowment update presentation to the City Commission;
September 8, 2025 – FFE Finance and Executive Committees review draft 2026 City request;
September 22, 2025 – FFE Board reviews draft 2025 City request;
October 6, 2025 – FFE Finance and Executive Committees review 2025 Budget and Grant;
October 27, 2025 – FFE Board reviews and votes to approve 2025 Budget and Grant;
January 2026 (First meeting) – City Commission votes to adopt 2025 Budget and Grant.