Agenda
FFE Board of Directors – Finance Committee

Kalamazoo Foundation for Excellence

Monday, August 30, 2021 2:00 PM

This meeting will be streamed live on the City's Facebook page (https://www.facebook.com/KalamazooCity/) and YouTube Channel (https://www.youtube.com/channel/UCIgXSSXLSDxThVaaiRMsR5Q). Commenting instructions are contained in the public meeting notice.

A. CALL TO ORDER

B. APPROVAL OF MINUTES

1. Minutes of April 12, 2021

C. REPORTS AND COMMUNICATIONS

1. Endowment Gift Acceptance

2. FFEIS Quarterly Investment Report for Q2, 2021

3. 2022 Draft City FFE Budget

D. REGULAR AGENDA

E. PUBLIC COMMENTS

F. BOARD MEMBER COMMENTS

G. ADJOURNMENT

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 preview 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.

KALAMAZOO FOUNDATION FOR EXCELLENCE
BOARD OF DIRECTORS
FINANCE COMMITTEE

MINUTES

Meeting of April 12, 2021

The meeting of the Kalamazoo Foundation for Excellence (KFFE) Finance Committee was called to order at 2:01 p.m. via Electronic Meeting at Zoom.us Webinar by Treasurer Carrel; President Graham-Williams, Vice President Ritsema, Director Washington, and Chief Financial Officer Vicenzi were present.

A quorum was present.

Minutes of the previous meeting were moved for approval by Director Graham-Williams and seconded by Director Washington. The motion was approved by unanimous voice vote.

Staff presented the contents of the annual independent audit and annual report materials with the noted exception of the IRS Form 990, which had not been finished and filed yet due to COVID backlogs and calendar cadence this year. The materials were straightforward and showed very positive growth in the endowment throughout the 2020 fiscal year. No negative findings were shown by the auditors. An action to recommend the presented material and 990, when ready, for inclusion as the Finance Committee Report on the agenda of the Annual Board meeting on April 16 was requested. The motion was made by Director Washington and seconded by CFO Vicenzi. The motion was approved by unanimous voice vote.

Next meeting is scheduled for Monday, August 30, 2021.

No public comments.

No old business.

Under board comments, Director Washington expressed his gratitude for Director Carrel stepping into the Treasurer Officer role and hope that she continue, which was echoed by President Graham-Williams, Director Ritsema, and all present.

Treasurer Carrel adjourned the meeting at 2:27 p.m.

Minutes Drafted: April 12, 2021.

Minutes Approved: _________

____
Steve Brown, Recording Secretary

Date: **8/30/2021**
FFE
Item: **C.1.**

Foundation for Excellence Agenda Report

Kalamazoo Foundation for Excellence

TO: Foundation for Excellence Board of Directors

FROM: Steve Brown, FFE Manager

DATE: August 30, 2021

SUBJECT:

Endowment Gift Acceptance

RECOMMENDATION:

It is recommended that the FFE Finance Committee include the following requested action in its Finance Committee report to the Board on September 13, 2021: It is recommended that the Board of Directors accept the endowment gift of $400 million to be received, as cash or marketable securities equal to $40 million no later than December 31st of each year for ten consecutive years beginning in 2021.

BACKGROUND:

On July 12, 2021, Acting FFE President Jim Ritsema received notice that the Kalamazoo Foundation for Excellence (FFE) had received a transformational commitment of $400 million to be directed towards its permanent endowment. This remarkable gift, from anonymous donors, is unlike any other: it is among the largest gifts in US history to support a municipality and sets FFE up for a sustainable future. This is a vote of confidence and investment in Kalamazoo for the benefit of each and every resident.

The FFE's Gift Acceptance Policy classifies gifts received as cash or marketable securities as requiring no action of acceptance from the FFE board; however, the size and importance of this pledge creates a special opportunity to celebrate the extraordinary vision and generosity making the planned sustainability of the FFE possible.

The City’s projections of endowment growth use currently pledged income, standard estimations of market return on investment, and annual expenses along a historical average to show that the FFE endowment will achieve $500 million of invested funds in 2035. The recently pledged income of $400 million over ten consecutive years beginning this year will, in conjunction with the current endowment investment of approximately $100 million, generate sufficient revenue to continue covering the liabilities of the FFE indefinitely. The FFE will always be receptive to and deeply grateful for ongoing donations that aid in growing its endowment, but no formal campaign has been announced at this time.

STRATEGIC VISION ALIGNMENT:

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.

FISCAL IMPACT:

Kalamazoo Foundation for Excellence (FFE) Endowment Projection as of 8.26.2021

	2020 - Actual	Aug. 2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	
Endowment Value 1/1	-	103,927,790	148,043,533	199,145,917	228,110,962	258,515,765	290,443,040	321,850,397	358,520,467	397,444,529	438,779,296	482,692,908	487,115,781	491,322,762	495,283,961	498,966,879	498,966,879
Investment Earnings on 1/1 balance less CY distribution	-	3,247,743	9,637,634	11,408,007	13,266,380	15,217,807	17,137,457	22,065,381	24,781,014	27,664,835	30,728,575	33,984,822	34,278,332	34,554,695	34,811,643	35,046,712	347,831,037
Endowment Contributions w/ investment earnings	95,765,822	40,868,000	41,464,750	41,464,750	41,464,750	41,464,750	41,464,750	42,250,000	42,250,000	42,250,000	42,250,000	-	-	-	-	-	512,957,572
Endowment Distributions	-			(23,907,712)	(24,326,327)	(24,755,282)	(27,194,850)	(27,645,311)	(28,106,952)	(28,580,068)	(29,064,962)	(29,561,950)	(30,071,351)	(30,593,496)	(31,128,725)	(31,677,388)	(366,614,374)
Endowment Value 12/31	**95,765,822**	**148,043,533**	**199,145,917**	**228,110,962**	**258,515,765**	**290,443,040**	**321,850,397**	**358,520,467**	**397,444,529**	**438,779,296**	**482,692,908**	**487,115,781**	**491,322,762**	**495,283,961**	**498,966,879**	**502,336,203**	502,336,203
Endowment Contributions																	
Additional Fundraising																	-
Annual contributions	86,685,800	40,000,000	40,000,000	40,000,000	40,000,000	40,000,000	40,000,000	40,000,000	40,000,000	40,000,000	40,000,000						486,685,800
Earnings contribution (9 months invested)	9,080,022	868,000	1,464,750	1,464,750	1,464,750	1,464,750	1,464,750	2,250,000	2,250,000	2,250,000	2,250,000	-	-	-	-	-	26,271,772
Contribution Value with Investment earnings	95,765,822	40,868,000	41,464,750	41,464,750	41,464,750	41,464,750	41,464,750	42,250,000	42,250,000	42,250,000	42,250,000	-	-	-	-	-	512,957,572
Endowment Distributions (February each year)																	
Tax Reimbursement				(13,405,677)	(13,689,231)	(13,979,073)	(14,275,355)	(14,578,231)	(14,887,859)	(15,204,402)	(15,528,027)	(15,858,906)	(16,197,216)	(16,543,137)	(16,896,855)	(17,258,562)	(198,302,531)
Budget Stabilization Payment				(4,502,035)	(4,637,096)	(4,776,209)	(4,919,495)	(5,067,080)	(5,219,093)	(5,375,666)	(5,536,935)	(5,703,044)	(5,874,135)	(6,050,359)	(6,231,870)	(6,418,826)	(70,311,843)
Aspirational Funding				(6,000,000)	(6,000,000)	(6,000,000)	(8,000,000)	(8,000,000)	(8,000,000)	(8,000,000)	(8,000,000)	(8,000,000)	(8,000,000)	(8,000,000)	(8,000,000)	(8,000,000)	(98,000,000)
Endowment Distributions	-	-	-	**(23,907,712)**	**(24,326,327)**	**(24,755,282)**	**(27,194,850)**	**(27,645,311)**	**(28,106,952)**	**(28,580,068)**	**(29,064,962)**	**(29,561,950)**	**(30,071,351)**	**(30,593,496)**	**(31,128,725)**	**(31,677,388)**	**(366,614,374)**

Investment return <$300M	**6.51%**
Investment return >$300M	**7.50%**

Utilized prior 5-years to model next 5, then smoothed

Assumptions:

2021 starting balance as of 8/1. Investment return based on 5 months.

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

Distributions are covered under a separate agreement for 2020-2022. First required endowment draw to be made February 2023.

Assumed Aspirational draws of $6M through 2025 due to ARP funding

Self Sustaining - $400M

Endowment Fully Funded - $500M

Date: **8/30/2021**
FFE
Item: **C.2.**

Foundation for Excellence Agenda Report

Kalamazoo Foundation for Excellence

TO: Foundation for Excellence Board of Directors

FROM: Steve Brown, FFE Manager

DATE: August 30, 2021

SUBJECT:

FFEIS Quarterly Investment Report for Q2, 2021

RECOMMENDATION:

It is recommended that the Finance Committee review the attached quarterly endowment report and approve it for inclusion in the Finance Committee Report to the Board at a subsequent meeting.

BACKGROUND:

Please see the attached Report for Q2, 2021.

STRATEGIC VISION ALIGNMENT:

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.

FISCAL IMPACT:

Kalamazoo Foundation for Excellence

June 30, 2021

Report to the

Investment Subcommittee

Wednesday, August 25, 2021
11:00 am
Meeting to be conducted
virtually via Zoom

REPORT TO THE RETIREMENT INVESTMENT COMMITTEE

Performance of the

Kalamazoo Foundation for Excellence

June 30, 2021

The market value of portfolio assets increased from $97.1 million to $102.1 million during the second quarter of 2021; an increase of $5.0 million or 5.15%.

The portfolio weighted average return for the quarter, net of manager fees, was 5.08%. The 1-year return, net of manager fees, was 19.73%. The return since May 1, 2020, net of manager fees, through the end of the quarter has been 22.00%

Equities comprised 52.3% of the Kalamazoo Foundation For Excellence portfolio at the end of the second quarter. The equity portion of the portfolio returned 8.54% for the quarter, 15.24% year-to-date, and 40.76% over the last year.

Fixed income comprised 47.6% of the Kalamazoo Foundation For Excellence portfolio at the end of the second quarter. The fixed income portion of the portfolio returned 1.54% for the quarter, -2.09% year-to-date, and -0.53% over the last year.

Cash and equivalents were approximately $52,199 or 0.1% of the assets.

The portfolio finished the quarter with 52.3% in equities, 47.6% in fixed income, and 0.1% in cash. The portfolio target allocation is 50% equities, 50% fixed income, and 0% cash.

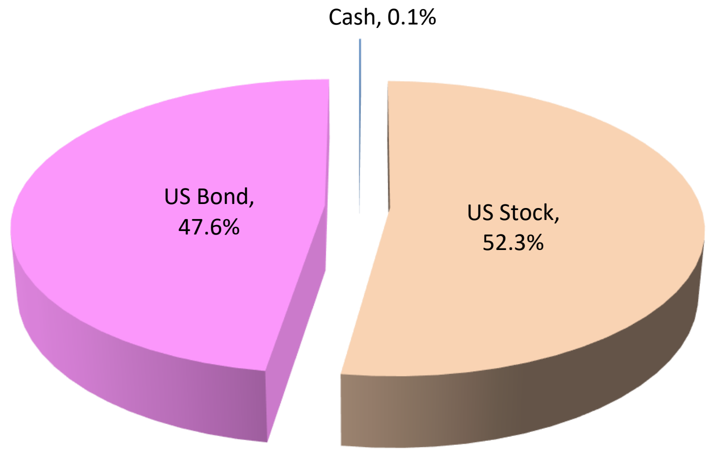
The inflation-adjusted, or real return, for the quarter was 2.51% as the inflation rate for the quarter was 2.57%. With a year-on-year inflation rate of 5.39%, the one-year real return was 14.34%. Since May 1, 2020, the return on the portfolio, net of manager fees, has been 22.00% nominal and 16.84% real.

Respectfully submitted,
August 25, 2021

Kalamazoo Foundation for Excellence

June 30, 2021

Kalamazoo Foundation for Excellence
Asset Allocation
June 30, 2021



Market Value $ 102,052,809

Since-Inception (5/1/2020)
Return 22.00

PORTFOLIO EXPOSURE

Geographic Exposure

U.S	100.0%
Foreign	0.0%
	100.0%

Currency (Direct Exposure)

USD	100.0%
Non-USD	0.0%
	100.0%

Asset Classes	ACTUAL %	Policy%	+/-
Equity	52.3%	50.0%	2.3%
Fixed	47.6%	50.0%	-2.4%
Cash	0.1%	0.0%	0.1%
	100.0%	100.0%	0.0%

Liquidity-Daily	100.0%
Liquidity> 1 day & < 90 days	0.0%
Liquidity> 91 days & < 2 years	0.0%
Liquidity> 2 years	0.0%
Total	100.0%

Fixed Income Risk	Jennison	BBgBarc US Agg Bond TR USD
Coupon	2.21%	2.55%
Yield	1.43%	1.50%
Effective Duration (yrs)	6.11%	6.47
Convexity	0.47	0.28
Maturity (yrs)	8.41	8.45
Quality	AAA	AAA

Sector Allocation	Jennison	BBgBarc US Agg Bond TR USD	+/-
Treasury	44.1	37.8	6.4
Agency	0.5	1.5	(1.0)
Finance	13.3	8.1	5.2
Industrial	20.2	16.2	4.0
Utility	4.0	2.2	1.9
Non-Corporate	0.9	4.5	(3.6)
Mortgage	10.1	27.3	(17.3)
CMO	1.1	0.0	1.1
Asset Backed	2.5	0.3	2.2
CMBS	0.8	2.1	(1.3)
Cash	2.4	0.0	2.4
Total	100.0	100.0	0.0

Performance Attribution[1]
Gross of Fees and versus the BBgBarc US Agg Bond TR USD

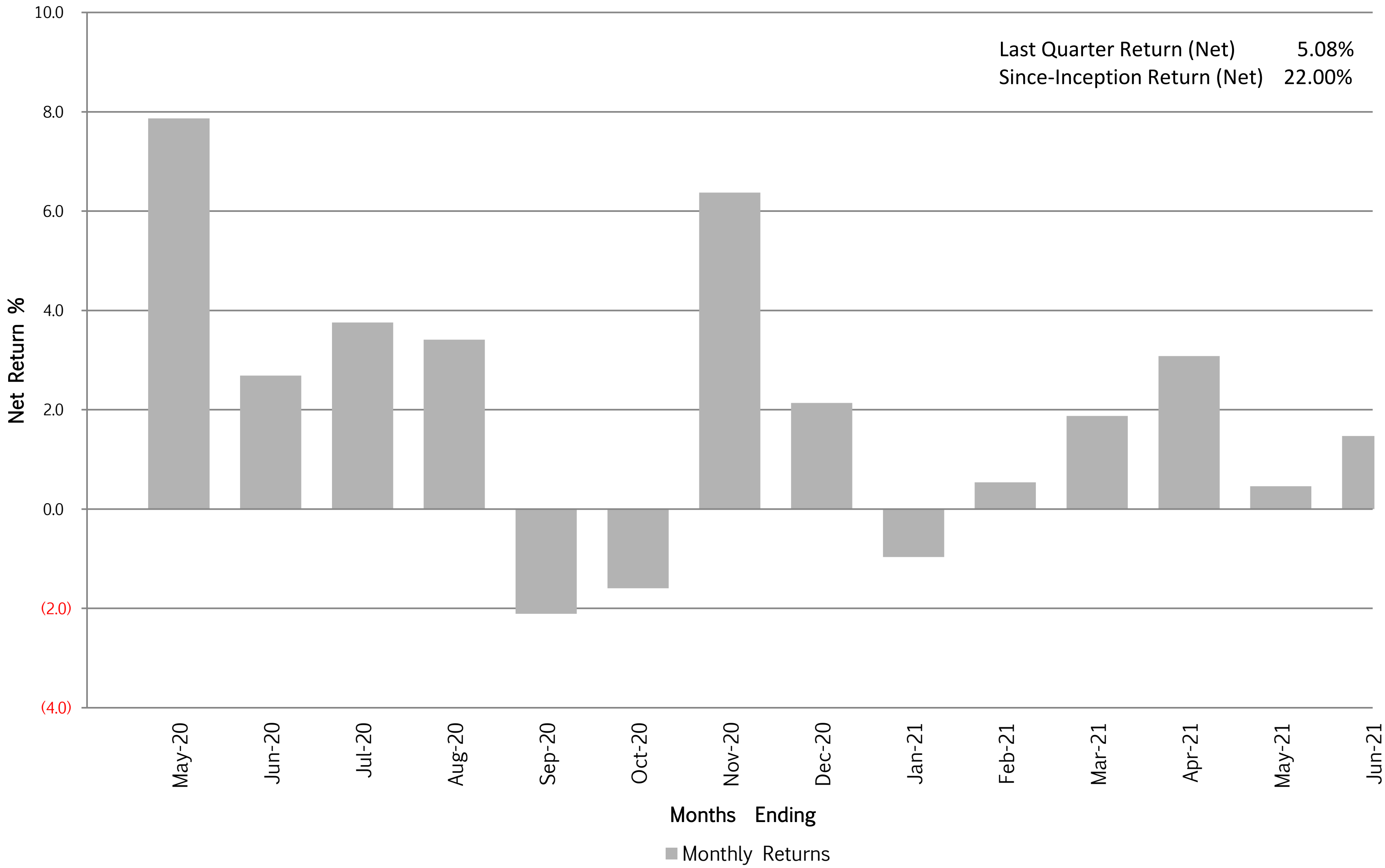
	3 Months (bps)
Yield Curve	(30)
Sector Allocation	7
Security Selection	(10)
Other	1
Total	(32)

(1) Performance attribution may differ from performance shown due to rounding and other factors, such as Paydowns and interest on non-supported cash instruments.

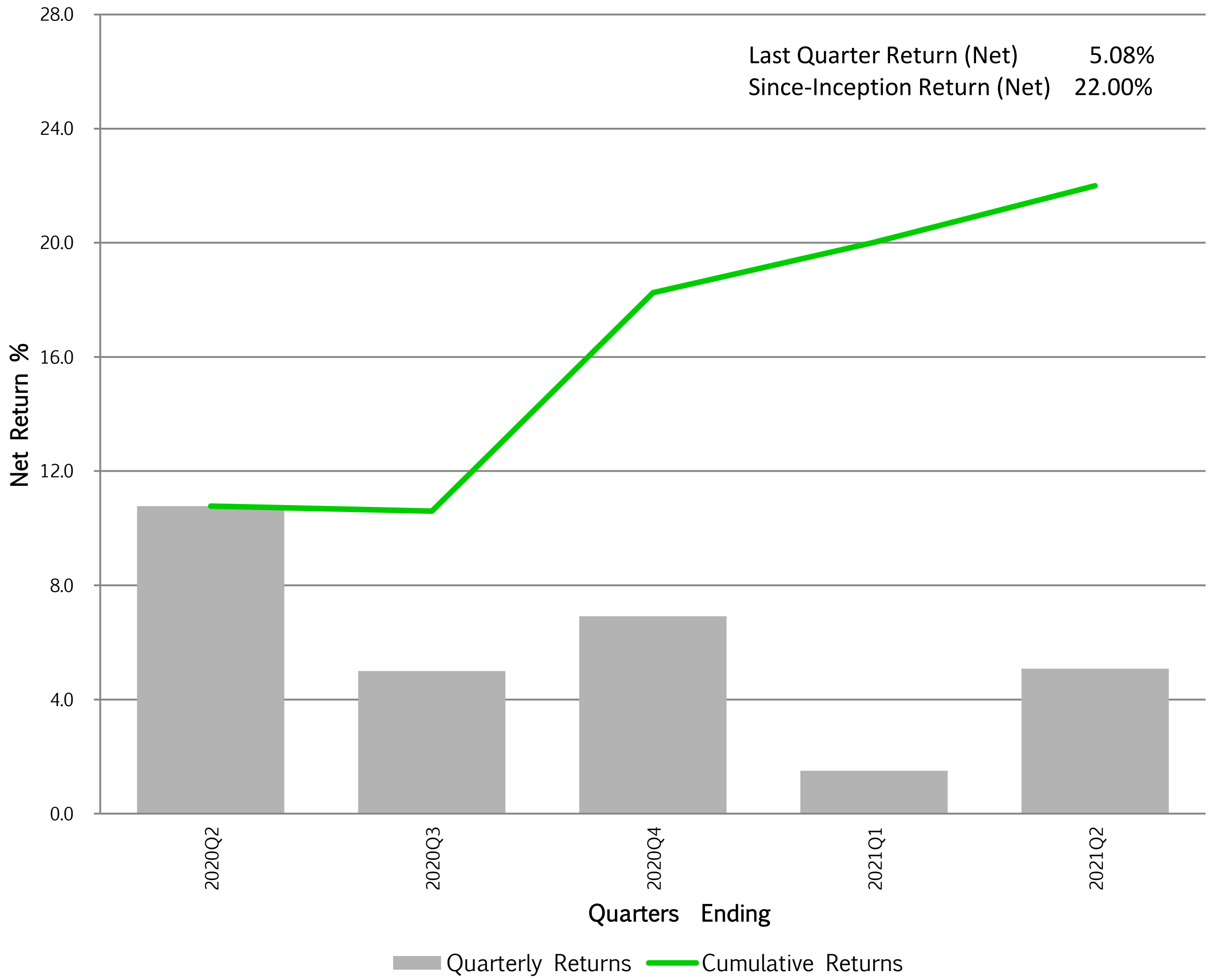
Some figures may not sum to 100% due to rounding.

Kalamazoo Foundation for Excellence
Net Monthly Returns
June 30, 2021

Inception: 5/1/2020



Kalamazoo Foundation for Excellence
Quarterly vs Since-Inception (5.1.2020) Net Returns
June 30, 2021



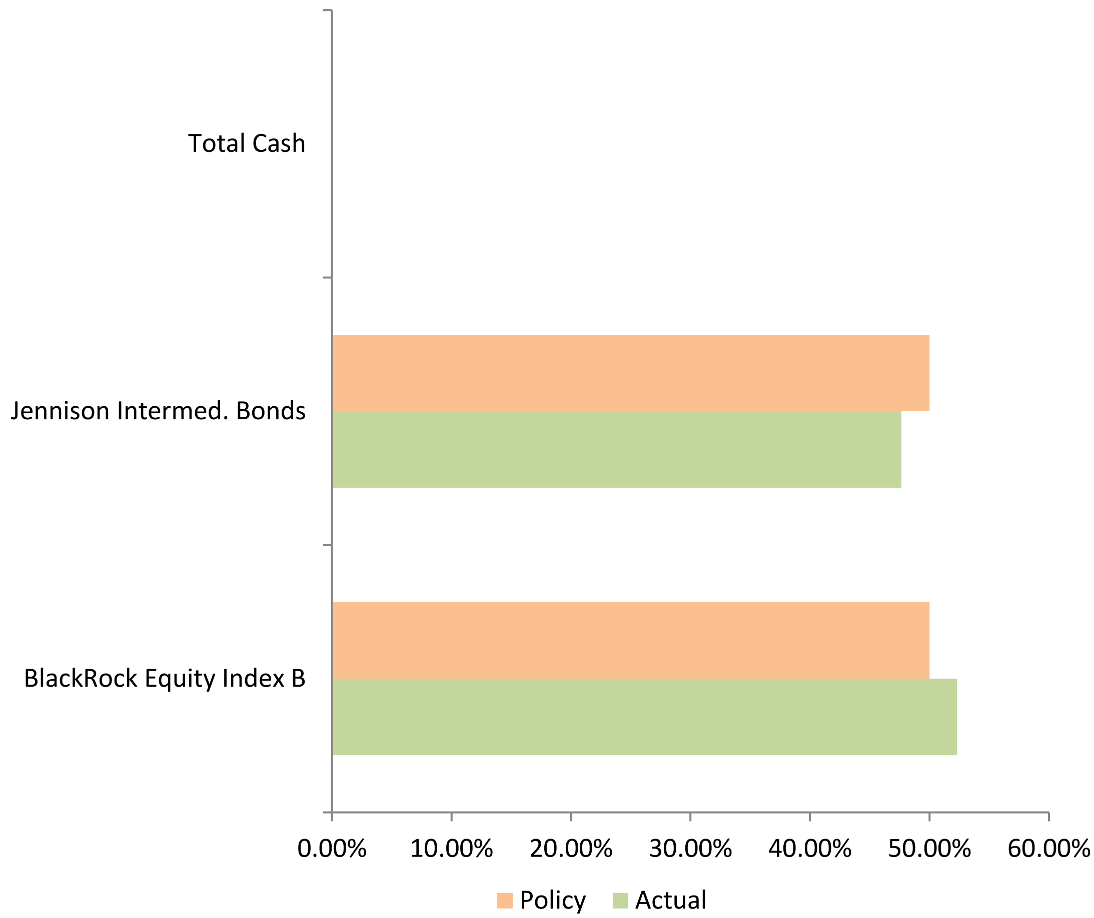
State Street Portfolio was funded on 4/8/2020 when 465,000 shares of Stryker Stock were gifted to the Foundation.

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

Kalamazoo Foundation for Excellence
Policy Allocation vs. Actual
June 30, 2021



	Amount $	Actual	Policy	Variance %
BlackRock Equity Index B	53,377,902	52.3%	50.0%	2.30%
Jennison Intermed. Bonds	48,622,708	47.6%	50.0%	-2.36%
Total Cash	52,199	0.1%	0.0%	0.05%
	102,052,809	100.0%	100.0%	0.00%

Kalamazoo Foundation for Excellence
Rates of Return by Manager and Asset Class-Net of Manager Fees
June 30, 2021

Custodian: State Street

	Ticker	Market Value $	% at Market	Policy %	3 Month Return	Year-to-Date Return	1 Year Return	3 Year Return	5 Year Return	Since Inception (5.1.2020) 1.2 Yrs Return	Years in Portfolio
Beginning Market Value (Quarter)		*97,141,762*									
Equities											
BlackRock Equity Index B	CTF	53,377,902	52.3	50.0	8.54	15.24	40.76	--	--	44.81	*1.17*
Total Equity		53,377,902	52.3	50.0	8.54	15.24	40.76	--	--	44.81	
Fixed Income											
Jennison Intermed. Bonds	SepAcct	48,622,708	47.6	50.0	1.54	(2.09)	(0.53)	--	--	0.57	*1.17*
Total Fixed Income		48,622,708	47.6	50.0	1.54	(2.09)	(0.53)	--	--	0.57	
Cash	SSNXX	52,199	0.1	0.0	0.00	0.00	0.00	--	--	0.00	*1.23*
Total Cash		52,199	0.1	0.0	0.00	0.00	0.00	--	--	0.00	
Total Plan (Net)		**102,052,809**	**100.0**	**100.0**	**5.08**	**6.66**	**19.73**	--	--	**22.00**	*1.23*
Total Plan (Gross)					5.11	6.70	19.86	--	--	22.11	

Past performance is no guarantee of future results

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

Kalamazoo Foundation for Excellence
Manager Total Returns (Net) vs. Benchmarks
June 30, 2021

	Ticker	Policy Target %	Actual %	3 Month Return	Year-to-Date Return	1 Year Return	3 Year Return	5 Year Return	Since Inception (5.1.2020) 1.2 Yrs Return	Manager Fees %	Mgr IN / BM Years
BlackRock Equity Index B [1]	CTF	50.0	52.3	8.54	15.24	40.76	--	--	44.81	*0.02*	*1.17*
S&P 500 TR USD				8.55	15.25	40.79	--	--	44.39		
Manager Over/ (Under)				(0.01)	(0.01)	(0.04)	--	--	0.42		
Jennison Intermed. Bonds	SepAcct	50.0	47.6	1.54	(2.09)	(0.53)	--	--	0.57	*0.25*	*1.17*
BBgBarc US Agg Bond TR USD				1.83	(1.60)	(0.33)	--	--	0.87		
Manager Over/ (Under)				(0.29)	(0.49)	(0.20)	--	--	(0.30)		
Master Account (Cash)	SSNXX	0.0	0.1	0.00	0.00	0.00	--	--	0.00	*0.20*	*1.23*
USTREAS T-Bill Auction Ave 3 Mon				0.01	0.02	0.07	--	--	0.08		
Manager Over/ (Under)				(0.01)	(0.02)	(0.07)	--	--	(0.08)		

Weighted Average Manager Fee 0.13

(1) The BlackRock subaccount KF30 held only cash until 5/6, at which point the funds were invested into BlackRock Equity Index B.

Kalamazoo Foundation for Excellence
Portfolio Comparisons

June 30, 2021

Portfolio Inception 5/1/2020

	3 Month Return	Year-to-Date Return	1 Year Return	3 Year Return	5 Year Return	Since Inception (5.1.2020) 1.2 Yrs Return	Manager Fee %
Total Plan--Actual (Net) [1]	5.08	6.66	19.73	--	--	22.00	0.13
KFFE Index Benchmark (Staged) [2]	5.17	6.61	18.75	--	--	21.05	
Manager Over/ (Under) Benchmark	(0.09)	0.05	0.98	--	--	0.95	
Total Plan--Actual (Net)	5.08	6.66	19.73	--	--	22.00	
US BLS CPI All Urban NSA 1982-1984	2.57	4.31	5.39	--	--	5.16	
Total Plan--Actual (Gross) (Real)	2.51	2.35	14.34	--	--	16.84	

(1) The BlackRock subaccount KF30 held only cash until 5/6, at which point the funds were invested into BlackRock Equity Index B.

(2) KFFE Index Benchmark is comprised of the follwing indices: S&P 500 TR USD (50%)+BBgBarc US Agg Bond TR USD(50%)

Kalamazoo Foundation for Excellence

June 30, 2021

Appendix 1

Manager and Benchmark Descriptions

Kalamazoo Foundation For Excellence

Name (Morningstar)		DESCRIPTION
BlackRock Equity Index B	CTF	The BlackRock Equity Index Fund B (start: 23Jan1997) is a passive public equity index fund that tracks the S&P 500. The BlackRock Equity Index Fund is a collective trust fund with an objective of closely replicating the S&P 500 Index. The S&P 500 TR USD Index is used as the appropriate benchmark for BlackRock Equity Index B.
Jennison Intermediate Bond	SepAcct	Jennsion Intermediate Bond is a separately managed portfolio. Jennison Intermediate Bond's investment objective is to achieve above benchmark returns from a combination of security selection, yield curve management, sector rotation and active trading. Jennison does not make duration bets, and as a result the portfolio should have a duration within .25 years of its benchmark. Jennison Intermediate invests in only investment grade securities, typically holds 80 - 200 issues, and maintains positions sized below 2%. Jennison Intermediate Bond uses the Bloomberg Barclays US Aggregate Bond Index.
Cash	CmgId	

Kalamazoo Foundation for Excellence
2021 State Street Expense Report

Foundation for Excellence Expenses	1Q	2Q	3Q	4Q	Total
Audit Fees - Maner	**-**	**2,900**			2,900
Audit / IRS form 990		2,900			2,900
Consulting Fees - Merion Capital	**45,000**	**45,000**			**90,000**
Consulting - 1Q2021	45,000				45,000
Consulting - 2Q2021		45,000			45,000
Custody Fees - State Street	**15,469**	**28,686**			**44,154**
Custody - May 2020	5,744				5,744
Custody - Jun 2020	5,086				5,086
Custody - Jul 2020	4,639				4,639
Custody - Aug 2020		5,405			5,405
Custody - Sep 2020		5,987			5,987
Custody - Oct 2020		4,530			4,530
Custody - Nov 2020		5,872			5,872
Custody - Dec 2020		6,892			6,892
Total Operating Expenses	**60,469**	**76,586**			**137,054**
Fund Manager Fees - BlackRock	**2,507**	**2,452**			**4,959**
Fees - 4Q2020	2,507				2,507
Fees - 1Q2021		2,452			2,452
Fund Manager Fees - Jennison	**8,391**	**26,324**			**34,715**
Fees - Dec 2020	8,391				8,391
Fees - Jan 2021		8,854			8,854
Fees - Feb 2021		8,712			8,712
Fees - Mar 2021		8,758			8,758
Total Fund Manager Fees	**10,898**	**28,777**			**39,674**
Total Foundation For Excellence Expenses	**71,366**	**105,362**			**176,729**

*State Street is behind on Custudy invoice billings.

Kalamazoo Foundation for Excellence
2021 State Street Cash Flow Report

	Q1	Q2	Q3	Q4	Total
Cash Beginning Balance	71,837	76,368	52,199	52,199	71,837
Receipts					
Donations	-	52,416	-	-	52,416
Interest	-	-	-	-	-
Total Receipts	-	52,416	-	-	52,416
Disbursements					
Aspirational Project Transfer to CoK	-	-	-	-	-
Audit Fees (Maner)	-	2,900	-	-	2,900
Consulting Fees (Merion Cap)	45,000	45,000	-	-	90,000
Custody Fees (State Street)	15,469	28,686	-	-	44,154
Due Diligence/Conferences	-	-	-	-	-
Liability Insurance	-	-	-	-	-
Miscellaneous Expense	-	-	-	-	-
Total Disbursements	60,469	76,586	-	-	137,054
Net Cashflow	(60,469)	(24,170)	-	-	(84,638)
Investment Transfer	65,000	-	-	-	65,000
Cash Ending Balance	76,368	52,199	52,199	52,199	52,199
Investments Beginning Balance	95,693,985	97,065,394	102,000,610	102,000,610	95,693,985
Interest	146,325	139,997	-	-	286,322
Realized Gain/Loss	638,547	(229,704)	-	-	408,843
Unrealized Gain/Loss	662,435	5,053,699	-	-	5,716,134
Fund Manager Fees	(10,898)	(28,777)	-	-	(39,674)
Net Investment Activity	1,436,409	4,935,216	-	-	6,371,625
Investment Transfer	(65,000)	-	-	-	(65,000)
Investments Ending Balance	97,065,394	102,000,610	102,000,610	102,000,610	102,000,610
Total Foundation for Excellence Balance	97,141,762	102,052,809	102,052,809	102,052,809	102,052,809

*FFE Donations held at City and Kalamazoo Community Foundation transferred to State Street.

Date: **8/30/2021**
FFE
Item: **C.3.**

Foundation for Excellence Agenda Report

Kalamazoo Foundation for Excellence

TO: Foundation for Excellence Board of Directors

FROM: Steve Brown, FFE Manager

DATE: August 30, 2021

SUBJECT:

2022 Draft City FFE Budget

RECOMMENDATION:

It is recommended that the Fincance Committee review and include the 2022 Draft City FFE Budget in its report to the Board on September 13, 2021.

BACKGROUND:

The attached Budget Transmittal Memo contains a summary and introduction to the proposed City FFE budget in 2022.

The process of formally conveying the budget begins with this meeting and moves through an initial full presentation to the FFE board on September 13, 2021. An initial full presentation to the City Commission will follow and set the stage for a requested formal recommendation to the City Commission by the FFE board on October 25, 2021. The recommended City FFE budget would then be included in the draft City budget for recommended approval by the City Commission as part of its annual budgeting process.

This budget follows the method of determining the amount of the annual distribution set forth in section 9.03 of the bylaws and supports the FFE's crucial mission 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."

Staff remain grateful for the ongoing positive and fruitful discussions among board members and commissioners regarding Imagine Kalamazoo alignment in service to the entire community of Kalamazoo.

STRATEGIC VISION ALIGNMENT:

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.

FISCAL IMPACT:

Kalamazoo Foundation for Excellence

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

DRAFT MEMORANDUM

8/26/2021

To: Acting President James K. Ritsema and the Board of Directors

From: Steve Brown, Foundation for Excellence Manager

Subject: Draft of the Recommended Fiscal Year 2022 FFE Budget of the City of Kalamazoo

I am pleased to present the first preliminary draft 2022 budget of the Foundation for Excellence activities by the City of Kalamazoo.

The proposed budget is $27,326,673, which includes $4,370,908 for budget stabilization, $13,128,265 for tax reduction to City property taxpayers, and $9,827,500 for aspirational activities as outlined in the budget detail. This budget follows the method of determining the annual distribution set forth in section 9.03 of the bylaws and supports the FFE's mission 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.

Since its creation in 2017, $16.1 million of funds contributed in support of the FFE's goals have provided unprecedented financial stability for the City. With a stable budget, City services are being maintained and adapted to community needs based on the Imagine Kalamazoo 2025 Strategic Vision. Kalamazoo City property taxpayers have experienced relief from $60.1 million of tax liability since 2017 following the reduction of the City's property tax millage from 19.2705 mills to 12.0000 mills. This reduction makes Kalamazoo more competitive in retaining and attracting residents, businesses, and jobs.

Finally, $44.7 million has been budgeted for aspirational projects since 2017 for innovative projects and programs that align with the Imagine Kalamazoo vision, including the Youth Mobility Fund, affordable housing initiatives, complete streets and park improvements, assistance to small businesses.

The full potential and impact of the Foundation for Excellence investment in Kalamazoo is becoming increasingly evident over these initial years. To communicate this story, staff continue to present the work in the annual newsletter, annual financial report, and through online tools: the Imagine Kalamazoo project tracker (www.imaginekalamazoo.com/projects and the tool that displays investment by City neighborhood and by goal area (www.kalamazoocity.org/ffedashboard). Together with the FFE's online document library and public meetings, the FFE is living its culture of transparency and accountability for the public good.

On behalf of the City of Kalamazoo I would like to thank you the entire Board of Directors for your commitment to realizing the unique vision and impact of the Foundation for Excellence.

Respectfully Yours,

Kalamazoo Foundation for Excellence

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Kalamazoo, MI 49007-4796
www.kalamazoocity.org/ffe

Imagine Kalamazoo 2025 Goals and FFE Programs	Total 2017-2021 City FFE Budgets	Proposed 2022 City FFE Budget
Budget Stabilization	$16,163,600	$4,370,908
Tax Reduction	$60,108,057	$13,128,265
Subtotal	$76,271,657	$17,499,173
Aspirational Projects		
Safe Community		
Lead Services Replacements	$2,500,000	-
Safe Housing		$406,000
Complete Neighborhoods, Connected City, Inviting Public Places		
Great Neighborhoods: Infrastructure	$9,732,500	$2,000,000
Great Neighborhoods: Park Enhancements	$4,184,500	$2,050,000
Neighborhood Engagement and Activation	$400,000	$236,500
Downtown: Inviting and Accessible Spaces	$500,000	-
Youth Development		
MyCity Summer Youth Employment	$3,975,000	$825,000
All Things Possible (ATP)	$443,474	$151,000
SuperRec	$575,758	$183,000
Youth Mobility Fund (YMF)	$750,000	-
Digital Access for All (DAFA) & Learning Hubs	$300,000	-
Childhood Savings and Wealth Building		$50,000
Shared Prosperity		
Shared Prosperity High Impact Fund & DRF*	$2,106,500	$637,500
Economic Vitality		
Economic Development & KSBLF/KMEG**	$9,183,200	$1,846,500
Affordable Housing	$7,685,000	$810,000
Environmental Responsibility		
Home Energy Efficiency Audit Pilot	$158,000	$42,000
Good Governance, Program Costs		
FFE Personnel	$1,745,688	$520,000
Communication & Evaluation	$200,000	$70,000
FFE Projected Expenses	$236,500	-
Total 1% Contingency per Goal Area	$97,983	-
Subtotal	$44,774,103	$9,827,500
TOTAL	**$121,045,760**	**$27,326,673**

**Disaster Relief Fund COVID-19 response*

***Kalamazoo Small Business Loan Fund & Kalamazoo Micro-Enterprise Grants COVID-19 response*

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.