

MEMORANDUM

9/10/2019

To: President Bobby J Hopewell and the Board of Directors

From: Steve Brown, FFE Coordinator and Resource Specialist

Subject: The Recommended Fiscal Year 2020 Distribution to the City of Kalamazoo

Introduction

I am pleased to present for the board's consideration the draft allocation of the proposed fiscal year 2020 Foundation for Excellence (FFE) grant to the City of Kalamazoo.

The proposed grant is \$24,924,000, which comprises \$4,120,000 for Budget Stabilization, \$12,591,300 for tax reduction to City property tax payers, and \$8,212,700 for aspirational projects as outlined in the budget detail. 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.

Foundation for Excellence Results

Since its creation in 2017, \$7.8-million of funds contributed to the City in support of the FFE 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 tax payers have experienced relief from \$33.2-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 and businesses.

Finally, \$29.6-million have been budgeted for aspirational projects since 2017 to bring to life specific, innovative projects and programs that are aligned with the Imagine Kalamazoo vision, including the new Youth Mobility Fund, affordable housing initiatives, complete streets and park improvements, support for economic development assistance to small businesses, and the programs of the Shared Prosperity Kalamazoo High Impact Fund grantees.

The true 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 summer newsletter, annual winter financial report, and through a pair of smart online tools: the first is the Imagine Kalamazoo project tracker at www.imaginekalamazoo.com/projects; the second is an interactive tool that displays investment by City neighborhood and by goal area, which is available at www.kalamazoo.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 of Kalamazoo.

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.

Foundation for Excellence

| IK2025 GOAL/PROGRAM | Total 2017-2019 Grants to City | Proposed 2020 Grant to City* | Total 2020 Aspirational Activity** |
|---|-----------------------------------|------------------------------------|--|
| Budget Stabilization | \$7,800,000 | \$4,120,000 | |
| Tax Reduction | \$34,679,377 | \$12,591,300 | |
| Subtotal | \$42,234,374 | \$16,711,300 | |
| Aspirational Projects | | | |
| Safe Community | | | |
| Lead Services Replacements | \$1,500,000 | \$500,000 | \$500,000 |
| Complete Neighborhoods, Connected City, Inviting Public Places | | | |
| Great Neighborhoods: Infrastructure | \$6,950,000 | \$1,000,000 | \$1,000,000 |
| Great Neighborhoods: Park Enhancements | \$2,105,000 | \$2,075,000 | \$2,075,000 |
| Neighborhood Engagement and Activation | \$250,000 | \$50,000 | \$150,000 |
| Downtown: Inviting and Accessible Spaces | \$500,000 | | |
| Youth Development | | | |
| You / MyCity Youth Jobs | \$2,325,000 | \$825,000 | \$825,000 |
| All Things Possible | \$175,000 | \$133,800 | \$133,800 |
| SuperRec | \$249,000 | \$151,400 | \$151,400 |
| Youth Mobility Fund | \$250,000 | \$500,000 | \$500,000 |
| Economic Vitality, Shared Prosperity | | | |
| Shared Prosperity High Impact Fund | \$2,106,500 | | \$1,366,439 |
| Economic Development | \$5,250,000 | | \$1,626,385 |
| Affordable Housing | \$3,000,000 | \$2,275,000 | \$3,025,000 |
| Environmental Responsibility | | | |
| Home Energy Efficiency Audit Pilot | | \$66,000 | \$66,000 |
| Good Governance, Program Costs | | | |
| FFE Personnel | \$808,000 | \$400,000 | \$400,000 |
| Communication & Evaluation | \$200,000 | | \$103,643 |
| FFE Projected Expenses | | \$236,500 | \$236,500 |
| Total 1% Contingency per Goal Area*** | | | \$100,000 |
| Subtotal | \$25,668,500 | \$8,212,700 | \$12,259,167 |
| TOTAL | \$67,902,874 | \$24,924,000 | \$28,970,467 |

*Budget drafts are subject to change pending approval of the City Commission

**Figures are subject to adjustment based on continual financial activity in the 2019 fiscal year

*** Existing contingency funds of \$100,000 exceed the \$79,761 that would meet the target of 1%

I would like to thank the Treasurer, Finance Committee and the entire Board for your commitment to realizing the unique vision of Foundation for Excellence.

Respectfully Yours,



APPENDIX A

Budget Descriptions

1. TAX REDUCTION

Bylaws, Section 9.03, Subsection A: “Equal to the difference between the amount that the City would have received in real estate tax and personal property tax revenue for the fiscal year-in-question calculated using a millage rate of 19.2705 mills (\$19.2705 per \$1000 of taxable value) less the amount of real and personal property taxes that the City is budgeted to receive for the fiscal year-in-question under the City's proposed millage rate, so as to provide the City a tax rate that is correlative to other municipalities in the Kalamazoo area (...).”

- Total 2020 Projected Taxable Values = \$1,731,834,122
- Projected difference in taxes under 19.2705 mills and current 12 mills = \$12,591,299.98

2. BUDGET STABILIZATION

Bylaws, Section 9.03, Subsection B: \$4 million for budget fiscal 2019 and thereafter adjusted annually by the Municipal Cost Index developed by the American City & County Magazine, or another credible model addressing the price of the unique market basket of goods and services purchased by local governments, so as to address the structural revenue imbalance to City finances due to Michigan's broken municipal finance system. 2017, N/A; 2018, \$3.8M; 2019, \$4M; 2020, \$4.12M.

3. ASPIRATIONAL PROJECTS AND PROGRAMS

Bylaws, Section 9.03, Subsection C: Additional annual distributions may be approved (...) (i) consistent with the purposes set forth in Article II in the Articles of Incorporation of this Corporation; and, (ii) consistent with donor intent as specified in the Statement of Donor Intent (...)

A. Safe Community

Lead Services Replacements: The City of Kalamazoo’s Lead Water Service Replacement Program meets or exceeds new laws. The City of Kalamazoo has been proactive with a Lead Services replacement program that has been in place since 1992. At pre-2016 rates total system-wide lead service replacements would have taken 100 years to complete. Because of the FFE and other additional funding sources, lead service replacements are now funded at a rate to enable completion of system-wide replacements in 20 years. Approximately 70-80 water service replacements are anticipated, consistent with previous years but depending on overall program cost.

B. Complete Neighborhoods, Inviting Public Places, Connected City

Great Neighborhoods: Infrastructure: This year’s request focuses on expanding and enhancing investment in repairing and replacing sidewalks in priority areas within ¼ mile of a school or other key community asset – an Imagine Kalamazoo priority included in the Master Plan. Up to eight miles of sidewalk, across 19 paths, are being repaired and replaced with 2019 dollars, and a similar inventory is anticipated in the 2020 allocation.

C. Great Neighborhoods: Park Enhancements

- a. The City of Kalamazoo Parks and Recreation department is currently finalizing plans for the first significant improvement to the **Kalamazoo Farmers' Market** in over a generation. Improvements will expand the Farmers' Market to reach more people by providing 350 paved parking spaces, 40-percent more vendor spaces, new indoor facilities, as well as updated activity spaces and a play area. Work on the Farmers' Market will include complete refurbishing of the existing vendor sheds and the addition of a substantial new shed along the west ends to provide for new vendor space. A new stage and bathrooms will be built where those amenities currently stand at the center of the sheds. The south common area near where a future activity and work space could be located will receive a playground for children and families. The Farmers' Market will also be linked to the Kalamazoo River Valley Trail for the first time.
- b. The **Florence Street Splash Pad** in the Northside will receive critical repairs.

D. Neighborhood Engagement and Activation

Five **neighborhood plans** have been adopted to-date (Edison, Eastside, Northside, Oakwood, and Vine), and 45% of plans for all 23 neighborhoods will be complete by the end of 2020. This program lays the groundwork for future investments in the City.

E. Downtown: Inviting and Accessible Spaces

Murals, street beautification, and improved non-motorized transportation.

F. Youth Development

- a. **Youth Opportunities Unlimited (YOU)**, a Program of Kalamazoo Regional Educational Service Agency (KRESA), has been a partner with the City of Kalamazoo since 2006 in providing city youth ages 14-18 with summer work experience and career exploration activities. FFE funding has allowed YOU to increase the participant level three-fold expand services to include vocational training, enhanced educational components, and a career fair, which will continue into 2020.
- b. **All Things Possible (ATP)** is a middle to high school summer transition program designed to eliminate skill gaps from the "summer slide." Each day consists of work skills, life skills, recreational activities, talent development, and career/educational exposure. Attendance of ATP has grown from 30 to approximately 50-55 participants in 2018 and 2019. The focus of 2020 is on maintaining attendance while continually improving quality.
- c. **SuperRec** is Kalamazoo's totally free drop-in summer camp for youth. In 2019 the Kalamazoo Parks and Recreation Department's SuperRec program built on the successful 2017 and 2018 expansions because of clear demand from families and added an additional site location. SuperRec works in City neighborhoods to offer free, socially enriching experiences to children aged 7 to 14, primarily those from underprivileged communities and backgrounds. Unique participants grew from 290 in 2017 and 304 in 2018 to 400 in 2019. Attendance in 2020 will remain above 400 because of the new site.
- d. **The Youth Mobility Fund** provides unlimited free transportation to all Kalamazoo Public school high school students to eliminate transportation as a major barrier to accessing after school learning and employment opportunities.

G. Economic Vitality, Shared Prosperity

- a. **Shared Prosperity Kalamazoo (SPK) High Impact Fund** is working towards a community where no adult or child is left behind due to poverty or lack of opportunity. The initiative

provided five grants in 2019: 1) to the STEAM Academy, a six-week summer learning program in the Eastside neighborhood for youth based on the Next Generation Science Standards (NGSS); 2) The Patient Care Academy, a partnership to improve residents' access to high-quality, in-demand training programs, and to increase the healthcare talent pool; 3) People of Change (Reentry Hub), a centralized "One-Stop Center" in Edison for people returning from incarceration; 4) Momentum Urban Employment Initiative, connecting individuals to sustainable employment opportunities through pre-employment training, life skills training, coaching and networking with its business partners; 5) the Volunteer Income Tax Assistance (VITA) program provides free tax preparation services to low income workers, the elderly, and individuals with disabilities. A two-generation, holistic approach will guide future investments from the Fund.

b. Economic Development

The Imagine Kalamazoo 2025 planning process identified a need for more small business support and increased opportunities for entrepreneurs. The **Business Development Fund** makes resources available through the Small Business Program, including Technical Assistance, Business Grants up to \$2,500, Business Loans up to \$35,000 for eligible activities including design/engineering, site or infrastructure rehabilitation, storefront improvements, and Gap Financing up to \$25,000 for businesses that have received 75% of their needed financing through traditional lenders.

c. Affordable Housing

Throughout Imagine Kalamazoo engagement efforts, the community continues to identify **Affordable Housing** as a priority, particularly ensuring access to a variety of housing options for all income levels. The City, working closely with community partners, intends to launch a multi-pronged approach in 2020 to remove barriers and increase housing opportunities for all. Strategies will include supporting multi-family and single-family new development, housing rehabilitation, increasing first time home buyers, implementing policy changes to increase access to housing, and initiating several pilots designed to remove housing barriers.

H. Environmental Responsibility

Home Energy Efficiency Audit Pilot is a two-year program to assist in data collection, planning, and education. We anticipate this information will allow us to develop a formal Green Affordable Housing Program that will require funding to comprehensively address energy efficiency when doing home improvement projects in our other programs.

I. Good Governance, Program Costs

a. FFE Personnel

- i. Existing: Shared Prosperity Kalamazoo Coordinator, Neighborhood Activator, Youth Development Coordinator, FFE Coordinator and Resource Specialist
- ii. New: A 50% allocation split with the City's general fund will support a Grants Specialist to work for the FFE Coordinator, adding much-needed capacity.

b. Communication & Evaluation

Staff will continue to implement the 2017 engagement strategy while adding new tactics to reflect a maturation of the FFE and its needs. Awareness-building, values alignment, and new tools will be the focus. There will also be added emphasis on tracking and evaluation of individual programs and projects as well as the overall outcome of FFE investments.

c. FFE Projected Expenses: (SEE Appendix B)

APPENDIX B

FFE Projected 2020 Expenses Description

Direct expenses for the Foundation for Excellence in the 2020 fiscal year are projected to total \$236,500. This sum is reflected in the 2020 allocation draft. These funds would be granted to the City of Kalamazoo, which would manage the relevant agreements and expenses. This sets up the framework for a standalone operations budget to be paid directly to vendors by the FFE in future years.

FFE Projected 2020 Expenses

| | |
|--|-----------------------|
| Investment Consultant | 180,000 |
| Annual Independent Audit | 5,000 |
| Investment Due Diligence | 6,500 |
| Community Outreach | 10,000 |
| Board Liability Insurance | 17,500 |
| Investment Committee Liability Insurance | 17,500 |
| Total Projected Expenses | <u>236,500</u> |

Other projected costs are Investment Manager Expenses and Investment Account Fees associated with managing the FFE endowment. These expenses and fees will be paid directly out of the investment accounts and reported by way of the Foundation for Excellence Subcommittee to the Finance Committee to the board of directors in regular reports.

Other Projected Expenses:

| | |
|-----------------------------|--------------------|
| Investment Manager Expenses | \$100,000 estimate |
| Investment Account Fees | \$500,000 estimate |

Investment manager expenses are unknown at this time as the managers and investment type allocation have yet to be finalized and approved. Investment strategy will vary based on the size of the endowment. Also, the Foundations investment strategy will not be the same as the City's as the City funds have monthly cash flow needs, where the Foundation will only have a once annual cash flow requirement. These fees will be combination of base account fees and a percentage of investment.