MEMORANDUM OF UNDERSTANDING

•	Γhis Memorandum of Understanding is made this	day of	, 2016
betweer	the City of Kalamazoo ("City"), a Michigan municipal	corporation	organized pursuant to
and exe	cising the powers set forth in the Home Rule City Act,	being 1909 Pı	ublic Act # 279, as
amende	d, whose principal office is 241 W. South St, Kalamazoo	o, MI 49007 ar	nd William Johnston
and Wil	iam Parfet as Lead Donors and Capital Campaign Co-ch	nairs ("Lead D	onors"), the City and
Lead Do	nors being collectively referred to as the "Parties".		

The Challenges

The Parties acknowledge the following:

- 1. That in January 2014 the City Commission adopted the following Five Priorities to set the course for the City's future direction:
 - a. Create long-term fiscal stability/sustainability given new realities;
 - b. Build a high performance organizational culture by engaging the workforce;
 - c. Create a shared vision/future direction using intentional community engagement;
 - d. Continue to provide exceptional "core" municipal services;
 - e. Foster collective action to reduce unacceptable poverty- especially of children.
- 2. That in response to the broken Michigan municipal finance model, the City convened a Blue Ribbon Revenue Panel in 2015 comprised of individuals who reflected a cross section of interests and points of view to explore and recommend methods to address anticipated future City revenue shortfalls.
- 3. That the Final Report of the Blue Ribbon Revenue Panel made several recommendations regarding City revenue improvements, but acknowledged that those recommendations did not fully address future anticipated City revenue shortfalls.
- 4. That the only option which clearly addressed anticipated future City revenue shortfalls, imposition of a City Income Tax by voter approval, was not recommended by the Blue Ribbon Revenue Panel.
- 5. That as part of the effort to update its Master Plan, the City has embarked on the Imagine Kalamazoo 2025 community visioning process intended to develop a Shared Vision for the community, create its future direction, and identify the resources needed to advance and achieve that vision.
- 6. That City residents and property owners already shoulder a tax burden that frustrates efforts to compete for new investment in the community.

The Philanthropic Approach

The Lead Donors, recognizing the proactive efforts of the leadership of the City to define and address the challenges that confront our community, agree:

- 1. To lead the Capital Campaign for the tentatively named Kalamazoo Foundation for Excellence, a non-profit entity that will be created to last into perpetuity. The purpose of the Foundation for Excellence will be to support the City of Kalamazoo operations as defined in the organizational indenture document of the Foundation.
- 2. Upon the creation by the City and approval by the Lead Donors of the organizational indenture of the Foundation for Excellence, the Lead Donors agree to raise \$70.3 million to be utilized by the City for budget stability, an *ad valorem* tax rate equal to a 12 mills (1.2%) rate as well as aspirational projects as identified by Imagine Kalamazoo 2025. To facilitate the 2017 City budget process the Lead Donors agree to begin the Capital Campaign in advance of the organizational indenture document completion with the expressed purpose of raising \$20.1 million dollars for the 2017 City of Kalamazoo budget.
- 3. To actively promote the goal of having the Foundation for Excellence fully endowed by June 30, 2019.
- 4. The Lead Donors understand that the City will need to explore other revenue alternatives, should the effort to fund the Foundation for Excellence fail.
- 5. The Lead Donors believe the Foundation for Excellence will last into perpetuity. As such the Foundation will endure for generations to come beyond our current Mayor, City Commissioners, City administrators, donors and citizens. The Lead Donors require that substantial research and thoughtful deliberation be engaged in to create an organizational document that will stand the test of time and include the appropriate governance structure that assures that the funds will be administered as defined in the organizational indenture.

The Work

The City, upon receipt of the donation, will undertake the following commitments:

- 1. Create a separate City-controlled fund to receive the donations.
- 2. By August 31, 2017, establish the organizational indenture of the nonprofit Foundation for Excellence entity, as permitted by MCL 117.4a, into which the donations and any additional contributed money, from sources both great and small, shall be deposited to provide an endowment so as to extend and continue the budget stability and programs made possible by the donations.
- 3. Develop a budget for Fiscal Years 2017, 2018 and 2019, which incorporates a 12 mill (1.2%) ad valorem tax rate for municipal purposes on real and personal property located in the City.

- 4. Allocate \$10 million in each of the next three Fiscal Year City budgets for Aspirational Projects, to be funded by the donations, based on the results of the Imagine Kalamazoo 2025 process, the recommendations of the City Manager and approval by the City Commission which may include, but are not limited to:
 - a. Develop and commit resources to address generational poverty, promote youth development and remove barriers to employment opportunities for youth, under employed and unemployed individuals, and persons seeking re-entry to our community.
 - b. Address capital and human infrastructure and improvement/maintenance needs as identified by the Imagine Kalamazoo 2025 process and the City's Capital Improvement Program.
 - c. Develop and implement neighborhood improvement efforts and projects which reimagine and reinvest public spaces to attract and connect people.
- 5. Explore further budgetary savings that may be realized by shared service delivery with regional municipal, post-secondary school educational institutions, and private partners.
- 6. Develop best practices and measures intended to show the impact of the donations on the efforts and initiatives of the City to achieve the Five Priorities for the future direction of the community.

For the CITY OF KALAMAZOO: