

KALAMAZOO FOUNDATION FOR EXCELLENCE
Investment Sub Committee Meeting
Quarter Ending June 30, 2022
Meeting of Wednesday, August 24, 2022, at 11:00 AM
Hosted by City of Kalamazoo, Community Room, 2nd Floor, Kalamazoo City Hall

MINUTES

I. General Opening Items

A. Call meeting to order

R. Salisbury

Chair Salisbury called the meeting to order at 11:02 a.m.

B. Roll Call

S. Vicenzi

Members Present Chair Robert Salisbury, Randy Eberts, Dean Bergy, Dan DeMent, Sandi Doctor, Nick Griffith, and Joshua Sledge

Members Absent None

C. Introduction of Guests

R. Salisbury / S. Vicenzi

Steve Vicenzi, Chief Financial Officer, City of Kalamazoo; Chris Ruppel, Merion Capital; Neena Porter, Management Services Coordinator; Steve Brown, Manager, Kalamazoo Foundation for Excellence; Alisa Carrel Treasurer, Kalamazoo Foundation for Excellence; Mayor Anderson; Rob McDougall, Lynn Zhang, Katie Richards, Kyle Mack, and Sean Qi from Zhang Financial

D. 1. **Approval** of minutes from May 25, 2022, meeting

R. Salisbury

A **motion** was made by Mr. Eberts and seconded by Ms. Doctor to approve the minutes from the May 25, 2022, meeting. The **motion carried** by voice vote.

E. Public Comment

S. Vicenzi

None

II. Kalamazoo Foundation For Excellence

A. Investment Portfolio

1. Assets as of June 30, 2022,

S. Vicenzi

Mr. Vicenzi reviewed the assets as of June 30, 2022.

2. Investment Performance Report 2022Q2

R. McDougall

Mr. McDougall reviewed the investment performance report.

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The market value of portfolio assets decreased from \$185.1 to \$160.4 million to million during the second quarter of 2022, a decrease of \$24.7 million or -13.34%. Interest and dividend income for the quarter amounted to \$155,575.69.

The portfolio weighted average return for the quarter, net of manager fees, was -13.31%. The 1-year return, net of manager fees, was -10.58%. The return since May 1, 2020, net of manager fees, through the end of the quarter has been 5.71%.

Equities comprised 68.7% of the Kalamazoo Foundation for Excellence portfolio at the end of the second quarter. The equity portion of the portfolio returned -16.10% for the quarter, -19.96% year-to-date, and -10.63% over the last year.

Fixed income comprised 26.2% of the Kalamazoo Foundation for Excellence portfolio at the end of the second quarter. The fixed income portion of the portfolio returned -4.56% for the quarter, -9.93% year-to-date, and -10.29% over the last year.

Real Estate comprised 5.1% of the Kalamazoo Foundation for Excellence portfolio at the end of the second quarter. The real estate portion of the portfolio returned -15.48% for the quarter and -20.76% year-to-date.

Cash and equivalents totaled \$48,760; less than 0.1% of the total assets.

The portfolio finished the quarter with 68.7% in equities, 26.2% in fixed income, 5.1% in real estate, and less than 0.1% in cash. The portfolio target allocation approved by the investment committee on August 25, 2021 is 70% equities, 25% fixed income, 5% real estate, and 0% cash.

The inflation-adjusted, or real return, for the quarter was -16.37% as the inflation rate for the quarter was 3.06%. With a year-on-year inflation rate of 9.06%, the one-year real return was -19.64%. Since May 1, 2020, the return on the portfolio, net of manager fees, has been 5.71% nominal and -1.25% real with a since-inception inflation rate of 6.96%.

B. Account Update

S. Vicenzi

1. 2022Q2 Review Expenses/**Approval**

Mr. Vicenzi presented the quarterly expenses.

A **motion** was made by Ms. Doctor and seconded by Mr. DeMent to approve the expenses for the 2nd quarter of 2022. The **motion carried** by roll call vote as follows:

Ayes:	Robert Salisbury, Randy Eberts, Dean Bergy, Dan DeMent, Sandi Doctor, Nick Griffith, and Joshua Sledge
Nays:	None
Abstains:	None
Absent:	None

i. 2022Q2 Review of Cash Flow

S. Vicenzi

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Mr. Vicenzi presented the Cash Flow reports.

ii. 2022Q2 Rebalance/Liquidations S. Vicenzi

No rebalance/liquidations this quarter.

C. Communications

1. Derivatives Reports R. McDougall

Mr. McDougall presented the derivative reports.

2. Jennison Quarterly Overview R. McDougall

Mr. McDougall presented.

3. Articles of Interest C. Ruppel

Mr. Ruppel presented.

4. Other (None) C. Ruppel

D. Due Diligence / Education / Governance C. Ruppel

1. Activity Reports C. Ruppel

Mr. Ruppel presented.

2. Future Due Diligence / Education C. Ruppel

Mr. Ruppel presented.

3. Corporate Governance C. Ruppel

Mr. Ruppel reviewed that the duties of the financial investment subcommittee are to investigate and to recommend necessary services and providers to the KFFE Finance Investment Committee for approval.

E. Old / New Business R. Salisbury

1. Purchase of Merion Capital LLC by Zhang Financial C. Ruppel

A **motion** was made by Mr. Salisbury and seconded by Mr. Bergy that the committee approves that Zhang Financial take over the consulting responsibility for the Retirement Investment Committee and recommend that the City of Kalamazoo enter into a contract with Zhang Financial for such services with the same terms as the existing contract with Merion Capital. The **motion carried** by roll call vote as follows:

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Ayes: Robert Salisbury, Randy Eberts, Dean Bergy, Dan DeMent, Sandi Doctor,
Nick Griffith, and Joshua Sledge
Nays: None
Abstains: None
Absent: None

2. Status of committee liability insurance S. Vicenzi

Mr. Vicenzi quotes are being reviewed.

III. General Closing Items

A. Future Meetings R. Salisbury

2022Q3 Wednesday, November 30, 2022, at 11:00am, Kalamazoo City Hall
2022Q4 Wednesday, February 22, 2023, at 11:00am, Kalamazoo City Hall
2023Q1 Wednesday, May 24, 2023, at 11:00am, Kalamazoo City Hall
2023Q2 Wednesday, August 23, 2023, at 11:00am, Kalamazoo City Hall

B. "Around the Table" R. Salisbury

C. Adjourn R. Salisbury

Chair R. Salisbury adjourned the meeting at 11:28 a.m.

Sincerely,



Steve Vicenzi,
Secretary