

October 14, 2016

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The Honorable Bobby Hopewell
Mr. Jim Ritsema, City Manager
City of Kalamazoo
241 West South St.
Kalamazoo, MI 49007

Dear Mayor Hopewell and City Manager Ritsema:

Thank you for the opportunity to discuss the structure, governance and operations of the proposed Foundation for Excellence. I would first like to support the recommendation from your City Attorney and legal counsel that a nonprofit public charity Supporting Organization – 509a3 in the IRS Code – is the best of the options available to you. The IRS Tax Code provides for three types of Supporting Organizations, and I recommend that you consider a Type I.

A Supporting Organization is defined as a charity that carries out exempt purposes by supporting other exempt organizations, usually other public charities such as in this case the City of Kalamazoo. A Type I allows the supported organization – the City – to regularly appoint or elect a majority of the directors of the supporting organization – the proposed Foundation for Excellence. The relationship between a supported organization and its Type I is often characterized as a parent-subsidiary relationship. The bylaws of the new Foundation as a Michigan nonprofit charitable corporation would include that the Board of the Supporting Organization have an annual meeting with the City Council to report on its work.

In terms of Governance, a board of at least seven is appropriate with a blend of city and community representatives. For example, the bylaws could provide for the Mayor, and City Manager to serve, with appropriate community representatives appointed as well. The community representatives could certainly include donors to the new Foundation, because maintaining donor intent is vital to its long term success. I make this recommendation because it is my understanding that more contributions are going to be sought for this Foundation and our experience has confirmed that donors want to know that the governing body of the foundation is not subject to politics and has representatives with the appropriate experience engaged in governance.

Donors also respect operations that leverage experience, and Kalamazoo is fortunate to have in the Kalamazoo Community Foundation one of the top community foundations in the country – well respected for its management expertise and accredited by National Standards for US Community Foundations. Thus, I recommend that you enter into a Memorandum of Understanding (MOU) with the Kalamazoo Community Foundation to operate this new Foundation for you. While the new Foundation for Excellence will have its own identity, the Kalamazoo Community Foundation can provide important efficiencies by handling the administrative requirements for you.

Please let me know if I can provide further information about these three recommendations. The Council of Michigan Foundations (CMF) has a 40-year history of growing the impact of Michigan philanthropy and has worked on numerous public-private partnerships with government as well. We also operate three Supporting Organizations so are well familiar with this charitable legal structure provided for in the IRS Tax Code.

Sincerely,

A handwritten signature in black ink that reads "Rob Collier". The signature is written in a cursive style with a large, stylized "R" and "C".

Rob Collier
President

cc: Mr. Clyde Robinson, City Attorney