

DRAFT MEMORANDUM

8/26/2020

To: President Dr. Angela Graham-Williams and the Board of Directors

From: Steve Brown, Foundation for Excellence Manager

Subject: The Recommended Fiscal Year 2021 Distribution to the City of Kalamazoo

I am pleased to present for the board's consideration the first draft of the 2021 Foundation for Excellence (FFE) grant to the City.

The proposed grant is \$25,786,361, which includes \$4,243,600 for budget stabilization, \$13,016,024 for tax reduction to City property taxpayers, and \$8,526,737 for aspirational projects 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, \$11.9 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 \$47.1 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, \$32.6 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, economic development assistance to small businesses, and grantees of the Shared Prosperity Kalamazoo High Impact Fund.

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,



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.

Imagine Kalamazoo 2025 Goals and FFE Programs	Total 2017-2020 Grants to City	Proposed 2021 Grant to City*
Budget Stabilization	\$11,920,000	\$4,243,600
Tax Reduction	\$47,092,033	\$13,016,024
Subtotal	\$59,012,033	\$17,259,624
Aspirational Projects		
Safe Community		
Lead Services Replacements	\$2,000,000	\$500,000
Complete Neighborhoods, Connected City, Inviting Public Places		
Great Neighborhoods: Infrastructure	\$7,950,000	\$1,782,500
Great Neighborhoods: Park Enhancements	\$4,180,000	\$4,500
Neighborhood Engagement and Activation	\$300,000	\$100,000
Downtown: Inviting and Accessible Spaces	\$500,000	
Youth Development		
MyCity Summer Youth Employment	\$3,150,000	\$825,000
All Things Possible (ATP)	\$308,800	\$134,674
SuperRec	\$400,400	\$175,358
Youth Mobility Fund (YMF)	\$750,000	
Digital Access for All (DAFA)	\$200,000	\$100,000
Shared Prosperity		
Shared Prosperity Kalamazoo High Impact Fund	\$2,106,500	
Economic Vitality		
Economic Development	\$7,250,000	\$1,933,200
Affordable Housing	\$5,275,000	\$2,410,000
Environmental Responsibility		
Home Energy Efficiency Audit Pilot	\$66,000	\$92,000
Good Governance, Program Costs		
FFE Personnel	\$1,263,830	\$469,505
Communication & Evaluation	\$200,000	
FFE Projected Expenses	\$236,500	
Total 1% Contingency per Goal Area**	\$97,983	
Subtotal	\$36,235,013	\$8,526,737
TOTAL	\$95,247,046	\$25,786,361

*Budget drafts are subject to change prior to formal Board recommendation to the City Commission

**Existing contingency funds of \$97,983 meet the target of 1%

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 2021 Projected Taxable Values = \$1,790,251,517
- Projected difference in taxes under 19.2705 mills and current 12 mills = \$13,016,024

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; 2021, \$4.23M.

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 all requirements, including new and more stringent laws passed in recent years. The City of Kalamazoo has been proactive with a lead water 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 as a result of FFE, consistent with previous years but depending on overall cost.

B. Complete Neighborhoods, Inviting Public Places, Connected City

Great Neighborhoods: Infrastructure: This year’s request focuses on repairing and replacing sidewalks in priority areas within ¼ mile of a school or other key community asset – a priority included in the Imagine Kalamazoo Master Plan, as well as extending Kalamazoo River Valley Trail in two significant areas between downtown and core neighborhoods. Funding for tree planting and management are also once again included, as are new sources for traffic calming and beautification of core neighborhoods.

C. Neighborhood Engagement and Activation

- a. **Neighborhood Planning:** seven neighborhood plans have been adopted to date (Edison, Eastside, Northside, Oakwood, Vine, Oakland Winchell, and Parkview Hills).
- b. **Expungement Clinic:** The FFE-funded expungement clinic has successfully helped residents exercise their right to have past offenses expunged and help to clear a path to employment and success for community members that have made mistakes in their past. This program will continue in 2021.

D. Youth Development

- a. **MyCITY (formerly YOU):** This program of the Kalamazoo Regional Educational Service Agency (KRESA) has partnered with the City since 2006. MyCITY Kalamazoo was modified because of COVID-19 to a predominantly virtual model for 2020 to allow for a safe and productive paid career exploration experience for youth ages 14-21 in the City of Kalamazoo. There were 154 participants who engaged in the virtual Career 101 and Career 2.0 pathways this summer which included activities guided by a Career Coach and focused on areas such as employability skills, career exploration, career pathway planning and industry focused project-based learning. Of the 154 participants, 65% earned a retention bonus for actively engaging fully in the program from start to finish. An additional 20% took advantage of the opportunity to make up incomplete activities from previous weeks and complete an optional career pathway planning bonus activity. The CareerNOW pathway of MyCITY Kalamazoo provided short term training opportunities in Certified Nurse Aide, Construction Trades, and Early Childhood Education through a combination of in-person and virtual classroom sessions.
- b. **All Things Possible (ATP):** 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 grew from 30 to 50 participants in 2018 and 2019. In 2020 the program was reduced to 50% capacity because of COVID-19 and turned into three, two-week programs. Twenty-five unique youth participated throughout the summer.
- c. **SuperRec:** Kalamazoo’s only 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. Because of COVID-19, capacity was reduced to 50% at each site and a total of 146 unique were served youth throughout six, one-week sessions.
- d. **Digital Access for All (DAFA):** A partnership of Kalamazoo Public School, Kalamazoo Public Library, and the Kalamazoo Promise offers free Internet access to up to 1,000 KPS households. This helps students across the system more equitably participate in distance learning, become comfortable with technology, and explore the opportunities that are available online.
- e. **The Youth Mobility Fund (YMF):** A community partnership with Metro, KPS, and Kalamazoo Youth Development Network that provides fare-free transportation to public high school students. The program provided over 150,000 fare-free public bus rides in its pilot year from August 2019 to June 2020. Metro buses remain limited at 20% capacity due to COVID-19, and in response KPS will initially issue 400 Youth Mobility Fund cards to students who opt-in and are priority eligibility for the first trimester of the 2020-2021

school year.

E. Economic Vitality, Shared Prosperity

a. Economic Development

- i. **Business Development Fund:** A fund that makes significant 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 and Gap Financing up to \$25,000 for businesses that have received 75% of their needed financing through traditional lenders.
- ii. **Neighborhood Plan Projects:** New strategies include targeting ideas to neighborhood plans as they are created, including expansion of façade improvements to business signage created in collaboration with local artists and planned pop-up retail pilot.

b. Affordable Housing

- i. **Pathways Home Partnership:** A housing partnership of the City, Kalamazoo Neighborhood Housing Services, and Open Doors to move Kalamazoo residents from homelessness to homeownership.
- ii. **Site Acquisition:** A project supporting site acquisition in priority places to rebuild housing and mixed-use buildings.
- iii. **Housing for All:** A loan program for affordable housing infill. The program supports mixed-use development for small developers and Incremental Development Alliance coaching. It funds Low Income Housing Tax credit project gaps.
- iv. **Tax Foreclosure Prevention:** A program created in partnership with Kalamazoo County with an annual goal of zero tax foreclosures in the City of Kalamazoo.
- v. **Clouded Title Clearing:** A unique effort with the County to identify and assist families in addressing unclear ownership of homes to create wealth in those families. In its first year, 2020, this program created a total of \$334,000 of fair market value for eight families in core neighborhoods from an investment of \$4,400 FFE dollars.

F. Environmental Responsibility

Home Energy Efficiency Audit Second Year: the second year of the pilot program will continue to collect data by offering no-cost energy audits to clients, performing energy efficiency upgrades, working with minority contractors to explore opportunities to expand professional certifications, and engaging with housing program clients to ensure more efficient, safe, and comfortable homes.

G. Good Governance, Program Costs

- a. **FFE Personnel:** existing full-time positions are the Shared Prosperity Kalamazoo Coordinator, Neighborhood Activator, Youth Development Coordinator, and FFE Manager; the existing half-time positions are the Grants Specialist and Deputy City Manager responsible for FFE.
- b. **Communication and 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 2021 fiscal year are projected to total \$219,000. As planned, these costs will be paid directly from the FFE's endowment account beginning with the 2021 fiscal year and moving forward and reported by to the Finance Committee in regular reports.

FFE Projected 2021 Expenses

Investment Consultant	180,000
Annual Independent Audit	7,500
Investment Due Diligence	6,500
Community Outreach	10,000
Board Liability Insurance	7,500
Investment Committee Liability Insurance	7,500
Total Projected Expenses	219,000

Other projected costs are Investment Manager Expenses and Investment Account Fees associated with managing the FFE endowment. Investment manager expenses are anticipated to increase significantly from 2019 due to the launch and partial funding of the endowment. The Foundation's investment strategy will have a once-annual cash flow requirement for paying expenses. These fees will be combination of base account fees and a percentage of investment.

Other Projected 2021 Expenses:

Investment Manager Expenses	\$250,000 estimate
Investment Account Fees	\$500,000 estimate