

# Erie County Gaming Revenue Authority

## Impact Investing Policy

### 1 STATEMENT OF FIDUCIARY RESPONSIBILITY

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We recognize that our fiduciary responsibility begins with the proper investment of gaming funds for the maximum benefit of the people living in Erie County, Pennsylvania. We also recognize that the definitions, powers, and abilities to do so are pursuant to the Economic Development Financing Law, the establishment of the State Gaming Fund, the ECGRA Bylaws, and the incorporation of the Authority under the Commonwealth of Pennsylvania and Erie County.

We believe that efforts to address job creation, regional competitiveness, high poverty neighborhoods, and the needs of those who live in high poverty neighborhoods should be incorporated into the investment decision-making process.

We recognize that the intent of gaming funds was to act as a catalyst for transformational economic and community development. We believe that independent funding sources like gaming funds provide the agility and flexibility to address the growing needs of communities in economic stagnation. We also believe that the funds received in Erie County are not alone sufficient to address social, environmental, and economic development problems facing the community.

Therefore, we seek to leverage gaming funds by partnering with organizations capable of attracting additional financing. We seek to make mission-related investments (MRIs) in entities capable of creating an economic, social, environmental and financial return for our community consistent with the Authority's Board adopted Strategic Plan.

We adopt this policy in the spirit of the Impact Investing Movement started by funding organizations like ours that realize the inherent limitations of grant-making.

### 2 MISSION-RELATED INVESTMENT PHILOSOPHY

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ECGRA's vision is to elevate Erie County by making investments within Erie County that spur the economy and strengthen the community. To ensure this vision is considered in our investments, ECGRA will:

- Consider the investment's relation to the Community Revitalization Act, the Small Business Administration, and key institutions and organizations associated with the impact investing movement
- Identify partners, institutions and program managers that share a common mission of economic and community development
- Pursue a range of investments and asset classes ranging from below market rate to market rate, based upon the desired outcomes and contemporary financial realities

### 3 SPENDING & INVESTMENT GOALS

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The spending and investment goals of ECGRA are:

- To generate enough income necessary to maintain the Authority’s operations and fund its grant making over the long-term through loans, notes, warrants, revolving loan funds, CDFIs and other hybrid financing vehicles that support mission-related investing
- To provide capital to organizations that further the mission of economic and community development in Erie County, Pennsylvania
- To set spending levels in accordance with the Strategic Plan, the trends in gaming revenue, and financial returns on mission-related investments

The Board of Directors has determined that the Authority should be viewed as a perpetual institution. Therefore, investments that have the potential to generate substantial impact and long-term returns will be important to pursue.

### 4 MRI GUIDELINES

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MRI Guidelines are based on a 20-year horizon. Interim performance will be monitored as appropriate. Income may be used to finance grants and operating expenses. Assets may be spent down during periods in which neither appreciation nor income is sufficient to fund grant-making budgets.

The Authority’s assets will be managed by the Board of Directors based upon review and recommendations of the Finance Committee who may rely upon advise from professional consultants. Assets are allocated in accordance with guidelines set forth by the Finance Committee and approved by the Board. MRIs will be monitored on a regular basis.

### 5 ASSET ALLOCATION

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When possible, assets will be diversified both by asset class and within each asset class. Asset allocation will fall within the following ranges:

CASH	5 -20%
FIXED INCOME	20-30%
ALTERNATIVE INVESTMENTS	50-70%

On a quarterly basis, the Finance Committee shall review the over- and under-weighting of the asset allocation and make recommendations to the Board of Directors.

The following chart explains the type of MRI that would qualify in each asset class listed above:

Asset Class	Description
Cash	Linked Deposits with local banks, credit unions & CDFIs to accomplish small business financing goals
Fixed Income	Senior and subordinate debt in revolving loans funds, CDFIs, SBA-backed loans, affordable housing projects, social impact bonds targeted to Erie County
Alternative Investments	Growth, venture and working capital for industry and business

## 6 SCREENING

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ECGRA views its investments as an integrated component of its overall mission. Investments are based on sound, professional financial analysis and filtered through screens consistent with and in support of the Authority’s legal boundaries, values, and mission. Exclusionary screens guide the Authority on investments to avoid, and inclusionary screens are viewed positively.

The Authority shall utilize a committee selection process to vet entities to invest in under each asset class. The Authority shall use financial analysis, social, environmental, and geographic screens.

The Authority shall utilize the appropriate data needed to apply the screens. Consultants, reports, and information provided by government agencies and advocacy groups, and articles found in general, business, and trade media are acceptable.

In order to avail itself of a full spectrum of MRI diversification, the Authority may invest in asset classes where screening is limited or unavailable, including private equity and venture capital. To the extent possible, the Authority will seek to identify and consider professional advisors in these asset classes who include screening in their investment process and/or ensure that such investments are benign in relation to the Authority’s mission.

The Authority will review the relationship between financial returns and the impact of screening at least once every three years.

The Authority may develop specific exclusionary and inclusionary screens for each of its program areas.

## 7 MONITORING

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The Finance Committee will monitor the performance of the Authority’s MRIs on a quarterly basis, with a meeting scheduled at regular intervals. The Authority shall develop specific monitoring processes for each asset class in accordance with the strategic plan prior to making an MRI.

## 8 PERFORMANCE STANDARDS

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An impact investment policy that seeks to measure the performance of an MRI needs to take into account measures beyond financial return. For example, the Impact Reporting and Investment Standards (IRIS) is a set of metrics that can be used to measure and describe an organization's social, environmental impact in addition to financial performance. IRIS is a pioneering standard for the impact investment field that was developed and is continually updated by the Global Impact Investment Network (GIIN).

*The **Impact Reporting and Investment Standards** is a major project of the GIIN's infrastructure development initiative. One of the limitations to the growth of the impact investing industry is the lack of transparency and credibility in how funds define, track, and report on the social and environmental performance of their capital. This leads to higher transaction costs and a limited ability to understand the impact of investments.*

*To address these challenges, the GIIN is expanding upon work initiated by **The Rockefeller Foundation, Acumen Fund, and B Lab** to develop and promote a common framework for reporting the performance of impact investments. The group, in collaboration with other impact investors and industry experts, has developed a standard set of performance measures for describing social and environmental performance that facilitates comparisons of impact data across investments. The project is supported by **the United States Agency for International Development (USAID) and Rockefeller Foundation**, and builds on prior work in the social impact assessment field. **Deloitte and PricewaterhouseCoopers** are providing technical support for the IRIS initiative.*

*A common social and environmental vocabulary also enables the aggregation of data from different providers and data collection systems. Organizations that adopt the IRIS definitions for their impact reporting can contribute data to the GIIN, which will produce industry-wide benchmarks and support related analysis by intermediaries, principal investors, academics, and enterprises themselves.<sup>1</sup>*

## 9 REVIEW & TERMINATION

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Prior to making an MRI, the Authority shall determine a system of review and termination when appropriate based on each situation. This determination shall be made by the Board and incorporated into the contracting/agreement process.

## 10 CONCLUSION

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In the wake of copious research, the strategic planning committee of ECGRA determined in July 2014 that the Authority should be a participant in the impact investing movement. The committee

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<sup>1</sup> This passage can be found at <http://www.thegiin.org/cgi-bin/iowa/reporting/index.html>

recommends that the Board of Directors adopt this policy statement to reflect a mutually agreed upon approach to mission-related investments. Approved – September 25, 2014