Gates Family Foundation
Strategic Plan Update

December 7, 2011
I. Introduction

The Gates Family Foundation completed a strategic planning process between December of 2010 and September of 2011. The Foundation generally undertakes a review and update of its strategic plan every five to six years. These updates provide an opportunity to revisit priority interests, assess the state of affairs and emerging trends in Colorado in key areas, review strategies and tactics and generally consider the effectiveness of the Foundation’s grant making program. This most recent strategic planning review has been broader in scope than other recent updates.

The reasons for exploring the Foundation’s priorities and strategic approach more broadly at this time include:

- Current Foundation priorities and expenditures are not well aligned
- The potential exists for further dilution of impact – the median grant size has been shrinking
- The Foundation currently uses a limited set of tools – primarily responsive capital grant making
- It is harder for the Foundation to initiate effectively in priority areas of interest without sustained engagement in those areas
- Current Foundation activities and materials may not send very clear signals regarding the Foundation’s core interests to potential local and national partners
- Opportunities exist in some areas to exert more leadership and increase the Foundation’s potential impact
- The world continues to change and the Foundation needs to be willing to change with it, if necessary

The Strategic Plan process involved four major steps:

Revisiting Trustee Priorities and Reviewing Recent Grant Making Activity - The process began with a review of trustee priorities articulated at the June 2010 board retreat and an analysis of historic patterns of Foundation grant making over the last 10-15 years. This analysis and the priorities identified by the trustees led to a focus on four areas: improving achievement in P-12 education; supporting stewardship of the state’s natural resources, particularly land and water; sustaining rural communities and rural culture, and; encouraging better models of urban development as the state continues to grow and urbanize. The data reviewed indicated that the pattern of expenditures did not reflect the current priority interests of the trustees. It was agreed that the current cycle of strategic planning provided the best vehicle for addressing this gap and thinking more broadly about how to increase the impact of the Foundation’s commitment of resources within Colorado.

Environmental Scan – With assistance of outside consultants, staff completed a scan of current and future trends in Colorado in the four areas described above. The process involved assembling a great deal of information regarding current and future conditions and trends with respect to the state’s natural resources and rural and urban
communities. In addition, six background research papers were commissioned on P-12 education topics including: human capital, technology, policy, governance, community-based programs, and best practices. The consultants and staff also interviewed a large number of grantees and subject matter experts about how and where the Foundation can make the greatest difference statewide in the four areas selected.

**Strategy Development** - The best ideas gleaned from this research were used to develop alternative strategies for board consideration in each area. Foundation staff and consultants also reviewed the practices and approaches of other foundations nationally. Based on scan data and strategy alternatives, the trustees further prioritized primary and secondary areas of interest for Foundation activity. A decision was made to dedicate resources to initiated activity in priority areas as well as operate a responsive capital grant making program. Trustees also signaled a willingness to use additional philanthropic tools where appropriate and effective, particularly Program Related Investments.

**Action Plan** – The final step in the process was the development of plans to communicate and implement the agreed upon direction and strategies, including a transition plan, revisions to procedures and grant guidelines, new approaches to budgeting and financial management and specific steps to pursue priority outcomes more actively and directly. This step also addressed concepts for obtaining feedback from partners and stakeholders and gauging (and where possible measuring) success over time.

What has emerged from this strategic planning process is a model that combines a responsive capital grant making program with Foundation-initiated activity in four distinct priority areas using a potentially much broader set of philanthropic tools. The Foundation intends to sustain its interest and engagement in these priority areas, and to focus more on maximizing the potential impact of its investments throughout the state. To some extent, the Foundation will be moving beyond the more traditional funder/applicant relationship to a more collaborative and proactive grant making approach. In key areas the Foundation will be focusing on important outcomes and seeking out logical local and national partners that can contribute to progress towards those outcomes.

The Foundation is extremely grateful for the assistance of the many organizations and individuals who took the time to share their experience, data and ideas during the course of this process.

To download a copy of this plan, please visit our website at www.gatesfamilyfoundation.org.
II. Mission

The Gates Family Foundation was established more than 65 years ago. Its purpose is to make philanthropic investments statewide that contribute to the quality of life in Colorado, create opportunities for youth, and support stewardship of this extraordinary place, particularly the state’s natural inheritance. Since its establishment, the Foundation has invested over $215 million across Colorado towards these ends. In carrying out its mission, the Foundation strives to maintain a long-term perspective and focus on the challenges and opportunities that will have the greatest impact over time on the people, communities and resources of the state.

The trustees want the Foundation to be both a resource for important capital investments by nonprofit and community organizations and an investor in and agent for constructive change in areas that will shape the future of the state. Consistent with the core values and historic interests of the Foundation, the trustees have committed to increase its efforts in responding to four long-term challenges facing the state:

1) The challenge of educating all of our children – A significant proportion of Colorado children are not achieving the minimum level of academic proficiency necessary for success in later life. A growing population of children faces limited prospects and dramatically reduced opportunities to participate in the economic and social life of Colorado communities, let alone function as global citizens.

2) The challenge of providing responsible stewardship of our natural resources – Colorado’s natural resources face challenges due to climate change, significant declines in forest health, increased potential for catastrophic wildfires and significant impacts due to energy development and growth of the recreational economy. Population growth increases pressures on natural systems and drives the conversion of more land and water to urban use.

3) The challenge of accommodating more people – Colorado’s population is anticipated to double within the next 40-50 years. The kinds of communities we create to accommodate the needs of this much larger population will have profound implications for a variety of aspects of life in urban and rural communities throughout the state.

4) The uncertain future of rural communities – Rural communities and rural culture are an essential part of the identity and character of Colorado. But the future facing rural communities is full of challenges. Many face unprecedented growth pressures, while others are struggling to survive.
III. Model

Historically, the Gates Family Foundation has been primarily a capital grant maker. The Foundation has responded to requests covering a broad range of interests, including Education; Parks, Conservation and Recreation; the Well-being of Children, Youth and Families; Arts and Culture and Community Development/Revitalization, with additional investments in civic capacity through public sector leadership development, research and analysis of community problems, and support for information sources critical to a functioning democracy.

Starting in 2012, the Foundation will be moving to a hybrid model that combines responsive grant making with more Foundation-initiated activity focused on specific outcomes. The Foundation will also begin using Program Related Investments (PRIs) as a vehicle for increasing its near term impact. PRIs include various forms of low interest loans and recyclable investments designed to provide less than market returns on capital. Significant resources will remain committed to a responsive capital grant making program similar to what exists today. But that capital grant making program will become more competitive. A portion of the Foundation’s resources will be shifted to priority areas relevant to addressing the long-term challenges described above. In these priority areas, the Foundation will initiate more and use a broader set of tools and strategies, working in conjunction with appropriate community partners.

This approach will include three primary components:

A. Responsive Capital Grant Making

The Foundation will continue to operate a capital grant program with a quarterly application and decision process. The range of eligible projects will be similar to the current categories of activities identified above. The percentage of funds allocated annually to this program may vary over time, but will generally represent 40-60% of the funds available for grant making in any given year. Given the more competitive nature of this program in the future, each quarter’s submittals will be reviewed and screened prior to advancing to additional due diligence and site visits. The Foundation may decline otherwise eligible projects at this initial stage if it appears they are unlikely to compete successfully for funding.

B. Initiated Activity In Priority Areas

The priority areas in which the Foundation will focus and initiate more activity will include two primary areas and two secondary areas. The Foundation’s primary areas include P-12 Education and Natural Resources with a secondary emphasis on Rural Communities and Smarter, Greener, Healthier Urbanism. Strategies and approaches will be continually adapted in these areas, but the Foundation expects to maintain a commitment to these areas over time. Periodically the Foundation will review and re-confirm or amend these priorities, generally through future updates to its strategic plan.
C. Program Related Investments (PRIs)

The Foundation will develop the capacity to make low interest loans and other recyclable investments in the projects and programs it supports. The PRI program is a vehicle to increase the near-term impact of the Foundation by deploying more of its assets each year in service to the mission. The Foundation will develop policies and procedures to guide the PRI program. It is anticipated that when fully operational, the PRI program may involve between 5-10% of the Foundation’s assets (not including family funds housed at the Foundation).
IV. Priority Areas - Primary

A. P-12 Education

SUMMARY
Colorado ranks third of all U.S. states in college degrees per capita. But the state ranks 46th in terms of home grown holders of college degrees. For the more than 300,000 children living in poverty in Colorado, only 50% will graduate from high school, and fewer than 10% will ever graduate from college.

The Foundation’s goal is to get more children in Colorado to a universal level of academic proficiency. Achievement levels for children from low-income households currently fall far below this goal. This objective is also sometimes referred to as reducing the achievement gap. The Foundation’s intention is to explore approaches that will include, but go beyond, capital grant making. The Foundation will continue to be an investor in choice alternatives and the establishment and expansion of high-performing charter options within public school systems. It will also begin to explore opportunities in areas such as human capital (the pipeline of school leaders and teachers), the potential of emerging technology and blended learning models, expanded access to quality early childhood education, community-based programming beyond the school day and year and selective opportunities in the policy arena. The Foundation will also continue to have an interest in the success of rural schools and their contribution to community viability as well as opportunities to experiment with alternative approaches to public school governance.

METRICS
To be determined, but likely to include a variety of measures of student achievement and school, district and statewide educational system performance. Examples would include CSAP and other standardized test scores for proficiency and growth by grade, graduation and remediation rates, performance on ACT and SAT college admissions tests, admission rates to four year colleges, directional change in current achievement gaps by income and race, school performance framework results, comparative data with students in other states and countries and other relevant indicators.

ACTIVITIES AND INVESTMENT CRITERIA
The Foundation is at a point of narrowing its focus in the education sector to the P-12 portion of the spectrum and concentrating on raising student achievement, particularly for low income students who tend to have the lowest achievement rates. Capital grants to high performing private and public charter schools have been the primary focus of the Foundation’s more recent P-12 education investments. Moving forward, the Foundation intends to explore additional approaches and different types of education investments. Experience gained in this
manner will likely lead to refinements in the education strategy and future concentration of grant making activity in particular areas.

In the near term, the Foundation will be exploring a range of opportunities that will include the following:

- Continuing to support new and replicating charter and choice alternatives with the potential to offer more high performing options within public systems and to move more of the best practices of these schools into the mainstream of public systems
- Exploring opportunities to impact student achievement through turnaround interventions and/or the granting of meaningful innovation status to public schools
- Looking for effective vehicles for influencing the human capital side of education – particularly the development of effective school leaders and opportunities to attract and retain highly qualified teachers
- Seeking out opportunities to demonstrate the potential of blended learning models and greater use of technology to support differentiated and more personalized approaches to learning
- Looking for high leverage ways to impact the quality of early childhood education services and increase access, particularly for low income families in Colorado
o Gaining more familiarity with the best of the community-based programming alternatives and looking for opportunities to expand those that have the strongest demonstrated connection to improving student achievement
o Remaining open to the possibility of involvement in selected education policy topics at the school, district or state level
o Exploring strategies for identifying higher performing rural schools and opportunities for further innovation in rural settings

EXISTING /CONTINUING COMMITMENTS
The Foundation is currently a participant in Foundations for Great Schools (FGS). FGS is a joint educational and grant making initiative formed by five local foundations, including the Gates Family Foundation. Each year the group analyzes available data on student achievement to identify charter and district public schools that appear to be outperforming their peers in achieving higher levels of growth and achievement. Site visits to selected schools are conducted by Foundation representatives. Based on the information gathered, the five foundations jointly make decisions regarding grant funding for each of the schools reviewed. The group also attempts to identify the factors or practices that appear to be contributing to the success of these higher performing schools.

The universe of schools reviewed currently consists of public district-operated schools, district charter schools and Charter Institute schools within the Denver metro area. Only schools serving a high proportion of students eligible for Free and Reduced Lunch assistance (at least 40% FRL) are evaluated. A combined grant pool of $500,000 is awarded to approximately 12-14 schools each year.

RESOURCES AVAILABLE
P-12 Education will be a primary area of interest for the Foundation. Approximately 25-30% of the Foundation’s annual grant making will be directed towards this area. There may also be opportunities to employ PRI strategies in this area.
B. Natural Resources

Colorado’s land and water resources will be under enormous pressure in coming years as the state continues to urbanize. Colorado was the 4th fastest growing state in the nation from 1998 to 2009, adding 1 million people to its population, and still ranks in the top 10, growing at double the national average. Another million people are expected to move to the state by 2020, and the population is expected to double by 2050. Much of this growth will occur along the Front Range, but the greatest percentage growth is occurring in mountain communities, leading to continued urbanization of mountain valleys and the I-70 corridor across western Colorado. Continued urbanization leads to new pressures on the state’s natural resources.

The certainty of statewide urbanization at a much larger scale has foreseeable consequences for land and water resources. These realities are on top of challenges that already exist associated with climate change, declining forest health, increased potential for catastrophic wildfires, expansion of invasive species and the impacts associated with growth in energy development and the recreational economy. Given the above, the Foundation intends to focus within Natural Resources on land conservation, water resource protection and management, increased capacity within the land trust community, citizen stewardship of public and protected lands and ecosystem services demonstration opportunities.
RESOURCES AVAILABLE
Natural Resource work will be a primary area of grant making for the Foundation. Approximately 25-30% of the Foundation’s annual grant making will be dedicated towards this area. The majority of expenditures will be focused on grant making in support of land and water conservation. There may also be opportunities to employ PRI strategies in this area.

1. Land Protection in Targeted Landscapes

SUMMARY
In Colorado, approximately 100,000 acres of privately-owned farm, ranch or forestlands are lost every year to development. Despite great strides in the past 20 years, land conservation has not kept pace with growth pressure. Landscapes critical for the state’s biodiversity, scenic values, water protection and agricultural production continue to be lost to new development and the impacts of other activities including energy development. These impacts are especially significant in river corridors. Riparian habitat makes up less than 3% of the land in Colorado, but is used by over 90% of wildlife in the state. Auxiliary benefits of river protection include recreation and water quality values.

The Gates Family Foundation has historically been an important source of grants and matching funds for the Colorado land protection community, which has benefited to a lesser degree than some other mountain states from conservation investments by the federal government and national foundations. The Foundation will increase its investment in land conservation and concentrate its focus on targeted landscapes within the state. In addition to an increased focus on a limited set of high priority landscapes for conservation activity, the Foundation will place more emphasis on proposed project impact, leverage of other resources, scale and connectivity, degree of collaboration, landowner commitment and community relevance and support.
METRICS
• Rate and percentage increase in conservation of threatened landscapes
• Acres protected within GFF’s priority landscapes
• Land in agricultural use – increases or decreases over time, by region
• Public and private resources leveraged to support conservation outcomes
• Degree of community support demonstrated for projects, through the diversity and depth of community partners
• Indicators specific to ecosystem health in priority landscapes
• Indicators for scenic values, community separators, and other qualitative values

ACTIVITIES AND INVESTMENT CRITERIA
While the Foundation will continue to consider all requests for support of land conservation projects in its capital grant making program, the intention is to concentrate initiated investments over a multi-year period in three to five target landscapes. Selection of these landscapes will be based on criteria including:

o Priority landscapes identified through the Colorado Conservation Partnership
o Large, intact agricultural heritage landscapes
o Ecosystem types facing the greatest threats and least protection in our state
o Lands that serve to protect threatened river resources
o Lands that support greater access to nature and recreational opportunities for urban populations, particularly kids and young adults
o Capacity of potential partners working in the selected area
o Maintenance of a diversity of partners and geography within the Foundation’s conservation investment portfolio

The Foundation will explore statewide demand for low-interest loan funding for land conservation. Regional models include the Heart of Rockies Loan Fund and Packard Foundation loan funds, as well as the loan funds operated at various times by the Colorado Conservation Trust and the Colorado Cattlemen’s Agricultural Land Trust.

EXISTING COMMITMENTS
The Gates Family Foundation has made a three-year commitment to the Colorado Cattlemen’s Agricultural Land Trust to support North Park conservation at a landscape scale (in partnership with the Frontiers Fund/Wyoming Stock Growers Agricultural Land Trust for a parallel conservation effort in the North Platte Valley of Wyoming).

2. Land Trust Capacity Building

SUMMARY
Colorado has over three dozen nonprofit land trusts, and dozens of local government open space programs, as well as land conservation activity in state Department of Natural Resources agencies, including the Department of Parks and Wildlife and the State Land Board. Together, these groups protect an estimated 100,000 acres of land per year in Colorado. The last few years have seen challenges to Colorado’s land conservation tax credit program, and increased scrutiny of easement practices. The recession has led to increased interest in potential land
trust mergers. The land protection community within Colorado has matured significantly within the last 25 years, but many opportunities still exist to improve organizational practices, develop better means to defend perpetual easements, increase stewardship capacity and improve community support and relevance.

The Foundation supports continued development of capacity within these groups, to adopt industry best practices through accreditation and the Centers of Excellence effort, defend existing protection mechanisms, develop new tools and continue to achieve organizational excellence.

**METRICS**

Professional competence of land trust organizations (as represented by staffing, accreditation, adherence to best practices and public perception)

- Community support of land trusts as determined through the diversity and depth of partnerships created and other indicators of local support
- The capacity of land trusts to monitor and support stewardship for existing easements
- Number and/or percentage of land trusts with Land Trust Alliance accreditation statewide
- Financial health and stability of land trusts overall, as determined through financial data and through communication with Colorado Coalition of Land Trusts, the Colorado Conservation Trust, the Land Trust Alliance and the State Board of the Great Outdoors Colorado Trust Fund

**ACTIVITIES AND INVESTMENT CRITERIA**

The Gates Family Foundation anticipates that most of these capacity-building investments will occur through grants to existing conservation support organizations such as the Colorado Conservation Trust, the Colorado Coalition of Land Trusts, and the Land Trust Alliance, rather than through direct grant making to individual land trust organizations.

The Foundation supports the development of a robust, skilled and resilient land trust community in Colorado and will selectively consider support for the development and provision of additional training resources for land trusts, including conservation finance, technical assistance and leadership development capability. The Foundation will encourage accreditation for 100% of Colorado land trusts, and intends to make accreditation a requirement for all grantees over the next several years.

The Foundation will also support community outreach and engagement efforts by land trusts to increase community relevance and support for their activities and will support land trust collaborations and/or mergers where the right conditions exist.

Finally, the Foundation will support educational and other efforts necessary to ensure the continued availability of the Great Outdoors Colorado Trust Fund (GOCO), the existing Colorado tax credit program and other essential tools, and will participate in the development and capitalization of an easement defense insurance pool serving all Colorado land trusts.
Dome Rock State Wildlife Area, Teller County
   Palmer Land Trust

Music Meadow Ranch, Westcliffe, CO
   San Isabel Land Protection Trust

Winship, Lincoln County
   The Nature Conservancy

Iva Mae Ranch, Walden
   Colorado Cattlemen’s Agricultural Land Trust

East Fork Ranch, Mineral County
   Conservation Fund

East Orchards Mesa, Palisade
   Mesa Land Trust
3. Water Resources

SUMMARY
Colorado is home to the headwaters for four major rivers (the Colorado, Rio Grande, Arkansas and South Platte) that flow out of state supplying water to 19 other states, as well as multiple major tributaries (the Yampa, White, Dolores, Gunnison, San Juan, San Miguel and others) to the Colorado River system, and thousands of smaller waterways. No major rivers flow into Colorado. Population growth and urban development in Colorado are intensifying conflicts between the users of this water, including urban, agricultural and recreational users. Statewide water supply needs (now at 1.1 million acre feet) are projected to reach 2.1 million acre feet by 2050. Less than one-third of the state’s rivers and streams are considered “healthy” by basic biological and hydrological indicators, and only 17% have instream flow protection of any kind. A major challenge for the future of the state is to find ways to balance the urban, agricultural and recreational uses of our river systems while protecting the environmental qualities of healthy river systems that make the state an attractive place to live and work by supporting wildlife, water quality, and ecosystem health.

The Foundation will support projects that advance new tools, processes and ideas to realize a long term, sustainable balance between future urban, agricultural and environmental needs in the state’s rivers. The Foundation will work closely with all relevant stakeholders including policy leaders, nonprofit advocates, scientists and water resource managers to identify high leverage, high impact investments to balance competing demands and protect the state’s water resources. Aspects of this program may be complementary with Foundation activities focused on land conservation, citizen stewardship and ecosystem services.

METRICS
- Metrics that address the balance of urban, agricultural, recreational and environmental uses of water
- Progress in new models for agricultural water transfers and water sharing
- The completeness and application of Non-Consumptive Needs Assessment (NCNA) data
• Aquatic/riparian species health, as evaluated by The Nature Conservancy, State Department of Parks and Wildlife, and other key advisors
• Community measures of stream health, as determined by Colorado Watershed Assembly membership groups

**ACTIVITIES AND INVESTMENT CRITERIA**

The Foundation is interested in projects that advance “win-win” solutions for water sharing approaches among agricultural, urban, environmental and recreational users, and processes that help forge consensus toward a long-term, balanced statewide water management strategy, including:

- Development of better instream flow protection mechanisms and funding
- Positive alternatives for structuring transfers of agricultural water to municipal and industrial use that sustain rather than diminish agricultural communities
- Efforts focused on increasing the efficiency of water use across all sectors
- Cooperative efforts to prepare for the potential of a call from lower basin states pursuant to the Colorado River Compact
- Projects that advance understanding of the relationship between water resource protection and landscape conservation
- Projects that overlap with other goals: land protection, citizen stewardship, opportunities for youth, rural development, urbanism and local agricultural systems
- Opportunities to pilot source water/watershed protection for urban water supply, via Ecosystem Services market development

The Foundation will support research to better understand and prioritize river and stream segments for instream flow protection, and projects that demonstrate effective approaches and develop tools to protect instream flows. An example of a PRI in this area would be the capitalization of an instream flow protection fund.
Map of Freshwater Integrity on Colorado Rivers and Streams
The Nature Conservancy

Tubing on the Yampa River near downtown Steamboat Springs
Photo: Matt Stensland/Steamboat Pilot and Today
4. Citizen Stewardship

SUMMARY
36% of the land in Colorado (24 million acres) is public land, 83% of which is open to outdoor recreation. Federally-managed lands make up the lion’s share of these resources, with 22% of the state’s land area managed by the U.S. Forest Service, 12.5% under the Bureau of Land Management (BLM) and .5% managed by the National Park Service. State agencies (the State Parks and Wildlife Department and State Land Board) also manage significant acreage, as do the local parks and open space agencies that see the highest concentration of public use. Over 1.9 million acres statewide (3% of total land area) have been placed under conservation easement by land trusts and state and local government open space programs. More than 75% of Colorado’s residents recreate outdoors on a weekly basis, and recreational activity (including tourism) generates annual revenues of about $10 billion and supports 107,000 jobs.

The state’s demographics are also changing as the population ages, grows more diverse and more urban. The population that has historically been most concerned with stewardship and protection of natural resources is aging and shrinking as a percentage of the total population. At the same time, federal and state land management budgets are being cut dramatically. These constraints are not just a short-term phenomenon – most public managers lack the resources and capacities necessary to be effective stewards of the lands they manage, and no budgetary relief is in sight.

The future health of the state’s public and protected lands is ensured only to the degree that our residents understand their role as stewards. Increasingly, this role requires citizens to participate directly on the ground in stewardship activities and to be advocates for these public resources. Citizen stewardship can also provide an important “gateway experience” for children and young adults, potentially leading to longer term support and understanding of the state’s natural resources. Citizen-based stewardship activities can also be a meaningful way to address a portion of growing deficits.
in agency management capacity. Colorado has a strong existing network of these types of organizations with good capabilities and participation levels, as compared with other states. Examples include Volunteers for Outdoor Colorado, the Colorado Fourteeners Initiative, the Colorado Youth Corps Association, the Continental Divide Trail Alliance, multiple “Friends of . . . “ organizations, etc.

The Foundation will work with community organizations and public land managers to grow the capacity of citizen stewardship organizations to play a much bigger role in caring for Colorado’s public and protected lands and waters.

**METRICS**

- Absolute numbers of “citizen stewards” engaged statewide from year to year, including a variety of program participants (volunteers, youth corps members, youth service learning programs)
- Value of labor provided/work completed by stewardship organizations
- The number and diversity of groups engaged in the statewide Stewardship Advisory Coalition spearheaded by Volunteers for Outdoor Colorado
- Public agency staff actively working with volunteers on stewardship programs and committing resources to volunteer engagement
- Acreage, number and diversity of natural resource sites supported through citizen stewardship programs
- Attitudinal changes of those engaged in programming, long-term engagement impacts

**ACTIVITIES AND CRITERIA**
The Foundation will support the development of information, tools and capacities necessary to reach a new, expanded scale of stewardship activity statewide and identify the best ways to build on existing strengths in resource stewardship programs (i.e. youth corps and volunteer programs), to engage new audiences and to grow stewardship capacity.

The Foundation will support efforts to measure the long-term attitude impacts of volunteer, youth corps and environmental service participation on changes in behavior later in life with respect to outdoor experiences and interest/commitment to stewardship and protection.
Other activities of interest include capacity building in public land and water agencies to mobilize and expand citizen stewardship resources through leadership training, pilot projects, volunteer coordinator resources, etc. The Foundation will support and encourage partnerships to leverage funding and encourage cooperation among stakeholder groups.

5. **Ecosystem Services**

**SUMMARY**
Decisions regarding natural resources are often made with limited regard for the real economic cost that can result from damaging or destroying natural systems.

The emerging field of ecosystems services valuation and market development represents an effort to protect the environment by quantifying the value of “natural capital” — nature’s goods and services that are fundamental for human life — and using market type mechanisms to link beneficiaries with the stewardship of these resources. These benefits from nature — like flood protection, crop pollination and carbon storage — are not part of the traditional economic calculus. One local example is the agreement last year between Denver Water and the US Forest Service, whereby Denver Water will pay the U.S. Forest Service to manage forest resources in the watersheds that feed Denver’s reservoirs in order to avoid the high costs of mitigating forest fires and the floods and siltation that can result.

This is an emerging field with great potential to advance market mechanisms to recognize and protect the real values that healthy ecosystems provide human communities every day. But the practical implementation of these concepts is still in its infancy.
METERS
- Successful development of market-friendly ecosystem service pilot projects – both the numbers of projects, and their continued implementation beyond the pilot stage
- Acceptance of payment for ecosystem services as a sensible business investment strategy
- Quantifiable protection of natural resources resulting from payment for ecosystem services projects

ACTIVITIES AND INVESTMENT CRITERIA
The Foundation will seek local and national partners interested in the development of ecosystem services markets and the potential to demonstrate these concepts.

The Foundation will consider support for research and pilot projects in Colorado that advance valuation and market development for ecosystem services, and the integration of these tools into public and private decision-making. There appears to be strong early potential to continue to advance the understanding of drinking water quality and flood prevention as a forest-related ecosystem services market.
V. Priority Areas - Secondary

A. Rural Communities

SUMMARY
Rural communities within Colorado face two very different circumstances. Much of eastern and southern Colorado continues to experience population declines and a contraction of agriculturally-based economies, as young people seek careers in population centers. For many other rural areas, particularly on the West Slope, communities face unprecedented changes due to population growth, increased urbanization, energy development and the growth of the recreational economy.

“The reality is that it's not a lack of 10-megabyte internet service that leads people to leave the country. It’s jobs, opportunity, coffee shops, and bookstores – everything about living and working in a city”, said GOP state Senator Greg Brophy, a corn and watermelon farmer from Yuma County who grew up on the eastern plains and has seen people leach away all his life.”

Denver Channel 9 News feature on response to census changes in Hugo, Colorado, 3/4/11

The 2010 census showed a 17% increase in population statewide over the last 10 years, with a variation from 62.4% growth in suburban Douglas County, 29% in rural Garfield County, and 25% in Eagle County to a very different scenario on the eastern plains. Seventeen of the state’s 64 counties have lost residents since 2000. Five counties along the Kansas border -- Sedgwick, Cheyenne, Kiowa, Prowers and Baca – each lost 10% or more of their populations during this period. To the south, populations in Huerfano and Mineral counties also dropped by 10%.

Agricultural jobs declined statewide by 13%, from 45,141 in 2001 to 39,482 in 2009. Nationally, farmer net cash income, when adjusted for inflation, stands below 1932 levels (during the Great Depression). Nationally, 89% of income earned by farm families is earned off the farm.

METRICS
For declining communities:

- Jobs created and/or sustained
- Measures of economic value (income, wealth)
- Food security indicators
- Size of agricultural economy supported by local consumer purchases
- Number of communities engaged through entrepreneurial programming, training
- Measures of rural wealth, e.g. individual, social, intellectual, natural, built, financial, political

For growing communities:

- Commitment of grantee communities to basic smart growth principles
Inclusive and effective leadership and decision-making
Ability of communities to sustain diverse economic activities and incomes
Livability criteria
Indicators as to whether local communities have the tools they need – land use controls, open space program, transportation capacity, etc.

ACTIVITIES AND INVESTMENT CRITERIA
The Foundation will continue to invest in capital facilities serving rural communities. Increasingly, the Foundation will try to focus these investments to maximize impact and relevance as contributors to the quality of life and long-term health and viability of rural communities. The Foundation will continue to invest in facilities that reinforce the strength of rural main streets and downtown areas. And the Foundation will encourage collaboration across communities in the development and maintenance of more regional-scale capital facilities where a larger population base may be required to create and maintain such facilities.

In addition to capital facilities, grants and investments will focus on three areas:

1. Urban-Rural Food Linkages – Food system investments can serve economic development, food security and environmental health objectives. Invest in urban-rural agriculture linkages, agricultural infrastructure in rural communities that supports direct access to nearby urban markets, possibly with pilot programs focused on certain types of rural entrepreneurs
2. Alternative Economic Futures – Investments including revitalization of main streets, value added strategies for agriculture, heritage and agricultural tourism and other entrepreneurial opportunities
3. Community Planning, Public Engagement and Leadership Development - Support for the development of tools and local leadership that assist rural communities facing growth pressures to develop in a smart, sustainable fashion consistent with local values and priorities
In exploring the urban-rural food linkage and alternative economic futures opportunities, the Foundation will be looking for cases where the investment appears to have potential for meaningful economic impact – either in job creation or income growth. Buy-in from local stakeholders is important in all cases, but particularly in those instances where the Foundation may consider supporting local community planning, public engagement or leadership development. Program Related Investment potential includes possible development of a loan fund for rural entrepreneurs.

RESOURCES AVAILABLE
Initiated activity in rural communities is anticipated to represent approximately 10-15% of annual grant making. Rural community investments will also be the focus of a portion of the responsive capital grant program.

B. Smarter, Greener, Healthier Urbanism

SUMMARY
Building on the Foundation’s history of involvement with land use, community planning and public space, the Foundation will explore opportunities to impact the form and character of urbanizing environments in all parts of Colorado. These opportunities may include catalytic public spaces that serve multiple health, recreation, place making and urban agriculture objectives. Expansion of green building and sustainable development practices, particularly in the nonprofit sector, will also be a focus. The Foundation will explore ways to maximize the benefits of the build-out of the Denver region’s rail transit system through participation in a regional transit oriented development (TOD) strategy including a commitment to housing and economic opportunities for low-income households in proximity to station sites.

METRICS
• Success of regional TOD development over time (10-15 years) with respect to meeting the goals of the Mile High Transit Opportunity Collaborative (for income diversity, affordable housing, access to employment and other economic opportunities)
• Increases in the energy and environmental performance characteristics of nonprofit facilities receiving capital funding from the Foundation
• Indicators for success of the Energy Efficiency and Renewable Energy Loan Fund: numbers of nonprofits involved, energy savings and related carbon emissions reductions realized as a result of loan fund investments, cost-benefit analysis for program administration
• Positive trending for community health indicators in the communities where the Foundation invests (adequate and healthy housing, economic activity, environmental stewardship, mobility options, social cohesion, and personal and environmental health - including access to healthy food, physical activity levels and access to recreational opportunities)

• Land use indicators such as the form and character of communities, density, diversity and quality of design of communities, quality of public spaces and the natural environment, and public infrastructure

ACTIVITIES AND INVESTMENT CRITERIA
Where possible, the Foundation will encourage the use of market forces to address goals (i.e. adoption of green building technologies or sustainable practices). An example of this approach could be using a PRI commitment to support the capitalization of an energy efficiency retrofit loan fund for nonprofit organizations that removes market barriers (up-front costs and the challenge for nonprofits of hiring and overseeing contractors) to adoption of cost-saving and environmentally-beneficial technologies. Another example may be participation in the expansion of the existing TOD Fund to a regional scale. A PRI investment in the Fund can be a vehicle for influencing development patterns at TOD sites regionally in order to ensure that market solutions include opportunities for housing, community facilities and access to employment opportunities that benefit all income levels. This general area of urbanism is an area where the Foundation will typically have less grant making capacity than in P-12 Education or Natural Resources. Because of this reality, high leverage strategies, projects involving
multiple partners and PRIs may be the most effective approaches to making a meaningful difference in this area.

The Foundation will pursue the creation of catalytic urban spaces that serve multiple functions – addressing health, recreation, place making, community gathering and urban agriculture needs related to food security and community development. These projects will generally require the participation of multiple partners.

The Foundation will also establish minimum criteria, potentially tied to LEED certification or other comparable standards, for the energy, health and environmental performance of nonprofit and community facilities receiving capital grant support from the Foundation.

RESOURCES AVAILABLE
Initiated activity in Smarter, Greener, Healthier Urbanism is anticipated to represent 5-15% of annual grant making activity. Investments supporting these objectives will also continue to be part of the Foundation’s responsive capital grant program. Investments in promoting higher quality, more sustainable urban environments are an area where PRI commitments can also be effective tools.

Confluence Park, Denver

Denver Urban Gardens - Fairview Elementary

Denver Bike Share

Commons Park, Denver

Arkansas Riverwalk, Salida, CO

Mosley Arts Center, Lake City, CO
VI. Other Areas of Foundation Activity – Civic Capacity

Beyond the priority areas for initiated activity described here and the commitment to continuing a responsive capital grant making program in the six areas identified (Education; Arts and Culture; Parks, Conservation and Recreation; Well-being of Children, Youth and Families: Community Development/Revitalization), the Foundation also makes investments in one other area. The Foundation has maintained a long-term interest in supporting civic capacity – including leadership training and development for state and local government officials, through investments such as the Gates Fellows program at the Harvard Kennedy School of Government and the Rocky Mountain Program at the University of Colorado at Denver. The Foundation will also continue to sponsor applied analysis on pressing statewide problems, and support media platforms that provide essential information for a functioning democracy.

VII. Program Evaluation

The Foundation is exploring ways to be more deliberate in how it obtains feedback over time. This approach will likely include actively seeking objective feedback from applicants, grantees and other community stakeholders. It is also likely that at least a portion of this feedback will be obtained through third parties to promote candor in responses and objectivity in their evaluation. The Foundation may also convene volunteer community advisors in priority funding areas periodically to help refine strategy and direction, and suggest course corrections as may be needed.

VIII. Approach and Values

Approach

The Foundation’s mission is broad, its scope is statewide and its primary areas of activity include many complex challenges. The Foundation’s asset base is significant, but any one of the Foundation’s areas of interest could easily absorb all of the resources available for distribution in any given year. As a family foundation, the goal is also to balance current expenditures and impact with the ability to preserve the asset base so that future generations can also engage in philanthropic activity, give back to the state and address the needs and opportunities they perceive as being most important in their time.

The Foundation remains committed to focusing in areas where it believes the state will face long-term challenges and where its participation can add value and make a difference. The trustees also recognize the role the Foundation has played for 65 years as one of the few statewide philanthropic resources available to assist communities and nonprofit organizations in undertaking capital projects. The combination of initiated activity in selected areas with a responsive capital grant making program is an attempt to balance these two roles.
Ultimately, the Foundation is most concerned with impact. The trustees want the Foundation to have an impact on the state well beyond the scale of the Foundation’s own assets. There are multiple approaches that the Foundation can use to achieve this goal. The Foundation will:

- Give priority to commitments that directly leverage other resources
- Seek appropriate funding partners both locally and nationally
- Send clear signals regarding the Foundation’s interest so potential partners can identify themselves
- Limit commitments where the outcome is likely to be achieved without Foundation participation – invest where investment makes a difference
- Identify and support strong leaders in the Foundation’s fields of interest
- Recognize the power of ideas, leadership and strategy as well as dollars
- Look for systems solutions where possible
- Use more tools – a wider variety of grant approaches as well as PRIs and other types of investments
- Access and utilize information and data effectively
- Take risk intelligently where appropriate
- Be willing to provide leadership through the Foundation when necessary
- Identify outcomes of interest – define, and where possible, measure success
- Learn by doing and adapt approaches based on experience
- Obtain objective feedback and use it to improve

Values
The legacy of the Gates family in Colorado is shaped by certain core values, including innovation, citizenship, free enterprise, self-reliance, striving for excellence and an entrepreneurial spirit.

Looking forward, the Gates Family Foundation’s culture and approach should embrace these values and also reflect the following attributes:

- Strategic - concerned with impact and value added/leverage
- Forward looking – taking a long-term view
- Grounded
- Humble – not ego driven
- Good partners - supportive of partners and collaborators
- Data and information driven
- Respectful of other people and organizations
- Intellectually curious – eager to learn
- Flexible, adaptable
- Rigorous
- Operating with integrity
- Bipartisan
- Approachable
- An agent for constructive change