

COLORADO STATE BOARD OF
LAND COMMISSIONERS

STRATEGIC PLAN 2011

I. Introduction

The Colorado State Board of Land Commissioners (hereafter referred to as the “State Land Board”) is a constitutionally created state agency to which the State of Colorado delegated its fiduciary and management responsibility for the assets (hereinafter referred to as the “trustlands”) of eight public trusts in Colorado. The trustlands were lands transferred as an endowment to Colorado by the federal government around the time of statehood to be managed for the benefit of public education and public institutions. Included in these assets today are approximately three million surface acres of land, leased for agricultural, recreational, commercial real estate and other uses (such as renewable energy development and rights-of-way), and approximately four million acres of mineral estate.

Approximately 95% of the State Land Board’s assets are managed to benefit the state School Trust, with the remaining five percent distributed across the other seven trusts. School Trust funds benefit K-12 public schools through allocation in the state’s annual budget for public education, as well as through the BEST fund, directed by the Treasurer’s office to support capital improvements to school facilities across the state. Revenues generated by the trustlands through leases, rights-of-way and mineral production royalty go to a Permanent Fund. This Fund, managed by the State Treasurer, currently totals \$581 million in the corpus – the interest from which is used by the Legislature to support schools. In fiscal year 2008-2009, the assets of all eight trusts generated a record \$75.6 million in revenues, and an additional \$67.9 million in revenues was generated in fiscal year 2009-2010. However, revenue levels fluctuate with leases and royalties from year to year.

The State Land Board has a proud and historical connection to land use in Colorado, both for subsurface development of minerals and for surface uses for agricultural activities. Our lands do not exist in isolation; often they are part of larger economic units. Leases on state lands are often combined with private lands used for grazing and farming statewide, and the development and management of these leases is a significant part of work performed by State Land Board staff. Mineral development, especially oil, natural gas and coal development and production, is a major source of rental and royalty income for the trusts.

While the properties held by the State Land Board are publicly held lands, they are held in the various trusts and thus are not generally open to public access except where recreational leases to public agencies have been developed. The land is managed for the intergenerational benefit of the trust beneficiaries, for both revenues and long-term asset preservation, productivity and enhancement.

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The voters of Colorado passed Amendment 16 to the state constitution in 1996, changing the governance structure for the State Land Board. Amendment 16 also set in motion a series of management changes designed to promote sound stewardship of trustlands that recognizes both reasonable and consistent revenue generation and preservation of long-term asset values including natural values.

Factors governing land management decisions in Colorado have changed significantly in the past several decades, as population growth and demographic changes in the state have impacted rural economies and spurred new land use planning and real estate practices. Interest in natural gas and other mineral leases has grown as prices and demand have increased, and solar and wind leases on the surface estate have also grown in size and number. While some of these changes have brought about positive changes in land uses and management, and increased revenues; others have presented new challenges to the ecological and environmental health of our lands.

The State Land Board, as fiduciary for state trustlands, is caught in a paradox of management at times. Growth, development and land use changes can be positive in regard to revenue goals, while potentially having negative impacts on the long-term value of the trustlands. The long-term economic value of our assets is intrinsically tied to the health of the land. As the trustlands are managed through an intergenerational trust, it is incumbent upon the Land Board to carefully consider uses and impacts from both perspectives—short-term revenue production and long-term asset preservation. This ensures that potential harm to trustlands is avoided and impacts are mitigated by sound management practices to protect trust assets for generations to come.

The State Land Board recognizes the need for an overarching set of principles or guidelines for managing the Board's entire portfolio of land assets. The primary function of this strategic plan is to describe a path for the agency to inventory and analyze all assets in its portfolio, to describe guiding values for decision-making, to set clear and specific goals for asset management according to those values, and to create the resources and capacities needed to realize those goals within the agency. This document is intended to guide the work of the State Land Board for the next five years, as well as provide a strong foundation for the evolution of future plans.

Throughout this plan, we refer to the practice of sound stewardship, as well as the importance of sustainability in managing trustlands. This focus is not marking a shift away from our mandates to revenue generation, but instead is an emphasis on our stewardship responsibilities along with revenue production. We believe as an intergenerational trust, we can and must consider both in our thinking and decision-making protocols so that we protect, preserve and enhance the value of our lands.

The vision, mission, values and strategies laid out in this plan are intended to guide the development of the agency as a model of a 21st century land board – respectful of its Western heritage, mindful of its fiduciary responsibilities to present-day beneficiaries, and innovative with regard to using science and knowledge to support long-term asset value and stewardship for future generations of beneficiaries.

II. Vision, Mission and Values

Vision

In the 21st century, Colorado's trustlands will become one of the state's most treasured assets, producing valuable results for each generation of beneficiaries while sustaining enduring value of the trustlands for future generations.

Mission

As its constitutional and statutory mission, the State Land Board protects, enhances, and manages Colorado's permanent endowments of assets for the reasonable and consistent generation of revenue to the ongoing benefit of Colorado's public schools and public facilities. Economic productivity in perpetuity is dependent on sound stewardship, which includes the protection and enhancement of the beauty, natural values, open space and wildlife habitat of those lands.

Statement of Values

Colorado's State Land Board is guided in its decisions and actions by certain core beliefs and values:

- We understand that we hold a unique position in Colorado as a constitutionally chartered state agency, as Colorado's second largest landowner, and as trustee of the State's trustlands. We accept the fiduciary and stewardship responsibilities that come with this unique role and will act with a strong sense of purpose, commitment and integrity.
- We believe that a strong public school system and strong public institutions are vital resources in our State, are proud of our contribution to their vitality, and seek to expand the benefit we provide through our Constitutional requirement to generate revenues.
- We understand that our work on behalf of the School Trust benefits the school children of Colorado today and those of future generations. We are committed to earning reasonable and consistent revenues for our beneficiaries and to increasing those revenues through excellent asset management and portfolio diversity.
- We hold these lands in trust for current and future generations. The perpetual nature of the trusts we manage requires us to take a long-term view and to commit to prudent land management practices.
- We respect our Colorado agricultural heritage and value the productivity and stewarding of our lands by the farming and ranching communities.
- We value the history of mining in Colorado and recognize the importance held by the development of minerals in reaching our fiduciary management goals.
- We recognize that our lands may provide opportunities for innovative and expanded uses, such as renewable energy, water development, and ecosystem services.
- We treasure the economic value of these working lands while appreciating the natural

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resources that are the foundation of their economic value.

- We understand that our lands are components of important and sometimes rare ecosystems and that wise actions and decisions on our part can contribute to preservation of species, landscapes, and other natural values and conservation services.
- We recognize that changes in land use can at times generate considerable value for the trusts. We look to collaboration with local governments to meet both the needs of local communities and our mission.
- We will balance the need for revenue generation with the responsibility for long-term protection of the value of our assets; a process which requires thoughtful consideration, good judgment and continual evaluation of our actions and decisions.
- We will act with consistency and thoroughness in our decision-making, believing that good decisions are fully informed, are grounded in the best knowledge and science that we can access, and are made with clarity and transparency.
- We honor the hard work and experience of our staff and foster an organizational culture of accountability, communication, respect, and mutual regard.
- We understand that our work impacts many individuals and communities and we will act with care and respect for that impact.
- We value our Western heritage and appreciate the lessons of our history. We look forward with an enthusiastic, optimistic, and entrepreneurial spirit, seeking to be the best in what we do.

III. Background and Approach

Over the past year, Commissioners and staff of the State Land Board have realized that we need a new way to think about the work that we do, in order to fulfill our 21st century vision, to respond to new challenges and opportunities, and to align our decisions and actions with our expressed values.

The planning process, by focusing on a desired future and strategies for attaining that future, has led us to a strategic plan with two key elements—a **portfolio strategy** and an **organizational strategy**.

The cornerstone of our plan is the creation of a **portfolio strategy** to provide a framework for organizing and understanding the portfolio's assets, with analysis and decision-making about managing those assets. This strategy will provide a common language – essentially a baseline – with metrics about the portfolio's performance and hence the performance of the State Land Board in meeting its mission in a new era. A portfolio strategy helps Commissioners more fully meet their responsibilities as trustees by considering broad policy issues and direction, along with reviewing the monthly docket of lease renewals, land transactions and stewardship decisions. ***The overarching intention is the optimization of revenue in a framework that also considers the future value of our assets.***

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A portfolio strategy will answer these questions:

- What assets do we have in our large and diverse portfolio? How are they performing?
- How can we describe them, and evaluate their attributes and their value, both short-term and long-term?
- What should the portfolio look like, if we succeed at applying broad values to its management? Would there be new classes of assets? New opportunities for calculating return on investment? New stewardship imperatives?
- How do we get to the desired portfolio? What are our options for managing the portfolio toward more intentional outcomes? What decision criteria will we use in making portfolio decisions guided by values, goals, market analysis, and science?
- How will we address the economic and political pressures around the development of energy, minerals and water? What plan will be developed for oil and gas, uranium, water resources, renewable energies, and other possible new asset classes?

Once we have created this portfolio strategy, we will be faced with the challenge of how we use it to create the outcomes we envision. How do we get from where we are today to where we need to be to realize the vision? The second part of the plan thus addresses **organizational strategies** - including communication and public relations strategies, organizational capacities and resources, and governance processes that will be necessary.

In the following section, goals and strategies are presented along with planned actions, shown in bullets, to provide initial direction. More detailed operational plans regarding both these action items and new initiatives will be created annually. These plans will be developed in conjunction with existing plans being implemented by State Land Board staff with input from Commissioners as we work to make the vision and goals become reality.

IV. Goals and Strategies

To fulfill our vision and mission, in accord with our beliefs and values, we embrace the following six goals that will provide a framework for our strategic plan and guide our activities over the next five years.

GOALS TO DEVELOP A PORTFOLIO STRATEGY

Goal 1. Develop creative and responsible ways to deliver enhanced financial outcomes for our eight public trusts, with special emphasis on our largest trust, the School Trust.

Strategic Objective #1.1: Develop a robust and sophisticated approach to and tools for portfolio management that create diversification and reasonable and consistent revenues over time.

- Establish an initial baseline description of and value for assets by May 2011.
- Establish a final baseline value for assets by July 2011.
- Develop and implement a decision methodology for portfolio management by September 2011.
- Analyze five-year portfolio impacts of strategic planning efforts by July 2016, using the baseline from 2011.

Strategic Objective #1.2: Set goals for portfolio performance in different categories of activity. These goals will guide all portfolio recommendations brought forward by the staff for board decisions. (For example, if portfolio analysis and market factors recommend it, the board could focus on increasing recreational leasing revenue and renewable energy revenues by July 2012.)

- Identify priority projects year by year to achieve both revenue and stewardship outcomes by July 2011.
- Work with staff and external consultants as necessary to evaluate our portfolio and determine areas of greatest opportunity in all agency sectors by November 2011.

Strategic Objective #1.3: Develop a planned approach to dispositions and acquisitions to diversify the portfolio.

- Build portfolio strategy(s) that balances revenue and value based on a categorization of property type by July 2011.
- Develop criteria for evaluation of acquisition and disposal opportunities by January 2012.
- Create a comprehensive list of target properties for disposal by June 2012 and annually review and update such list.

Strategic Objective #1.4: Set revenue performance goals by asset class on an annual and five-year basis.

- Establish five year rents and royalties increase target by January 2011.
- Establish revenue performance goals by July 2011.

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- Evaluate five year revenue goal performance by August 2016.

Strategic Objective #1.5: Develop a comprehensive minerals management plan that integrates revenue and stewardship goals.

- Revise Oil and Gas mineral lease by February 2011.
- Develop guidelines for reviewing and monitoring minerals leasing on environmentally sensitive areas, including parcels with critical habitat distinction by April 2011.
- Develop methodology to measure impacts, both short and long-term, of minerals leasing on revenue goals and on natural values of trustlands by July 2011.
- Review royalty collection practices, specifically focusing on internal processes to maximize royalty collections on existing leases by July 2011.
- Establish oil and gas development plan on three SLB properties by January 2012.

Strategic Objective #1.6: Develop a comprehensive strategy for managing the Lowry Range property, focusing on a multi-faceted approach to issue resolution.

- Develop an integrated business plan that identifies and balances opportunities and issues for revenue, conservation, commercial and residential development, agricultural uses, water development, and mineral development by July 2011.
- Develop an action plan and begin with those areas of development and revenue production that can be actualized in the next three-five years.

Goal 2. Fully realize the vision of Colorado's citizens, as expressed in Amendment 16, for stewardship of the lands we hold in perpetual trusts, especially those held in the Stewardship Trust.

Strategic Objective #2.1: Develop a comprehensive management plan to promote stewardship of natural values on Stewardship Trust lands.

- Develop a plan to evaluate Stewardship Trust parcels by March 2011.
- Develop and implement clear guidelines, tools and measures to guide Stewardship Trust land management by July 2011.
- Evaluate all Stewardship Trust parcels against areas with greatest conservation potential for long-term beneficiary interest by January 2012.
- Approve comprehensive list of Stewardship replacement property by January 2012.
- Complete realignment of Stewardship Trust parcels based on natural values and attributes and capacity to support a range of potentially compensable ecosystem services, such as ecotourism, mitigation of environmental impacts, carbon sequestration by December 2012.
- Target Stewardship Trust parcels for potential outdoor education programs, highlighting existing uses and ongoing revenue opportunities, such as conservation easements, to support beneficiaries.
- Establish comprehensive science-based management plans for all Stewardship Trust holdings by January 2016.

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Strategic Objective #2.2: Enhance stewardship of all lands through an increased use of sustainable practices in land management for the long-term protection of the lands' natural and economic values.

- Establish criteria for analyzing natural values by July 2011.
- Evaluate all trustlands against areas with greatest conservation potential for long-term beneficiary interest by January 2012.
- Work with agency partners and other external entities, such as non-profits, to develop best management practices for lease development, evaluation and enforcement by District Managers as it pertains to protecting natural values (such as plant/wildlife habitat or key ecosystems in peril such as grasslands) by January 2012.

Strategic Objective #2.3: Develop creative and diverse ways to produce income from conservation and conservation services.

- Establish three pilot projects to test prospects for adding value to trustlands through marketing compensable ecosystem services by July 2012.
- Generate \$10 million in revenue (including non-simultaneous exchange, conservation easements, and lease revenue) from all trustlands by July 2016.

Goal 3. Improve our decision-making processes.

Strategic Objective #3.1: Increase the transparency, predictability and success of our processes and decision-making by developing decision criteria and decision support tools.

- Develop tracking system to review strategic plan objectives with initial baseline data, monitoring projects and tasks annually to determine outcome and results by March 2011.
- Complete draft of State Land Board Commissioners governance documents by March 2011.
- Design and implement more effective external noticing, reporting and communications strategies by July 2011.
- Design and implement decision-making criteria for portfolio alignment and balance by July 2011.
- Design and implement guidelines/criteria for real estate transactions decisions (when/why to buy and sell) by July 2011.
- Design and implement a cost-benefit analysis tool for decisions balancing revenue and value outcomes by July 2011.
- Complete State Land Board Commissioners governance document by July 2011.
- Establish a process for decision review, to evaluate the use of new decision methodologies by September 2011.
- Comprehensive review of decision-making criteria by July 2016.

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GOALS TO DEVELOP AN ORGANIZATIONAL STRATEGY

Goal 4. Achieve greater positive recognition for the SLB and the trusts, in the belief that positive public and stakeholder awareness will increase our opportunities for success in meeting our goals.

Strategic Objective #4.1: Create a sophisticated communication and public relations strategy to increase agency visibility and support for beneficiaries.

- Identify critical components of State Land Board brand/public identity by July 2011.
- Build an agency communications plan (with external support as necessary) to help build broader understanding/support for unique role and functions of the State Land Board, with a component to address potential areas and projects of controversy, by July 2011.
- Develop and implement a School Trust media campaign by July 2012.

Strategic Objective #4.2: Fulfill our constitutional expectation of using trustlands for outdoor educational programming.

- Investigate opportunities with school districts and other organizations in the state, including non-profits, for implementation of outdoor education programs by January 2012.
- Establish targeted number of programs with school districts by January 2012.

Strategic Objective #4.3: Develop partnerships and collaborations to extend our capabilities and foster greater knowledge of the SLB efforts.

- Develop a stakeholder plan that identifies highest impact means to build State Land Board profile with beneficiaries, within communities, and within state government by July 2011.
- Identify statewide list of cooperative ventures by July 2011.
- Develop target list of additional cooperative ventures desired by July 2011.

Strategic Objective #4.4: Develop a campaign to increase knowledge of and appreciation for the potential opportunities available to the next generation of ranchers and farmers, specifically in rural areas where the agricultural and natural values of trustlands can be increased.

- Develop program to attract new lessees, specifically young ranchers and farmers interested in maintaining family operations and protecting legacy agricultural holdings by July 2012.
- Explore potential recreational opportunities that would support and enhance uses on trustlands within rural areas, supporting and encouraging additional revenue potential by July 2012.

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Goal 5. Enhance internal skills and organizational capacities.

Strategic Objective #5.1: Develop or acquire effective tools and skills to manage the activities associated with these goals, including mapping and analysis tools, a new information system for asset management, portfolio valuation tools, and project management tools.

- Develop mapping and analysis tools and plan (e.g. GIS) to support State Land Board goals, objectives, and decision-making by July 2011.
- Redesign and expand State Land Board IT Asset Management system by July 2016.

Strategic Objective #5.2: Extend our capacity by appropriate and effective collaborations with other government agencies and non-profit organizations

- Formulate a plan aimed at enhancing team practices and shared goals within the organization by January 2011.
- Identify the capacity to achieve strategic plan goals and objectives and identify capacity gaps by June 2011.
- Formulate four cooperative ventures with state and local government agencies, including special districts, as well as non-profits, to achieve State Land Board goals by July 2011.

Goal 6. Model excellence in governance.

Strategic Objective #6.1: Develop necessary planning processes, annual calendars, policy review processes and governance documents to achieve greater intentionality, predictability and consistency in what we do.

- Develop annual board calendar and strategic goal data review timeline by January 2011.
- Develop a draft State Land Board Commissioners governance document by March 2011.
- Create and implement a process for comprehensive review and revision of State Land Board policies by May 2011.
- Develop and adopt administrative guidelines for staff by July 2011.
- Increase external agency communications by July 2011.
- Undergo annual reviews and revisions and a comprehensive review of this Strategic Plan by July 2016.

V. Conclusion

In order to succeed this plan must be used – the ideas in it must be tried and tested, and progress of goals tracked, measured, evaluated and refined. Feedback will be provided to all parties responsible for implementing this plan, ranging from staff to Commissioners, to beneficiary representatives, to lessees, and to external entities helping achieve these goals. Accumulated experience and ongoing discussions about values, goals and strategies will allow the plan to continue to be relevant and to change and adapt to new conditions.

The State Land Board has a strong, competent, experienced and efficient staff. However, since the vast holdings of assets do not allow for individual management and regular attention, it will be critical to work with both existing lessees and other partners to enhance overall management in meeting some of the goals of this plan. As the State Land Board moves in a more proactive direction of engaged leadership, it will be key to engage with external players, as well as other public and private entities to generate mutually beneficial outcomes.

Becoming a model land board for the 21st century will require the application of market expertise and stewardship knowledge that did not exist 25 years ago. Ensuring the best possible asset management approach will require continual and ongoing learning and assessment of revenue and stewardship opportunities relevant to State Land Board holdings.

We are optimistic that the approach described herein will both provide the powerful and positive results for revenue generation to support our trusts, while prudent land management will ensure protection of the land asset base and preservation of asset values for generations for come. We look to this plan to provide a signpost for future staff members and Commissioners, being fluid and flexible to respond to the ever-challenging constant of change.