

Colorado State Board of Land Commissioners

Strategic Plan

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I. Introduction

The Colorado State Board of Land Commissioners (State Land Board) is a constitutionally created state agency to which the State of Colorado delegated its fiduciary and management responsibility for the trust lands of eight public trusts in Colorado. The trust lands 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. Today these assets include approximately three million surface acres of land, leased for agricultural, grazing, recreational, commercial real estate, rights-of-way, renewable energy and other uses, and approximately four million acres of mineral estate, leased for oil, natural gas, coal and other solid mineral extraction uses.

Approximately 95% of the State Land Board's assets are part of the state School Trust, with the remaining five percent distributed across the other seven trusts: the Public Buildings Trust; the Penitentiary Trust; the Land for University and the Land for Agricultural University Trusts (University of Colorado and Colorado State University, respectively); the Hesperus Trust, which is also known as the Fort Lewis Grant; and the Internal Improvements and Salt Springs (Saline) Trusts, both of which benefit the Colorado Division of Parks and Wildlife. 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 leases for public use have been developed.

Revenues generated by the trust lands through surface leases, rights-of-way and mineral production royalties go to the trust beneficiaries, capital investment, and board operations. School Trust revenues benefit K-12 public schools through allocation in the state's annual budget for public education, the Building Excellent Schools Today (BEST) Program, which supports capital improvements to school facilities across the state, and the public School Permanent Fund. The Permanent Fund, an inviolate fund managed by the State Treasurer, currently totals \$620 million in the corpus, with interest on this Fund also used by the Legislature to support schools. In fiscal year 2011-2012, the assets of all eight trusts generated a record \$146 million in revenues, while the Permanent Fund generated \$24 million in interest. This compares to revenues of \$66 million and interest of \$28 million in FY '09-10 when this plan was originally written. While our growth has been strong, our income levels can fluctuate widely from year-to-year, especially our lease and royalty revenues.

The State Land Board also engages in the disposition and acquisition of assets, transactions referred to as non-simultaneous exchanges (NSE). Proceeds generated from these exchanges must

be reinvested within two years. NSE transactions are infrequent (typically 4-6 per year), but they provide opportunities for the State Land Board to diversify its holdings.

In 1996, the voters passed Amendment 16 to the state constitution, which changed both the governance structure for the State Land Board and the agency's mandate. These changes recognize the intergenerational aspect of the trusts and trust beneficiaries, and require the lands be managed both for reasonable and consistent revenue and the preservation of long-term asset values – both economic and natural.

Factors influencing land management decisions in Colorado have changed significantly in the past several decades. Population growth and demographic changes in the state have impacted rural economies and spurred new land use planning and real estate practices. Natural gas, oil, coal, and other mineral leasing activities have grown as prices and demand have increased and new technologies for exploration and extraction have emerged. The renewable energy industry has evolved, causing a demand for solar and wind leases and the potential for the development of geothermal resources. Concerns about global warming and climate change continue to grow.

The State Land Board, as fiduciary for state trust lands, faces a challenging management paradox in light of these changes. Growth, development and land use changes can be positive in regard to revenue goals, while potentially having adverse impacts on the long-term value of the trust lands. The long-term economic value of our assets is intrinsically tied to the health of the land. As the State Land Board manages these intergenerational trusts, it is incumbent upon the agency to carefully consider uses and impacts from both perspectives—current revenue production and long-term asset preservation. Sound stewardship practices mitigate potential impacts to the long term productivity of trust lands and 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 and mineral assets. The primary functions of this strategic plan are 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 and to create the resources and capacities needed to realize those goals. This document is intended to provide a strategic framework for the portfolio that will inform the many day to day decisions the State Land Board will need to make during the next five years, as well as provide a strong foundation for the long term evolution of the portfolio's assets.

Throughout this plan, we refer to the practice of sound stewardship, as well as the importance of sustainability in managing trust lands. This focus is not marking a shift away from our mandates to generate reasonable and consistent revenue, but is intended instead to place a heightened emphasis on our stewardship responsibilities along with revenue production. The vision, mission, values and strategies described in this plan will guide our agency and our work as trustees to support the long-term value of our lands and to support current and future generations of beneficiaries.

II. Mission, Vision, and Values

Mission

The State Land Board manages an endowment of assets held in perpetual, intergenerational, public trusts for the financial support of Colorado's public schools and other public institutions.

Vision

Colorado's trust lands will be recognized as one of the most significant assets in our state, providing value for each generation of beneficiaries.

Guiding Principles

The following Guiding Principles provide a critical foundation and understanding for developing the Goals and Objectives that follow in this Strategic Plan.

- 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 trust lands. In accepting the fiduciary and stewardship responsibilities that come with this unique role, we act with a strong sense of purpose, commitment and integrity.
- We know that a strong public school system and strong public institutions are vital resources in our State. 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 perpetual trust for current and future generations and understand that our work on behalf of the School Trust must benefit the school children of Colorado today as well as those of future generations. We will review each asset with a long-term view, creating intergenerational equity by balancing revenue generation with the responsibility for long-term protection of the value of our assets.
- We appreciate the intrinsic value of these working lands and treasure the natural resources that are the foundation of their 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 respect our agricultural heritage and value the productivity and stewarding of our lands by the farming and ranching communities. Similarly, we value the history of mining and other resource extraction in Colorado and recognize the importance of mineral development in reaching our fiduciary management goals.
- We actively seek new opportunities for innovative and expanded uses of our lands. We approach the future with an enthusiastic, optimistic, and entrepreneurial spirit, seeking to be the best in what we do. We will proactively look for partnering opportunities in both the public and private sector to enhance the opportunities and value of the trust assets.

- We understand that our work impacts many individuals and communities, and we will act with care and respect for that impact, collaborating with local and state government and other organizations as we pursue our mission.
- We will honor the hard work and experience of our staff and foster an organizational culture of accountability, communication, respect, and collaboration.
- 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 will be guided in our decisions by these core beliefs and values.

III. Goals and Strategies

We recognize the achievement of the stated goals will require a fundamental shift in the structure of our business. That shift is achieved by two foundational management initiatives that are currently being implemented.

The first initiative is to develop a **portfolio framework** that makes possible the clear organization, analysis and design of the agency's asset portfolio. The framework provides a common language as well as clear targets that the agency will adopt. It also provides clear metrics that will be used to measure progress and success in achieving stated goals. **The primary purpose of the portfolio framework is to facilitate the optimization of current revenue while planning for a long-term increase in asset values.**

The second initiative is to develop an **organizational strategy** fully aligned with the agency's long term vision and mission. The result of this effort will be two strong and efficient teams, one focused on the agency's external customers and business lines and the other focused on providing critical operational functions.

The goals and strategies described in this section address existing and developing issues, challenges and opportunities for the State Land Board. Each goal is supported by a number of strategies which in turn will be supported by planned actions. Detailed operational plans will be developed and implemented in support of the broad strategies outlined here. To track the progress and results of this plan over the years, Exhibit A lists Strategic Objectives that have been completed as we work to achieve the broad goals outlined in this plan.

Portfolio Framework

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 approach to and appropriate tools for portfolio management that create diversification and reasonable and consistent revenues over time.

- Establish an initial baseline description of, attributes of, and value for assets.
- Establish a final baseline value for assets.
- Develop and implement a decision making methodology for portfolio management.
- Analyze five-year portfolio impacts of strategic planning efforts by July 2016.

Strategic Objective #1.2: Set goals for portfolio performance that will guide all portfolio recommendations brought forward by the staff for board decisions.

- Identify priority projects year by year to achieve both revenue and stewardship outcomes.
- Work with staff and external consultants as necessary to evaluate our portfolio and determine areas of greatest opportunity in all agency businesses.
- Ensure key values and attributes associated with lands within specific trusts have been effectively categorized and business development opportunities analyzed.
- Develop a structured approach to dispositions and acquisitions to diversify the portfolio.

Strategic Objective #1.3: Set revenue performance goals by asset class on an annual and five-year basis.

- Establish five year targets for rent and royalty increases.
- Establish revenue performance goals.
- Establish bi-annual reviews for trends analysis & market conditions and incorporate strategic financial planning for additional revenue generation.

Strategic Objective #1.4: Develop a comprehensive minerals management plan that integrates revenue and stewardship goals.

- Develop guidelines for reviewing and monitoring minerals leasing, especially on lands which may have threatened and endangered species and/or species of special concern and their habitats.
- Develop a methodology to measure impacts, both short and long-term, of minerals leasing on revenue goals and on natural values of trust lands.
- Review royalty collection practices, specifically focusing on internal processes to maximize royalty collections on existing leases.
- Prepare oil and gas development master plans for large properties.

Strategic Objective #1.5: Diversify the State Land Board asset portfolio and grow our recurring revenues by acquiring additional commercial real estate assets.

- Maintain the stabilized, high-occupancy status of our existing assets.
- Identify opportunities to acquire additional commercial assets, focusing primarily on office product in core markets.
- Identify opportunities to increase revenue by leasing additional sites for cell towers.

Strategic Objective #1.6: Develop specific business plans to enhance recurring revenues from new business opportunities.

- Identify what water assets are held by the trusts and develop criteria for maintaining, acquiring, or disposing of such assets.
- Identify short and long-term opportunities associated with eastern Colorado grassland and ranch assets and develop a clear vision and strategy for the use, management, acquisition, and disposition of those properties.
- Develop a plan to identify and pursue partnering opportunities in the renewable energy industry.
- Develop an expanded program to create revenue from recreational uses on trust lands.
- Develop a plan to better identify our solid minerals assets and to expand revenues by pursuing business opportunities in this sector.

Strategic Objective #1.7: Work to preserve and grow the corpus of the intergenerational trusts.

- Identify challenges and overcome obstacles to growing the Permanent Fund.
- Educate beneficiaries and stakeholders on the fiduciary responsibility to keep revenues from asset sales and minerals extraction within the trusts.

Strategic Objective #1.8: Develop plans for the effective use of our investment and development funds to preserve and enhance the value and income generation of our assets

- Develop effective reporting tools to track the results of these investments

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 and implement clear guidelines, tools and measures to guide Stewardship Trust land management.
- Approve a comprehensive list of Stewardship replacement properties.
- Complete realignment of Stewardship Trust parcels based on natural values, attributes and capacity to support a range of potentially compensable ecosystem services.
- Establish comprehensive science-based management plans for all Stewardship Trust holdings.

Strategic Objective #2.2: Enhance stewardship of all trust lands through an increased use of sustainable practices in land management.

- Complete systematic inventory of natural resources on state trust lands.
- Increase management and monitoring of state trust lands.
- Develop a comprehensive set of best management practices (BMP's) to guide all uses on state trust lands.
- Develop State Land Board Conservation Action Plans (CAPs) for special ecosystems on state trust lands.
- Develop and strengthen stewardship partnerships with land management agencies, appropriate Non-Governmental Organizations and citizen volunteers.
- Develop Integrated Resource Management Plans for our most significant properties.

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

- Establish pilot projects to test prospects for adding value to trust lands through marketing compensable ecosystem services.
- Generate \$10 million in conservation revenue, including non-simultaneous exchanges, conservation easements and lease revenue, from all trust lands.
- Begin an inventory of species and potential compensable ecosystem services on all state trust lands in both established markets (wetlands) and emerging markets (wildlife habitat, streams, forests).
- Monitor developments in future markets (carbon sequestration, soils, grasslands).
- Manage ecosystem service leases and/or projects and monitor development of emerging and new ecosystem service opportunities.
- Collaborate with and develop new public and private partnerships to foster a productive environment of interagency collaboration.

Goal 3. Improve our decision-making processes.

Strategic Objective #3.1: Increase transparency and information documentation.

- Develop tracking systems to review strategic plan objectives with initial baseline data, monitoring projects and tasks annually to determine outcome and results.
- Design and implement more effective external noticing, reporting and stakeholder communications strategies.
- Design and implement consistent decision-making criteria and processes.

Strategic Objective #3.2: Increase the predictability and success of our decision-making, and develop ways to measure our plan implementation success and policy review processes.

- Design and implement guidelines for real estate acquisition and disposition transactions.
- Design and implement guidelines and measurement metrics for investment and development funds.
- Design and implement analysis tools for decisions that balance revenue and value outcomes over the long term.

Organizational Strategy

Goal 4. Achieve greater positive recognition and support for our agency and our trusts through increased public and stakeholder awareness and increased opportunities for success in meeting our goals.

Strategic Objective #4.1: Create a strategy to increase internal agency communications and external agency visibility.

- Build an internal agency communications plan which creates opportunities for staff recognition, highlights agency achievements and generates ideas and information sharing between all staff members and all district offices.
- Develop and implement an external outreach and communications plan designed to increase awareness, understanding and support with beneficiary representatives, elected officials, private entities, non-governmental organizations and other key stakeholders.

Strategic Objective #4.2: Develop partnerships and collaborations with other state agencies and outside private and non-governmental entities to extend our capabilities and foster greater knowledge of the State Land Board mission and assets.

- Develop a stakeholder plan that identifies high impact ways to build the State Land Board profile with beneficiaries, state government agencies, potential business development partners, and within the communities in which we operate.
- Identify and develop existing and potential cooperative ventures for both revenue production and for long-term stewardship of our lands.
- Formulate a plan to extend our capacity through collaborations, specifically identifying shared goals and activities.
- Analyze areas where gaps in the State Land Board's asset management capacity may exist and review potential collaborations to remove obstacles and enhance efficiencies.

Strategic Objective #4.3: Fulfill our statutory obligation to use trust lands for outdoor education.

- Investigate opportunities with school districts and other organizations in the state, including non-profits, for implementation of outdoor education programs.
- Establish targeted number of programs with school districts and collaborative entities, including non-profit associations targeting K-12 school children.
- Target Stewardship Trust parcels for potential outdoor education programs.
- Use our assets and resources as appropriate to support the Department of Natural Resources' initiative to integrate youth engagement and volunteer participation into our existing work.

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 trust lands can be increased.

- Develop program to attract new lessees, specifically young ranchers and farmers interested in maintaining family operations and protecting legacy agricultural holdings.
- Explore potential partnership opportunities with non-profit associations, other governmental entities and beneficiary representatives to implement program.

Goal 5. Enhance internal skills and organizational capacities.

Strategic Objective #5.1: Develop or acquire tools and skills to manage our information technology operations and electronic data more effectively.

- Develop mapping and analysis tools to support State Land Board goals, objectives, and decision-making.
- Redesign and/or replace the State Land Board IT Asset Management system.
- Create and collect critical data to improve map-based analysis, especially data about our existing assets (e.g. rights-of-way, water, infrastructure, etc.).
- Digitize documents, reduce paper and provide better access to information and data for both our internal and external stakeholders.
- Review current document storage procedures and develop policies to ensure that physical and electronic documents are managed in a consistent and secure manner.

Strategic Objective #5.2: Invest in the development of our staff members.

- Identify and support pursuit of education, certifications or professional designations relevant to organizational needs.
- Create guidelines and budget for staff to pursue personal, professional development opportunities and share the benefit of that knowledge with other staff members.

Strategic Objective #5.3: Utilize internal and external resources to identify broad trends that will ultimately impact agency decisions and strategies.

- Identify industry sources for research information and current trend analysis in each business sector and share this information regularly to our Board and staff.

Goal 6. Model excellence in governance.

Strategic Objective #6.1: Develop planning processes to achieve greater intentionality, predictability and consistency in what we do.

- Develop annual board calendar and strategic goal data review timeline.
- Create and implement a process for comprehensive review and revision of State Land Board policies.
- Develop and adopt administrative guidelines for staff.
- Develop written procedures to train newly hired staff members to create consistency and ensure quality in our operations.
- Undergo annual reviews and revisions of this Strategic Plan.
- Develop a Commissioner's governance manual and a new Commissioner orientation program.

V. The Path Forward

In order to succeed this strategic plan must be implemented – the ideas in it must be tried and tested, and progress of goals tracked, measured, evaluated and refined. Accumulated experience and ongoing discussions about values, goals and strategies will ensure that the plan stays relevant and is updated to address new opportunities and challenges.

The State Land Board has a strong, competent and experienced staff. At the same time, our vast asset holdings do not allow for close management and regular attention to every property. It is therefore critical to work with our lessees and other partners to enhance overall management in meeting some of the goals included in this plan. As the State Land Board moves in a direction of more proactive leadership, it will be critical that the agency engages with external players, as well as other public and private entities to generate mutually beneficial outcomes.

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

We are optimistic that the ideas described in this plan will result in powerful and positive revenue growth and increased asset value for our trusts and for generations to come.. We look to this plan to provide a guidepost for future staff members and Commissioners, while being fluid and flexible to respond to the ever-challenging constant of change.

Exhibit A

Completed Strategic Objectives

From Strategic Objective #1.5, January 2011 Strategic Plan

- Revise Oil and Gas mineral lease. (New form lease approved by Board in March 2011)

Strategic Objective #1.6, January 2011 Strategic Plan: 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. (Lowry IRMP approved by Board in April 2012)
- Develop an action plan and begin with those areas of development and revenue production that can be actualized in the next three-five years.

From Strategic Objective #2.1, January 2011 Strategic Plan

- Develop a plan to evaluate Stewardship Trust parcels.

From Strategic Objective #2.2, January 2011 Strategic Plan

- Establish criteria for analyzing natural values.