

# Asset Business Plans

Presentation to Western States Land Commissioners  
Asset Management Committee

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# Idaho State Endowment Lands



Asset Class	Acres	% of Total
Rangeland	1,414,812	57.74%
Forest	978,018	39.91%
Conservation	22,825	0.93%
Commercial	15,891	0.65%
<b>Agriculture</b>	<b>15,556</b>	<b>0.63%</b>
Minerals	2,096	0.09%
Residential	723	0.03%
Other	479	0.02%
<b>Total</b>	<b>2,450,401</b>	



# Idaho State Endowment Lands



Program	Net Income	Percentage
Forest Land	\$ 18,853,560	73.67%
Residential Real Estate	\$ 4,389,973	17.15%
Minerals	\$ 2,204,331	8.61%
Grazing Land	\$ 364,562	1.42%
<b>Agriculture Land</b>	<b>\$ 191,478</b>	<b>0.75%</b>
Recreation	\$128,264	0.50%
Oil and Gas	\$ 122,812	0.48%
Conservation	\$ 18,647	0.07%
Commercial Real Estate	\$ -682,610*	-2.67%
<b>Total Net Income</b>	<b>\$25,591,016</b>	

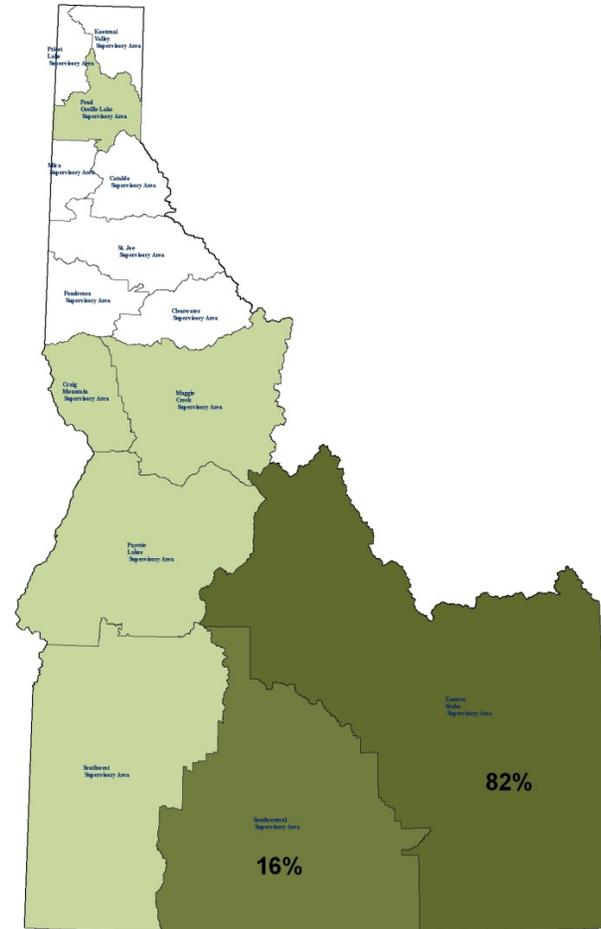


# Idaho State Endowment Lands



## Current Asset:

- 15,560 Acres
- 70 parcels in asset class
  - 80% dryland
  - 20 % irrigated
- Approximately 110 leases
- 98% located in South Central and Eastern Supervisory Areas
- Revenue-Share Lease Arrangement





# Asset Management Plan

- **Endowment Asset Management Per State Constitution:**

*“ In such a manner as will secure the maximum long-term financial return to trust beneficiaries”.*

- **Guiding document and over-arching management framework**

- Mission
- Asset Management Philosophy
- Performance Objectives
- Protection of Principle
- Distribution to Beneficiaries

- **Land Management Philosophy**

- Management Goals
- Risk-Return Considerations
- Performance Measurement
- Disposition of Underperforming Assets





# Asset Management Plan

*“Detailed business plans are required for each asset classification to ensure that management activities are consistent with and contributing to the overall asset management goals.”*

## Business Plan Guidance:

- Plan Outline:
  - Executive Summary
  - Current and future influences
  - Past and Current Asset Performance
  - Opportunities and Challenges
  
- Over-arching Elements:
  - Management Objectives
  - Opportunities
  - Challenges
  
- Document Outline





# Agriculture Business Plan

## Market Rent Study

Independent analysis of private/public market for land leasing

## Internal Analysis

Business Model Risk assessment

Asset analysis

Financial

Management

Background research

Strengths, Weaknesses, Opportunities and Threats (SWOT)

## Plan Drafting

Plan structure and organization

Initial Asset Management Steering Committee (AMSC) Advisory review

## Plan Approval

Presentation and approval by full AMSC

Presentation to Land Board





# Market Rent Study

- Determine current and regional private leasing rates for agriculture lands
- Survey of 492 crop leases across four regions
  - Position (Lessor/Lessee)
  - Land (Type, crop, acreage)
  - Conditions/Improvements (water rights, access)
  - Lease arrangements (type, rate)
- Regression analysis to determine value drivers





# Market Rent Study

- Overview/Literature Review of Leasing Methodologies
- Regional Lease Analysis and Profiles
- Lease methodology analysis
  - Regional Profiles
  - Econometric analysis
- Investment Analysis
- Cost/Benefit of ownership versus leasing land





# Market Study Implementation



## EXECUTIVE SUMMARY

### SECTION I: INTRODUCTION

- State Endowment Trust Lands
- History of Endowment Agricultural Lands
- Purpose and Need
- Agriculture Asset and Leasing Activity

### SECTION II: BUSINESS DESCRIPTION

- Current Land Asset
- Current Business Model and Strategy

### SECTION III: MARKET AND BUSINESS ANALYSIS

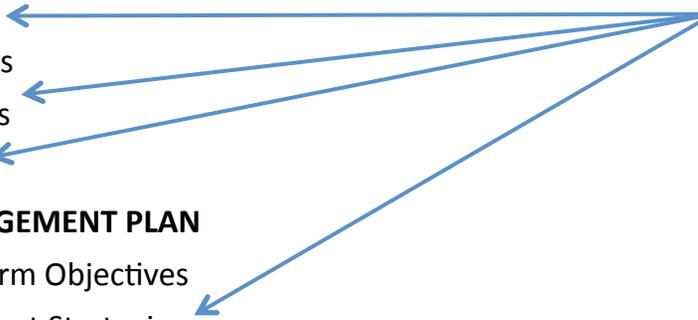
- Market Analysis
- Financial Analysis
- Business Analysis
- SWOT Analysis

### SECTION IV: MANAGEMENT PLAN

- Short and Midterm Objectives
- Asset Management Strategies
- Key Performance Indicators

### APPENDICES

**Market Rent  
Study**





# Market Study Implementation

## Modification of current lease rent formula

- Remove Modifiers
- Flexibility in establishing state-share



2009	Irrigated				Non-Irrigated			
Area	Min	Max	Average	Median	Min	Max	Average	Median
USDA-NASS	\$44	\$164	\$103	\$111	\$25.00	\$70.00	\$37.21	\$34.00
Market Study	\$17.00	\$430.00	\$134.00	\$ -	\$10.00	\$90.00	\$38.00	\$ -
IDL	\$24.93	\$128.22	\$65.38	\$64.41	\$7.90	\$44.60	\$22.23	\$23.44



# Business Plan Implementation

## Parcel/Lease Prioritization and Lease Rent Structure



Standard Criteria	Prioritization Framework		
	Tier I	Tier II	Tier III
<b>Mgmt Control</b>	High level control of immediate parcel and surrounding lands (Block holdings) and ability to operate independently	Moderate level of control characterized by inter-mingled ownership including private and other public lands. Parcel cannot be operated independently, but requires adjacent lands	Low level of control, usually ownership-locked or isolated parcels surrounded by private, federal, or other public lands. Parcel may or may not be manageable.
<b>Mgmt Requirements</b>	There are no Federal, State or resource mgmt requirements or resource management concerns associated with the parcel	There are no Federal, State or resource mgmt requirements associated with the parcel, but conditions warrant additional area management to ensure long-term sustainability and suitability	There are significant Federal, State or resource mgmt requirements associated with the parcel that requires ongoing monitoring and/or oversight.
<b>Resource Suitability</b>	The natural and location characteristics of the parcel make it ideal for its intended use or asset classification	The natural and location characteristics of the parcel are suitable for its intended use or asset classification, but present mgmt challenges or reduces the per acre potential revenue	The natural and location characteristics of the parcel are poorly suited for its intended use or current asset classification
<b>Economic Return</b>	The net-income per acre is above average for the parcel	The net-income per acre is average for the parcel	The net-income is below average for the parcel



# Business Plan Implementation

## Develop and track Key Performance Indicators

<b>Objective:</b> Develop and manage long-term agricultural leases that achieve a rate of return consistent with relevant peers				
<b>Mgmt Level</b>	<b>Key Performance Indicator</b>	<b>Baseline Date</b>	<b>Target Value</b>	<b>Current Value</b>
Asset Class	Expense to Revenue Ratio	2009	Equal or below average for resource-based asset classes	20.7%
<b>Description:</b> <i>Expense to Revenue Ratio</i> is the measure of a program's efficiency. The ratio describes the programmatic resources and investment necessary to generate revenues.				
<b>Measure:</b> Direct Program Expenses/Direct Program Revenues Average = Forest, Grazing, Conservation				
<b>Data Source:</b> Data is directly from annual fiscal reporting collected from program PCA reporting.				
<b>Reporting timeframe:</b> Annually				





# Business Plan Implementation



- Update Asset Management Procedures
  - Lease management
  - Monitoring
  - Program enrollment
- Asset Acquisition and Disposal Strategy
  - Repositioning, not expansion



# Future Business Plans

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## Grazing: Improving Asset Performance

- Business Structure
- Market Rates
- Diversification of revenues

## Conservation: Capturing Revenue Opportunities

- Leasing opportunities on existing asset lands
- Capturing non-market/ecosystem service values
- Establishing Program Procedures



A scenic landscape photograph showing a vast green field in the foreground, with a fence line visible. In the middle ground, there are some small structures and trees. The background features a range of mountains with patches of snow under a clear sky.

**Questions or Comments**

**THANK YOU**