

**Approved Minutes
Timber Advisory Committee
April 24, 2012 Meeting**

The meeting was called to order by David J. Gau, Chairman, at 9:50 a.m., Room 1009, State Board of Equalization (BOE), 160 Promenade Circle, Sacramento, California, with the following in attendance. A quorum was present.

**TIMBER ADVISORY
COMMITTEE (TAC) MEMBER**

REPRESENTING

David J. Gau, Chairman
Mike Mallory
Leslie Morgan
Charles Leonhardt
Mari Wilson
Sue Ranochak
Matt Dias *for* George Gentry
Marty Olhiser
George Belden

BOE
Assessor, Siskiyou County
Assessor, Shasta County
Assessor, Plumas County
Assessor, Humboldt County
Assessor, Mendocino County
Board of Forestry Representative
Large-Scale Timber Owners
Small-Scale Timber Owners

OTHERS IN ATTENDANCE

REPRESENTING

David Yeung
Peter Murphy
George Felix
Mike Doyich
Art Tenneson

BOE, SAPD, Timber Tax Section
BOE, SAPD, Timber Tax Section

Chairman David Gau began the meeting by informing the committee that George Gentry, the Board of Forestry Representative, would not be able to attend today's meeting. He then introduced Matt Dias, the Executive Officer for Professional Foresters' Licensing with Cal Fire, whom Mr. Gentry appointed to represent him. Since Mr. Gentry will not be sworn in today, Mr. Dias will only be allowed to observe today's meeting.

1. BOE Executive Director Kristine Cazadd administered the oath of office to the committee members in attendance. David Gau stated that Mr. Gentry will officially be sworn in prior to the next meeting. After he has taken the *Oath of Office*, he will be free to appoint a representative to act on his behalf, if he so desires.
2. Chairman David Gau informed the committee that no one had called in to participate via teleconference. The Chairman requested, barring any objections, that Mike Mallory continue as Vice-Chairman and Secretary of the Timber Advisory Committee. With no objections heard, Mr. Mallory accepted both positions.

3. Approval of the November 1, 2011 Meeting Minutes

Mike Mallory requested a wording change on item 4A, changing "while redwood values are down in the \$60 to \$100 per MBF range" to "while redwood values are down by \$60 to \$100 per MBF. Secretary Mallory also requested a version of the draft minutes be sent to him to review and edit, prior to their posting on the Timber Tax Website. Chairman Gau acknowledged and agreed to this request. Mike Mallory then made a motion to approve the minutes as corrected. Charles Leonardt seconded the motion, which passed without objection.

4. Harvest Value Discussion for Period of July 1, 2012 - December 31, 2012

Before discussing the suggested values under consideration, Peter Murphy made some introductory comments regarding recent timber tax reporting and the statewide economy in general. For 2011, the statewide total harvest volume was up 15% to 1.3 billion board feet, with corresponding revenue also up about 30%, as compared to 2010 reporting. The numbers vary county by county, and the inland numbers generally show more of an increase than for those counties on the coast. This is primarily due to redwood values not increasing as much, relative to the inland species, for that same time frame. The increased revenues from the timber tax seem to be paralleling the slow recovery of the economy in general.

a. Tables G & S, Green and Salvage Timber Harvest Values

Peter Murphy told the committee that, overall there is not much change in the values being suggested for this schedule and that the volatility we have been seeing in past years is subsiding. The coastal and interior log price indices both indicate very little change one way or the other during the past six months. He noted that the number of sales transacted had increased significantly compared to the same period last year. Peter said the export market, which was very active in 2011, has quieted down significantly so far this year. Price quotes for delivered export logs are generally down \$40 per MBF since our last meeting. Peter discussed Tables G & S, and gave a range of immediate harvest values by species for sales in several TVA's as examples.

After some minor discussion, Mike Mallory made a motion to approve Tables G&S as suggested. Sue Ranochak seconded the motion, which passed without objection.

b. Table 1, Miscellaneous Forest Products Harvest Values

Peter Murphy stated that, of all the Forest Products contained in Table 1 (Miscellaneous Harvest Values) Small Sawlogs Miscellaneous (SSM), Miscellaneous Conifer (CM), and poles are generally the categories with the largest number of sales & value movement. Table 1 products are not indexed, so current year sales are given stronger consideration in the appraisals. He also informed the committee that

information on pole sales is generally very limited. Since there is only one pole buyer in the state, pole values are strongly influenced by price quotes from that one facility.

When the review of Table 1 was completed, Chuck Leonardt made a motion to approve Table 1 values as suggested. Mari Wilson seconded the motion, which passed without objection.

5. Other Business

George Belden informed the committee that an agent for a timber landowner in Placer County has contacted him and several members of BOE staff over the last several years, claiming that the immediate harvest values (IHV) in TVA 7 are consistently too high, relative to timber sales from his client's ownership. George said it is marginal for this landowner to even conduct business in that market under the current conditions. The 40,000 acre ownership is situated at the very southeast end of Placer County. The issue is significantly higher hauling costs (\$30 to \$40 per MBF) to market their logs, as compared to most other participants in that market. The landowner is requesting consideration in the form of reducing the immediate harvest values in TVA 7 by that same \$30 to \$40 per MBF range. George offered Timber Tax Staff three possible solutions for consideration, and he hoped for a remedy to be in place by 2013.

Consideration 1:

Divide Placer County into 7 North and 7 South, with the North Fork of the American River being the dividing line.

Consideration 2:

Move all of Placer County south into TVA 8, where the IHV's more accurately reflect the landowner's return to stumpage.

Consideration 3:

Move TVA 8 north to the North Fork of the American River, so as to incorporate the ownership requesting consideration.

Peter Murphy said the last time a market analysis was conducted on TVA boundaries two years ago, there was significantly more sales data available. Large clusters of sale point origin and mill destination strongly indicated where the TVA boundaries should be. The study and ultimate boundary changes, from start to finish, took two years to complete. At that time, there was no data to support Placer County being in any other TVA, other than 7. Since that study, the number of sales and harvest volumes have been down significantly due to the poor economy and he was uncertain how reliable the outcome of a new study would be. It was also noted that since the last study, the saw mill in Camino has closed and

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the market dynamics have changed in that part of the state. None of the committee members were aware of any other upcoming mill closures or new mill openings that would further influence the market dynamics of this area.

The committee discussed various scenarios and alternatives. Peter Murphy reminded everyone that TVA boundary changes involve many logistical considerations such as public notice, public comment, changes due to public comment, allocations back to the county of harvest, form changes, computer programming changes, etc., all of which takes time.

The discussion ended with David Gau requesting staff conduct an analysis and consider the various scenarios presented, along with any other alternatives developed along the way. He asked for a recommendation to be brought before the committee for their consideration at the fall meeting, along with information on the process and time lines involved necessary to make any changes. He also requested periodic updates on the progress of the study be sent to the committee members so that they could come to the fall meeting informed and prepared to act timely to remedy this situation. George Belden thanked the committee for their consideration and offered staff any assistance or information he could supply to aid in this matter.

6. New Business

- a. The date for the next TAC meeting was set for 9:30 am on October 30, 2012.
- b. Several members expressed an interest in participating at the fall meeting by way of teleconference. David Gau said that was a viable option, but the location of the conference call would have to be publicly noticed and made available for the public to participate.
- c. Mari Wilson and Sue Ranochak inquired about the possibility of video conferencing for TAC meetings. David said that was also a possibility we could look into. If that option were to occur, the meeting place would have to be moved back to the 450 N Street HQ building.
- d. Alternative meeting locations were discussed so as to make the meeting location more centrally located for all the participants. Williams and Willows were two locations that were discussed and David said he would look into that.

7. Adjourn

David Gau moved to adjourn the meeting and the motion was seconded by Marty Olhiser. The meeting was adjourned at 10:43 a.m.