The meeting was called to order by David J. Gau, Chairman, at 9:30 AM in Room 1013, State Board of Equalization (BOE), 160 Promenade Circle, Sacramento, California. All committee members were in attendance, except for Mari Wilson and Susan Rancochak who participated via teleconference. A quorum was present and the meeting was allowed to proceed.

TIMBER ADVISORY COMMITTEE  
MEMBER IN ATTENDANCE REPRESENTING

David J. Gau, Chairman BOE  
George Gentry Board of Forestry Representative  
Charles Leonhardt Assessor, Plumas County  
Mike Mallory Assessor, Siskiyou County  
Leslie Morgan Assessor, Shasta County  
Marty Olhiser Large-Scale Timber Owners  
Lennart Lindstrand, Jr. Small-Scale Timber Owners

OTHERS IN ATTENDANCE REPRESENTING

Dean Kinnee BOE  
Ken Thompson BOE, SAPD, Timber Tax Section  
David Yeung BOE, SAPD, Timber Tax Section  
Peter Murphy BOE, SAPD, Timber Tax Section  
Mike Doyich BOE, SAPD, Timber Tax Section  
Art Tenneson BOE, SAPD, Timber Tax Section  
Mark Collins BOE, SAPD, Timber Tax Section

COMMITTEE MEMBERS PARTICIPATING VIA TELECONFERENCE CALL

Mari Wilson Assessor, Humboldt County  
Susan Rancochak Assessor, Mendocino County

1. Approval of the May 1, 2014 Meeting Minutes

David Gau asked if everyone had reviewed the minutes from the previous meeting. With no errors or omissions heard, Mike Mallory motioned to approve the minutes from the May 1st meeting as submitted. Marty Olhiser seconded the motion, which passed with all in favor.

Timber Tax Senior Forest Property Appraiser Mike Doyich began the discussion on 1H15 suggested timber harvest values with some introductory comments. The export market is still active this year, although not as robust as the previous couple of years. Numerous catastrophic wildfires devastated the state once again this year and this has flooded the market with an overabundance of low value fire killed timber. Sawmills are having problems finding the storage capacity to deal with the oversupply of logs. It is fortunate there still is an export market, as this is the only marketing outlet for small private ownerships in many parts of the state.

a) Tables G & S - Green and Salvage Timber Harvest Values

In general, species values are trending downward, ranging $10 to $40 per thousand board feet, with the exception of redwood, which is up $20 to $30 per thousand. Reported volume in the first half of 2014 is down 3% as compared to the first half of 2013. The overall value trend for the first half of 2014 as compared to the first half of 2013 is up 18%, with a corresponding increase of 18% in revenues. Lower species values in the inland regions is directly attributable to the oversupply of fire salvage and the decrease in volume harvested is probably indicative of large amounts of green timber not being offered to the market due to depressed marketing conditions. These trends are likely to continue for the next several years to come.

The committee discussed the ongoing fire salvaging operations currently taking place. The forecast from both private and industrial ownerships is to harvest as much timber in the fourth quarter of this year as the weather will allow. George Gentry said the Board of Forestry is looking into the possibility of finding a mechanism, whereby timber can be exported from state forest lands. It may be possible to model a policy similar to the export programs Oregon and Washington have on their state timberlands. With discussion winding down, David Gau called for a motion to approve Tables G & S. Chuck Leonhardt motioned to approve Tables G & S, followed by a second from Leslie Morgan. The motion passed without objection.

b) Table 1 - Miscellaneous Forest Products Harvest Values

There are not many changes proposed for the Table 1 miscellaneous products for first half of 2015. SSM is up $20.00 to $100/MBF. The increase in SSM value is attributed to the lack of lower value US Forest Service small tree thinning sales not being offered and sold. The Forest Service is currently concentrating on selling and removing fire salvage from public lands, and they are putting a hold on their forest health and fuels reduction programs for now. The small log sales currently being marketed are from private timberlands and they generally have lower costs, which reflect in the higher stumpage values. Since Table 1 sales are not indexed, stronger consideration is given to the current year sales.
Miscellaneous Conifers (CM) is down $20.00 to $80/MBF. For several years there were large volume, high value lodgepole pine sales that were being marketed for high value custom log homes. These sales have now dropped out of the sales mix, and so the overall value is down. All other Table 1 values remain unchanged.

A motion to approve Table 1 values as proposed was made by Mike Mallory and was seconded by Marty Olhiser. Without objection, the motion carried.

3. Other Business

a) Modified Fire Schedule TVA’s 4, 5, 6, 7, & 8

Peter Murphy explained that modified salvage values cannot be higher than the values in the regular salvage table. Modified values can only be the same, or lower than regular salvage. Because there has been so much fire salvaging going on for the last three years in California, older sales still remain in the sales base. Older fire killed timber is lower in value than recently burned timber, due to blue-staining in the pine and degrading wood quality in the other species.

There is now such a large influx of recent 2014 fire salvage sales coming in, the modified values are actually coming in higher than the older sales that were used in the regular salvage table. Due to this anomaly, the 4Q14 higher value modified values in TVA 5, that were supported by large volume current year sales, had to be lowered to the regular salvage table values that had been previously been adopted by the Board for the second half of 2014. So essentially, the already adopted salvage table is driving the suggested 4Q14 modified, which is supported by sales, to be lower than the current sales data supports.

The proposed modified values for the first quarter of 2015 in TVA 5 then rise dramatically because they compare to the 1H15 salvage table, which is higher than the 2H14 salvage table. There are similar examples of this anomaly in other TVAs, but it is most pronounced in TVA 5. As more sales information comes in, 1Q15 modified values may need to be revised. If this is the case, a special TAC meeting will need to be held in January of next year (2015).

A motion to approve Modified Value Schedules for 4Q14 and 1Q15 was made by Leslie Morgan and was seconded by Mike Mallory. Without objection, the motion carried unanimously.
4. New Business

David Gau announced to the committee that after 31 of State service, Peter Murphy will be retiring at the end of this year. He complimented Peter on his professionalism, expertise as a forester, and exemplary quality of work. David then led the committee in a standing ovation in his honor.

Peter then introduced new Timber Tax forester Mark Collins. Mark will now be handling TVA 1 (Humboldt and Del Norte Counties). Which means that Art Tenneson will be moving over to handle TVAs 5 and 6 after Peter retires.

David Gau talked about the new incoming members to the Board of Equalization, and about making the TAC committee positions permanent appointments, rather than to have 1-year term limits that have to be reappointed annually. This will eliminate the need for being sworn in to the oath of office every year. David reminded everyone that there may be a need to call for a special meeting of the Timber Advisory Committee in January, should there be a need to adjust the 1Q15 modified schedules. David also informed the committee of the realignment and reorganization within the BOE, and that in his new role as Chief Deputy Director, this may be his last TAC meeting as well. He said he has enjoyed being a part of this committee and working with everyone involved, and that he hoped he would be back next year.

Tentative date for the next meeting

The date for the next TAC meeting was agreed to be on Tuesday morning May 5, 2015 at 9:30 AM, at the same location and room.

5. Adjourn

David Gau adjourned the meeting with a special thank you to Peter Murphy for all his years of service with the Board of Equalization and best wishes to him and his family in his retirement.