

**JEFFERSON COUNTY
BOARD OF COUNTY COMMISSIONERS**

AGENDA REQUEST

TO: Board of Commissioners

FROM: Philip Morley, County Administrator

DATE: July 5, 2011

RE: 2011 DNR Timber Revenue Overview and Update on Silent Alder Sale

STATEMENT OF ISSUE: Staff presents to the Board of County Commissioners our current 2011 Washington State Department of Natural Resources (DNR) timber revenue projection, and an update on DNR's Silent Alder sale.

ANALYSIS: DNR timber sales (and private timber sales, too) are performing better because prior wood and lumber inventories have been exhausted, boosting domestic demand for new timber harvest, coupled with a robust export market to overseas.

Projected 2011 General Fund revenue from county trust lands managed for timber harvest by DNR is presently estimated to come in at as much as \$375,000 above the \$230,000 DNR revenue in this year's adopted General Fund budget. The Road Fund and Conservation Futures Fund will also receive higher revenue from those sales, as will other special purpose districts that also receive DNR revenue.

Staff is working on a proposal for dedicating a portion of the General Fund's one-time revenue windfall to pay for debt service and capital projects that otherwise would be a General Fund obligation.

Last year the Board of County Commissioners successfully asked DNR to withdraw, modify and reissue its Silent Alder timber sale, in order to preserve a valuable recreation forest between Beausite Lake and Gibbs Lake. DNR timber tracts on two parcels that totaled 291 acres were spared from harvest. The Board signed a letter to DNR requesting DNR initiate a Trust Land Transfer for all 291 acres. As a part of this transfer, the 291 acres would be given to the County, and one or more tracts elsewhere in Jefferson County would be placed into DNR county trust status, and managed for harvest revenue to the county. This timber and land value of that tract would equal that of the 291 acres.

Despite the reduced the amount of timber, with an improving timber price market, when the smaller Silent Alder timber sale was successfully bid and contracted, it was for \$34,000 more than DNR's price estimate for the original larger sale.

By agreement when the Silent Alder sale was revised and relet, DNR has asked to be compensated for \$30,000 of their costs for withdrawing, re-drawing, and re-advertising the Silent Alder sale. We will be using some of this year's higher DNR revenues to pay for this. My office will be submitting a second quarter budget extension request to pay this invoice from Non-Departmental budget within the General Fund.

FISCAL IMPACT:

The April 2010 DNR timber revenue projection prior to the reduction of 291 acres for the Silent Alder Tract compared to the May 2011 estimate for revenue for the Silent Alder Tract are shown in the table below:

Silent Alder Timber sale estimated revenues:

Date of Estimate by DNR	Cut	Volume	Estimated Revenue-all Agencies	County Gen Fund revenue	County Roads revenue	County Conserv. Futures	County Revenue Total
Apr-10	Silent Alder	4600 mbf	950,000	133,898	93,765	3,776	231,439
May-11	Silent Alder	3362 mbf	1,091,717	153,872	107,752	4,339	265,963
		Revenue Difference	141,717	19,974	13,987	563	34,524

These estimates are based on DNR updates provided to the BOCC on April 5, 2010 and May 3, 2011.

RECOMMENDATION:

No action is required at this time, this is an informational update on the 2011 DNR Revenues and the Silent Alder Sale.

REVIEWED BY:

Serna Deloney for Philip Morley 4/30/11
 County Administrator Date