

**DRAFT Minutes
Timber Advisory Committee
Tuesday, May 16, 2023, Meeting**

The meeting was called to order by Mr. James Dahlen, Chair, at 10:07 a.m.

COMMITTEE MEMBERS IN ATTENDANCE

James Dahlen, Chair
Leslie Morgan, Vice-Chair/Secretary
Jennifer Perry
Cynthia Froggatt
Craig Kay
Howard LaHaie
Dan Stapleton
Marty Olhiser
Lennart Lindstrand, Jr.

REPRESENTING

CDTFA/Program Compliance Bureau (PCB)
Assessor, Shasta County
Assessor, Del Norte County
Assessor, Plumas County
Assessor, Siskiyou County
Assessor, Humboldt County
Board of Forestry
Large-Scale Timber Owners
Small-Scale Timber Owners

COMMITTEE MEMBERS NOT ATTENDING

None

REPRESENTING

OTHERS IN ATTENDANCE

Susanne Buehler, Deputy Director
Mike Doyich
Mark Collins
Charles Holthaus
Leslie Ang
Tuan Nguyen
Rachel Zoe

REPRESENTING

CDTFA, Business Tax and Fee Division (BTFD)
CDTFA, BTFD/Timber Tax Section
CDTFA, BTFD/Timber Tax Section
CDTFA, BTFD/Timber Tax Section
CDTFA, Legal Division
CDTFA, BTFD/Program Compliance Branch
CDTFA, BTFD/Program Administration Branch

1. Call to Order and Opening Comments – Mr. James Dahlen

Mr. James Dahlen, Chair of the committee, called the meeting to order at 10:07 am and welcomed the new committee members.

2. Roll Call

Chairman Dahlen called the roll, and with the exception of Mr. Marty Olhiser, all committee members were present, so the meeting was allowed to proceed. (Note: Member, Mr. Marty Olhiser joined the meeting after the Oath of Office).

3. Oath of Office- Ms. Leslie Ang, CDTFA Legal

Ms. Ang administered the Oath of Office to the committee members. Due to missing the Oath of Office ceremony, Ms. Ang administered the Oath of Office to member, Mr. Olhiser later by phone.

4. Election Of Officers

Ms. Ang made a short presentation about the history, composition, and officers of the Timber Advisory Committee (TAC). The committee can choose to elect officers for a term of office ranging from a 1-year term to a 4-year term. Historically, for ease of administration, the chair has been a member of the agency. Chairman Dahlen recommended 4-year terms for both officers as a matter of convenience, then opened the floor to nominations.

a) Chair

Ms. Leslie Morgan nominated James Dahlen for the position of Chairman; Mr. Lennart Lindstrand seconded the nomination. The motion passed unanimously, with Chairman Dahlen abstaining.

b) Vice-Chair/Secretary

Chairman Dahlen nominated Ms. Morgan for the position of Vice-Chair/Secretary; Mr. Lindstrand seconded the nomination. The motion passed unanimously, with Ms. Morgan abstaining.

Chairman Dahlen then opened the floor for discussion regarding the length for term of office. Mr. Lindstrand made a motion to assign a 4-year term of office to run concurrent with the committee's 4-year term. Mr. Dan Stapleton seconded the motion. The motion passed unanimously.

5. Review and Approval of Meeting Agenda

Chairman Dahlen opened the floor to suggestions for additional agenda items. There were no requests for changes or additions to the meeting agenda. Mr. Lindstrand made a motion to approve the agenda as presented. Mr. Howard LaHaie seconded the motion., The motion passed unanimously.

6. Discussion and Approval of the Minutes from the November 22, 2022 Meeting

Chairman Dahlen opened the floor for discussion of the minutes from the November 22, 2022, meeting. There were no corrections or comments made regarding the previous meeting minutes. Mr. Lindstrand made a motion to approve the November 22, 2022, meeting minutes as written. Ms. Cynthia Froggatt seconded the motion. The motion passed unanimously.

7. Opening Comments and General Marketing Trends – Mr. Mike Doyich

Senior Forest Property Appraiser, Mr. Doyich, began his presentation with a short summary of the appraisal team's duties, then introduced each of the four Timber Tax Appraisers with a brief summary of their credentials and work experience.

Mr. Doyich provided an update on the new Tahoe Forest Products sawmill expected to open in July of this year with plans to have a large and small log mill, planing mill, and dry kilns all running by sometime in 2024. Sierra Pacific Industries closed the only remaining pole manufacturing plant in California in December last year due to difficulty in maintaining a steady supply of pole quality logs. The plant was sold, and it will be disassembled and moved to the new owner's location. Where that will be is currently unknown, but it will likely not be in California. Currently, the California log export markets are shut down, thus reducing competition from the domestic mills.

The relatively moderate fire season from 2022 allowed the industry to get caught up on the large backlog of fire salvage from previous years. The long wet 2022-23 winter has resulted in a late start to this year's logging season. In years past, a shorten logging season sometimes led to a lack of log supply and increased log prices later in the year. This year with so much uncertainty with the economy, it remains to be seen what will happen later this year. According to the Western Wood Products Association's Lumber Index, lumber prices declined significantly for the second half of 2022, and have been erratic so far this year. Log prices have been flat or down slightly for first quarter 2023, and logs have been lacking the erratic swings lumber prices have shown in the last several years. Since the Covid pandemic began in 2020, lumber and log prices have not been trending together as they have in the past.

Mr. Doyich mentioned the process of gathering quarterly delivered log price quotes from all the recognized sawmills in the state and summarized how this information is used in conjunction with the inhouse log index that produces a time adjustment for older sales. This process helps to mitigate that impact when there is a lack of new sales early in the year.

8. Suggested Immediate Harvest Values for the Period of July 1, 2023 – December 31, 2023

a) Table G – Green Timber Harvest Values

Mr. Doyich began the discussion with a quick summary of Table G and how the appraisers are handling camp-run pricing structures. Generally, green log values are flat or down, with the exception of Douglas-fir in Timber Value Areas (TVA) 4 and 5 which are up \$20/MBF, and size class 1 and 2 Redwood in TVA 3 which are also up \$20/MBF. Lacking any discussion or comments, Mr. Lindstrand made a motion to approve Table G, as proposed. Mr. Olhiser seconded the motion. The motion passed unanimously.

b) Table S – Salvage Timber Harvest Values

Due to the large amount of fire salvage timber in recent years staff added a new report to the appraisal summary handout titled *TAC Salvage Harvest Value Summary*. The report contains the number of sales, volume, the 3-year weighted average as well as the appraiser's suggested value. The report was created to be an aid to the committee in analyzing the suggested salvage values. There were no comments or discussion by the committee regarding the suggested salvage harvest values. Ms. Morgan made a motion to approve Table S as proposed, and Mr. Lindstrand seconded the motion. The motion passed unanimously.

c) Table 1 – Miscellaneous Forest Products Harvest Values

Mr. Doyich recapped the statistics on reported harvests regarding sawlogs versus the Table 1, Miscellaneous Forest Products. All sawlogs account for 93% of all reporting and Table 1 represents the remaining 7%. The SSM category alone accounts for 94% of all of Table 1 reporting. He reminded everyone that shavings and all categories of wood chips have been moved into the CS category and the hardwood sawlogs and hardwood peeler logs stand alone in the HW category. With the exception of SSM, there were no proposed changes to Table 1 values from the prior harvest values. SSM is up \$10 to \$170/MBF in harvest value. Mr. Lindstrand questioned the proposed SSM value of \$170/MBF as it relates to the 3-year weighted average of \$241/MBF. After receiving a satisfactory explanation as to the rationale for the proposed \$170/MBF value, Mr. Lindstrand made the motion to approve Table 1 as proposed. Mr. LaHaie seconded the motion. The motion passed unanimously.

9. Old Business

- a) There was no old business on the agenda for discussion.

10. New Business

- a) **Proposed changes to the Harvest Value Schedule instructions, Page 3.**

- i) **Proposal to eliminate the option of using a cruise or other statistical sample as a method to determine *Average Volume per Log (AVL)* prior to logging.**

Mr. Doyich presented a comprehensive and detailed explanation on the difference between log scaling and a timber cruise, and the justification for the need to remove the obsolete policy of using a cruise or statistical sample to determine the Average Volume per Log (AVL), prior to logging.

Some of the major reasons included:

- The concept of using AVL to determine taxable harvest value was developed after the Yield Tax Law was passed in 1976, and nothing is contained in the law that requires the use of a cruise to determine the AVL. The law has not been updated since its inception to address this matter.
- A cruise is preharvest tree measurements and reflects what is growing in the stand and not what is actually harvested and sold to a sawmill.
- Utilization standards can change at the time of harvest from when the cruise was designed and conducted.
- Actual scaling data is readily available and is much more accurate than cruise data.
- Use of a cruise to determine AVL remains fixed for the life of the operation, while using actual quarterly scaling data to determine AVL can vary from quarter to quarter.
- The counties of harvest may not be receiving the correct amount of tax revenue that they should.

Mr. Stapleton questioned if this matter is just a policy, or if regulations require the cruise method to determine AVL. Mr. Doyich responded that this has only been an internal policy, and that there is nothing in the law or regulations that requires it. After responding to several other questions from

the committee, Mr. Stapleton made the motion to approve the proposed change to the Harvest Value Schedule instructions on Page 3. Mr. Lindstrand seconded the motion. The motion passed unanimously.

b) Date for the next Timber Advisory Committee Meeting

The committee agreed to the suggested date of Thursday, November 9, 2023, at 10:00 AM, via video conference for their next meeting. Mr. Lindstrand requested that the committee consider an in-person meeting. Mr. Dahlen agreed to poll the members after the meeting since this would require travel for some members.

11. Adjourn

Ms. Morgan made the motion to adjourn, Mr. Stapleton seconded the motion. The motion passed unanimously. The meeting was adjourned at 11:22 PM.