



Peter Goldmark
Washington State
Commissioner of Public Lands

October 27, 2015

The Honorable John Lovick
Snohomish County Executive
3000 Rockefeller Avenue m/s 407
Everett, WA 98201

Dear County Executive Lovick:

The Washington State Department of Natural Resources (DNR) manages approximately 64,180 acres of State Forest Lands that benefit Snohomish County. These lands generated \$6,117,000 in the first three quarters of calendar year 2015 and are projected to generate \$7,003,000 for all of calendar year 2015 from activities expected to occur under current contracts. This represents an increase of \$470,000 from the 2015 projection in the July 2015 report.

Net value under contract after calendar year 2015 is estimated at \$4,434,000. This income information does not include anticipated revenues from additional planned activities for which contracts have not been finalized. Projections of income after July 2, 2013 reflect the management fee of 25 percent, as adopted by the Board of Natural Resources on that date.

Some counties receive portions of their income from leases and fees; however, the majority of income reflected in this report is derived from timber sales. As most revenue stems from timber sales, these projections can fluctuate depending upon when timber harvests actually occur. Market conditions, contract requirements, and regulatory requirements influence timber purchasers' decisions about when to harvest. Harvesting could occur earlier if conditions warrant. Changes in purchasers' plans for harvest will be reflected in future reports. The next projection of State Forest Land revenues will be available in January 2016.

I appreciate how necessary revenue is to the success of county functions. DNR consistently strives to ensure that we realize the maximum available income from the State Forest Lands we manage on behalf of the counties. Should you have any questions regarding this information, please contact Jean Fike, Northwest Region Manager, at 360-856-3500 or at jean.fike@dnr.wa.gov.

Sincerely,

Peter Goldmark
Commissioner of Public Lands

Enclosures

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COUNTY INCOME REPORT
EXPLANATION OF TABLES
October 2015

Two categories of lands are managed by the Washington State Department of Natural Resources (DNR) specifically to benefit counties:

1. **State Forest *Transfer* Lands.** Lands acquired by counties through tax foreclosures were transferred to DNR to manage. Management fee rates are established by the Board of Natural Resources. Currently, counties receive 75 percent of the revenue from these lands.
2. **State Forest *Purchase* Lands.** State-issued bonds were used to acquire certain parcels from private owners. Typically, these forest lands had been severely logged and were in need of active management. Allocation of revenue from these lands was determined when purchase was authorized, as follows: 26.5 percent to the county in which the property is located; 50 percent to DNR for management expenses; and the remaining 23.5 percent to the State General Fund.

Nineteen counties include these types of State Forest Lands within their county boundaries.

Income from management activities on State Forest Lands is designated for allocation to several taxing districts in each county. Only a small amount is available to the county for discretionary use.

Revenue from State Forest Lands originates primarily from timber sales. These amounts vary widely as market conditions fluctuate. Smaller portions of revenue are derived from activities such as communication site leases, rights-of-way easements for utilities and roads, special forest products, special uses, and interest. Income will also vary with the number of revenue-generating activities within a given year. Variables responsible for high revenues in one year can lead to reduced income the following year.

- **Table 1** shows the annual revenue for each county from calendar year 2006 through the third quarter of calendar year 2015. This table illustrates the variability in total revenues from year to year.
- **Table 2** shows *projected* revenue for all 19 counties from all activities on State Forest Lands for the rest of calendar year 2015 and calendar year 2016.
- **Table 2A** shows *projected* revenue for each timber sale on State Forest Lands *in your county* anticipated to occur for 2015 and beyond (enclosed if applicable).
- **Table 3** shows the volume and net value *under contract* as of September 30, 2015 that is *not currently scheduled for harvest until after December 2016* (enclosed if applicable).

Projections were developed by DNR region staff by contacting each timber purchaser that has rights to an upcoming sale. Purchasers were asked how much and when they planned to harvest the timber from each sale. These projected timber revenues should be considered *rough estimates only*; actual activity will depend on individual sale characteristics (species, volume, location, etc.), combined with outside market factors as determined by each purchaser.

The schedule of future timber sales from State Forest Lands in your county is available upon request from Department of Natural Resources' region staff.

Table 1. Revenue to Counties from State Forest Transfer and Purchase Lands (Calendar Years)

Updated: 10/15/2015

County	2006	2007	2008	2009	2010	2011	2012	2013	2014	Jan-Sept 2015
Clallam	4,470,806	5,903,404	9,323,340	4,173,346	6,229,596	5,502,033	4,738,336	5,643,329	8,487,731	2,479,349
Clark	4,264,442	5,614,184	1,088,753	1,977,893	8,793,446	4,601,597	8,528,782	7,191,261	6,388,518	5,292,852
Cowlitz	2,348,848	1,599,865	1,299,756	2,914,752	3,709,692	1,534,691	1,557,816	1,598,498	1,067,106	3,827,453
Grays Harbor	700,385	1,078,365	404,882	1,007,779	2,178,958	1,991,750	2,168,671	1,075,212	875,687	954,631
Jefferson	1,075,049	762,629	1,409,138	669,093	981,510	3,082,453	740,481	661,568	1,085,477	2,204,902
King	425,144	3,638,003	1,836,570	1,053,232	2,737,595	2,474,997	1,112,153	741,392	2,818,269	707,694
Kitsap	218,756	400,093	798,357	244,491	495,884	55,958	877,589	743,958	293,314	478,476
Klickitat	2,307,063	4,157,236	490,525	1,037,450	327,073	209,403	559,355	289,623	215,737	327,197
Lewis	19,053,461	4,421,392	4,715,266	6,738,048	6,147,429	11,076,482	3,439,911	4,280,541	8,677,045	2,997,087
Mason	1,432,968	2,585,862	2,416,073	1,500,640	3,062,868	2,616,802	2,024,430	1,337,166	3,067,093	7,220,575
Pacific	2,238,753	2,621,728	963,320	3,428,025	2,060,204	2,547,153	441,369	3,446,724	1,267,286	1,040,734
Pierce	2,251,072	1,435,948	1,509,353	742,913	1,523,600	214,159	178,426	121,558	222,815	0
Skagit	9,021,036	10,635,736	11,723,743	5,704,325	8,746,747	11,679,594	9,093,422	5,976,604	7,452,783	5,549,110
Skamania	436,890	540,697	324,117	253,914	1,215,005	747,982	926,532	1,367,876	2,415,852	788,355
Snohomish	7,069,004	11,391,018	6,323,157	10,138,226	13,132,194	13,981,341	5,682,380	11,786,058	9,251,851	6,116,834
Stevens	38,002	42,239	40,587	79,484	47,542	59,973	64,654	69,322	70,725	63,413
Thurston	5,344,608	4,915,648	1,777,592	2,625,128	7,964,904	4,200,388	1,660,728	5,017,407	2,999,025	2,319,487
Wahkiakum	2,146,022	571,852	1,170,658	1,516,340	1,820,052	1,400,872	1,956,441	1,742,003	1,631,697	3,282
Whatcom	2,648,374	2,420,510	6,067,453	3,569,263	2,405,630	3,543,071	4,468,281	3,763,694	2,178,129	2,957,264
Totals	\$78,451,080	\$67,490,683	\$53,682,639	\$49,374,342	\$73,579,929	\$71,520,698	\$50,219,757	\$56,853,794	\$60,466,140	45,328,695

Note: Revenue is received daily by the Department of Natural Resources for activities on State Forest lands and deposited daily at the Office of State Treasurer. Effective February 1998 these monies are remitted to each county via wire transfer a minimum of four times per month. Due to the specific date monies are received by the Department and the cutoff dates used by the State Treasurer for wire transfers, the revenue for the current period may be different than actual remittances to date.

**Table 2. Total Projected Revenues to Counties from State Forest
Transfers and Purchase Lands ^{1/}**
(Dollars in Thousands)

County	October thru December 2015		January thru December 2016	
	High	Medium	High	Medium
Clallam	\$63.8	\$1,016.6	\$282.0	\$2,899.9
Clark	330.7	330.7	1,896.0	2,515.0
Cowlitz	63.6	63.9	49.3	501.7
Grays Harbor	469.2	707.5	307.5	1,571.5
Jefferson	(0.1)	(0.1)	30.6	1,684.6
King	10.2	10.2	2,008.0	2,008.0
Kitsap	20.1	20.1	52.7	52.7
Klickitat	8.2	8.2	14.4	14.4
Lewis	1,144.4	1,147.0	3,142.1	3,238.6
Mason	4.5	109.9	1,788.6	3,444.6
Pacific	92.7	92.7	98.0	98.0
Pierce	0.0	0.0	1.2	1.2
Skagit	584.5	697.8	5,114.4	6,970.4
Skamania	174.7	174.7	27.5	27.5
Snohomish	870.8	886.3	2,994.4	3,055.6
Stevens	6.0	6.0	67.0	67.0
Thurston	794.6	1,630.8	2,088.9	7,856.5
Wahkiakum	0.0	0.0	1.3	1.3
Whatcom	522.5	804.4	487.0	839.4
Totals	\$5,160.5	\$7,706.8	\$20,451.0	\$36,848.0

^{1/} **High - 90 percent reliability that timber harvest will occur and stated revenue will be transmitted.
Medium - 50 percent reliability that timber harvest will occur and stated revenue will be transmitted.**

Note: Projected revenues are based on timber purchaser's logging plans as of September 2015. These plans change with changes in the economy and the business needs of each purchaser. Department of Natural Resources' region staff should be contacted concerning possible fluctuations in timber harvest for sales currently under contract and the schedule of future sales on State Forest Lands in your county.

Table 2A. Projected Timber Harvest Revenues to Snohomish County from State Forest Transfer and Purchase Lands by Legal Description
(Thousands of Dollars) ^v

Sale App. Number	Sale Name	Expiration Date	Legal Description			October thru December 2015		January thru December 2016		Value Under Contract after Dec-16
			Section	Township	Range	High	Medium	High	Medium	
88464	Nice Marmot	09/30/16	1 35, 36	28N 29N	8E 8E	3.8	3.8	0.0	0.0	0.0
89645	Over There	09/30/16	2, 3, 10, 11	28N	8E	364.7	364.7	289.6	289.6	0.0
89646	Moonbeam VDT & VRH	09/30/17	21, 28	28N	9E	0.0	15.5	198.5	198.5	62.9
89859	Cooperation	09/30/17	17, 18, 20	28N	8E	14.2	14.2	0.0	0.0	1,266.6
89860	Fozzie	09/30/16	33 32, 33	29N 29N	8E 9E	131.1	131.1	223.3	223.3	0.0
90096	Dolly Madison	09/30/16	1 36	32N 33N	5E 5E	197.5	197.5	89.2	89.2	0.0
90780	Squire Creek VRH & VDT	09/30/16	17	32N	9E	0.0	0.0	505.1	505.1	0.0
90886	Soni	09/30/16	15	32N	7E	27.7	27.7	221.6	221.6	0.0
91036	Deer Wrap	09/30/17	13, 14 17, 18	27N 27N	9E 10E	0.0	0.0	0.0	61.2	48.9
91138	Recur VRH & VDT	09/30/16	7, 8, 17	29N	8E	0.0	0.0	384.0	384.0	0.0
91170	Bear Claw	09/30/16	11, 12, 13	31N	6E	120.7	120.7	958.6	958.6	0.0
Total						\$859.7	\$875.2	\$2,870.1	\$2,931.3	\$1,378.5

^v High - 90 percent reliability that timber harvest will occur and stated revenue will be transmitted.
Medium - 50 percent reliability that timber harvest will occur and stated revenue will be transmitted.
Values are cumulative from high to medium probability.

Note: Projected revenues are based on timber purchaser's logging plans as of September 2015. These plans change with changes in the economy and business needs of each purchaser. Department of Natural Resources regional staff should be contacted concerning possible changes in timber harvest plans and for copies of sale area maps for specific locations of timber sales within the legal descriptions listed above.

Table 3. Volume and Net Value of Timber under Contract on State Forest Transfer and Purchase Lands for Harvest after Calendar Year 2016 ^{1/}

<u>County</u>	<u>Volume (mbf)</u>	<u>Net Value</u>
Clallam	0	\$0
Clark	3,276	763,893
Cowlitz	699	99,810
Grays Harbor	140	1,734
Jefferson	1,436	398,138
King	0	0
Kitsap	0	0
Klickitat	0	0
Lewis	2,438	250,958
Mason	1,258	476,662
Pacific	0	0
Pierce	0	0
Skagit	6,261	2,519,814
Skamania	2,880	784,656
Snohomish	4,461	1,378,496
Thurston	367	63,901
Wahkiakum	0	0
Whatcom	0	0
Totals	23,216	\$6,738,062

^{1/} Counties currently receive 75% of revenue from State Forest Transfer land and 26.5% of revenue from State Forest Purchase land.

Note: The sales represented here are currently under contract as of September 2015. This timber could be harvested at any time depending on market conditions and business needs as determined by each purchaser. Sales to be sold in the future could provide additional revenue to your county. Department of Natural Resources' region staff should be contacted concerning future sale activity and dates.