



HILARY S. FRANZ
COMMISSIONER OF PUBLIC LANDS

August 3, 2017

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

Dear County Executive Somers:

The Washington State Department of Natural Resources (DNR) manages approximately 64,135 acres of State Forest Transfer and Purchase Lands that benefit Snohomish County. These lands generated \$6,594,000 in the first two quarters of calendar year 2017. We estimate these lands will generate approximately \$8,496,000 total for calendar year 2017 from activities expected to occur under current contracts.

Net value under contract for calendar year 2018 is estimated at \$2,949,000. This income information does not include anticipated revenues from additional planned activities (contracts harvests, leases, easements, etc.) for which contracts have not been finalized. These income estimates are net after the current agency management cost percentage has been applied.

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 occur. Market conditions, weather, contract requirements, and regulatory requirements influence timber purchasers' decisions about when to harvest. The next projection of State Forest Land revenues will be available in October 2017.

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 Transfer and Purchase 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,

A handwritten signature in black ink, appearing to read "Hilary S. Franz", is written over a large, stylized flourish.

Hilary S. Franz
Commissioner of Public Lands

Enclosures

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COUNTY INCOME REPORT
EXPLANATION OF TABLES
July 2017

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 2007 through the second quarter of calendar year 2017. 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 calendar year 2017 and 2018.
- **Table 2A** shows *projected* revenue for each timber sale on State Forest Lands *in your county* anticipated to occur for 2017 and beyond (enclosed if applicable).
- **Table 3** shows the volume and net value *under contract* as of December 31, 2017 that is *not currently scheduled for harvest until after December 2018* (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: 7/12/2017

County	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017 Jan-June
Clallam	9,323,340	4,173,346	6,229,596	5,502,033	4,738,336	5,643,329	8,487,731	3,376,506	7,938,764	1,749,592
Clark	1,088,753	1,977,893	8,793,446	4,601,597	8,528,782	7,191,261	6,388,518	5,846,269	4,791,957	3,144,847
Cowlitz	1,299,756	2,914,752	3,709,692	1,534,691	1,557,816	1,598,498	1,067,106	4,025,043	1,358,909	1,107,998
Grays Harbor	404,882	1,007,779	2,178,958	1,991,750	2,168,671	1,075,212	875,687	1,245,311	2,838,170	1,483,348
Jefferson	1,409,138	669,093	981,510	3,082,453	740,481	661,568	1,085,477	2,906,961	1,603,428	262,315
King	1,836,570	1,053,232	2,737,595	2,474,997	1,112,153	741,392	2,818,269	952,755	2,397,790	210,611
Kitsap	798,357	244,491	495,884	55,958	877,589	743,958	293,314	851,397	824,969	224,365
Klickitat	490,525	1,037,450	327,073	209,403	559,355	289,623	215,737	352,380	26,797	10,944
Lewis	4,715,266	6,738,048	6,147,429	11,076,482	3,439,911	4,280,541	8,677,045	4,053,711	5,416,025	3,243,592
Mason	2,416,073	1,500,640	3,062,868	2,616,802	2,024,430	1,337,166	3,067,093	8,005,336	3,621,960	2,518,806
Pacific	963,320	3,428,025	2,060,204	2,547,153	441,369	3,446,724	1,267,286	1,227,526	2,653,344	874,108
Pierce	1,509,353	742,913	1,523,600	214,159	178,426	121,558	222,815	32,691	335,489	187,010
Skagit	11,723,743	5,704,325	8,746,747	11,679,594	9,093,422	5,976,604	7,452,783	7,425,535	8,592,232	7,510,542
Skamania	324,117	253,914	1,215,005	747,982	926,532	1,367,876	2,415,852	1,234,445	2,131,536	632,796
Snohomish	6,323,157	10,138,226	13,132,194	13,981,341	5,682,380	11,786,058	9,251,851	7,256,233	5,652,325	6,594,020
Stevens	40,587	79,484	47,542	59,973	64,654	69,322	70,725	63,533	94,918	29,678
Thurston	1,777,592	2,625,128	7,964,904	4,200,388	1,660,728	5,017,407	2,999,025	4,368,240	8,747,144	1,884,987
Wahkiakum	1,170,658	1,516,340	1,820,052	1,400,872	1,956,441	1,742,003	1,631,697	802,706	2,026,441	1,620
Whatcom	6,067,453	3,569,263	2,405,630	3,543,071	4,468,281	3,763,694	2,178,129	4,022,292	2,061,161	730,949
Totals	\$53,682,639	\$49,374,342	\$73,579,929	\$71,520,698	\$50,219,757	\$56,853,794	\$60,466,140	\$ 58,048,870	\$ 63,113,359	\$32,402,128

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	July thru December 2017		January thru December 2018	
	High	Medium	High	Medium
Clallam	\$5,438.8	\$6,277.4	\$1,785.1	\$2,030.9
Clark	789.6	810.5	2,033.3	2,033.3
Cowlitz	22.7	24.6	530.4	530.4
Grays Harbor	282.8	282.8	930.9	1,477.6
Jefferson	774.3	774.3	75.6	75.6
King	1,128.2	1,752.6	96.2	96.2
Kitsap	160.5	160.5	1,171.1	1,171.1
Klickitat	19.8	19.8	32.1	32.1
Lewis	1,274.2	1,453.7	3,193.7	3,866.7
Mason	738.3	885.6	2,209.0	2,209.0
Pacific	94.3	96.2	1,399.5	1,795.9
Pierce	296.0	1,052.8	552.3	269.2
Skagit	4,741.6	5,585.2	2,064.8	5,313.5
Skamania	1,486.3	1,720.2	1,493.1	1,493.1
Snohomish	1,196.0	1,902.1	1,539.5	2,949.4
Stevens	57.7	57.7	79.6	79.6
Thurston	1,297.0	1,304.7	1,360.0	1,361.8
Wahkiakum	1,014.0	1,014.0	48.4	48.4
Whatcom	784.2	818.6	2,027.3	2,027.3
Totals	\$21,596.3	\$25,993.4	\$22,622.0	\$28,861.2

^{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 **June 2017**. 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) ¹¹

Sale App. Number	Sale Name	Expiration Date	Legal Description			July thru December 2017		January thru December 2018		Value Under Contract after Dec-18
			Section	Township	Range	High	Medium	High	Medium	
89646	Moonbeam VDT & VRH	09/30/17	21, 28	28N	9E	61.8	61.8	0.0	0.0	0.0
90094	North Heights VRH & VDT	03/31/20	2, 5, 11 35	32N 33N	9E 9E	24.1	24.1	72.4	72.4	10.0
92203	Lost Horse VRH & VDT	03/31/18	2-4, 10	28N	7E	23.9	23.9	0.0	0.0	0.0
92649	Golfer	03/31/19	1 27, 28, 33, 35, 36	28N 29N	8E 8E	69.6	69.6	239.7	239.7	0.0
93059	Lotta Strands	03/31/19	1-3, 10-12 35	28N 29N	8E 8E	0.0	0.0	2.3	2.3	0.0
93096	Blue Tuxedo	03/31/19	29, 32	29N	8E	102.2	102.2	0.0	0.0	0.0
93486	Jumpin Jack	03/31/19	1 5, 6 36 31	32N 32N 33N 33N	5E 6E 5E 6E	0.0	0.0	778.2	778.2	176.5
93864	Dancing Bear VDT & VRH	03/31/19	1, 2, 15 35, 36	31N 32N	6E 6E	0.0	0.0	78.9	78.9	17.7
93898	Lugnut	03/01/19	12-15 7	28N 28N	8E 9E	656.8	656.8	0.0	0.0	0.0
93899	American Royal	03/31/19	2, 3 34	28N 29N	7E 7E	0.0	434.5	217.2	217.2	0.0
94314	Flyin Somewhere	03/31/19	16-20	29N	8E	0.0	0.0	0.0	541.8	431.0
94393	Turning Wheel	03/31/19	12, 13	27N	9E	0.0	0.0	0.0	661.2	0.0
94521	Downrigger Supreme	03/31/19	5, 6, 7, 8	32N	6E	0.0	258.5	0.0	206.8	0.0
94741	Jaguar	03/31/20	10, 15, 16, 22	29N	7E	0.0	0.0	0.0	0.0	1,098.1
94737	Cinnamon Roll	03/31/19	27, 28, 34	32N	6E	210.7	223.8	0.0	0.0	0.0
Total						\$1,149.1	\$1,855.2	\$1,388.6	\$2,798.5	\$1,733.3

¹¹ 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 June 2017. 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 2018 ^{1/}

<u>County</u>	<u>Volume (mbf)</u>	<u>Net Value</u>
Clallam	0	\$0
Clark	597	52,661
Cowlitz	0	0
Grays Harbor	0	0
Jefferson	0	0
King	0	0
Kitsap	0	0
Klickitat	0	0
Lewis	0	0
Mason	0	0
Pacific	0	0
Pierce	0	0
Skagit	3,162	657,476
Skamania	974	185,561
Snohomish	5,105	1,733,344
Thurston	0	0
Wahkiakum	0	0
Whatcom	144	23,020
Totals	9,981	\$2,652,062

^{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 June 2017. 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.