



July 25, 2016

Peter Goldmark
Washington State
Commissioner of Public Lands

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 \$2,981,000 in the first two quarters of calendar year 2016 and are projected to generate \$5,803,000 for calendar year 2016 from activities expected to occur under current contracts. This represents an increase of \$2,327,000 from the 2016 projection in the April 2016 report.

Net value under contract after calendar year 2016 is estimated at \$3,953,000. 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 October 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 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,

Peter Goldmark
Commissioner of Public Lands

Enclosures

Department of Natural Resources
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COUNTY INCOME REPORT
EXPLANATION OF TABLES
July 2016

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 2016. 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 2016 and 2017.
- **Table 2A** shows *projected* revenue for each timber sale on State Forest Lands *in your county* anticipated to occur for 2016 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 2017* (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: 7/12/2016

County	2007	2008	2009	2010	2011	2012	2013	2014	2015	Jan-June 2016
Clallam	5,903,404	9,323,340	4,173,346	6,229,596	5,502,033	4,738,336	5,643,329	8,487,731	3,367,255	3,114,699
Clark	5,614,184	1,088,753	1,977,893	8,793,446	4,601,597	8,528,782	7,191,261	6,388,518	5,843,215	2,691,975
Cowlitz	1,599,865	1,299,756	2,914,752	3,709,692	1,534,691	1,557,816	1,598,498	1,067,106	4,025,043	200,650
Grays Harbor	1,078,365	404,882	1,007,779	2,178,958	1,991,750	2,168,671	1,075,212	875,687	1,237,018	1,816,032
Jefferson	762,629	1,409,138	669,093	981,510	3,082,453	740,481	661,568	1,085,477	2,873,748	1,031,682
King	3,638,003	1,836,570	1,053,232	2,737,595	2,474,997	1,112,153	741,392	2,818,269	719,497	1,610,772
Kitsap	400,093	798,357	244,491	495,884	55,958	877,589	743,958	293,314	851,397	804,856
Klickitat	4,157,236	490,525	1,037,450	327,073	209,403	559,355	289,623	215,737	352,380	10,799
Lewis	4,421,392	4,715,266	6,738,048	6,147,429	11,076,482	3,439,911	4,280,541	8,677,045	3,864,910	3,209,729
Mason	2,585,862	2,416,073	1,500,640	3,062,868	2,616,802	2,024,430	1,337,166	3,067,093	8,005,336	2,375,380
Pacific	2,621,728	963,320	3,428,025	2,060,204	2,547,153	441,369	3,446,724	1,267,286	1,227,526	168,941
Pierce	1,435,948	1,509,353	742,913	1,523,600	214,159	178,426	121,558	222,815	32,691	217,774
Skagit	10,635,736	11,723,743	5,704,325	8,746,747	11,679,594	9,093,422	5,976,604	7,452,783	7,366,574	5,216,347
Skamania	540,697	324,117	253,914	1,215,005	747,982	926,532	1,367,876	2,415,852	1,028,598	675,579
Snohomish	11,391,018	6,323,157	10,138,226	13,132,194	13,981,341	5,682,380	11,786,058	9,251,851	7,184,736	2,980,915
Stevens	42,239	40,587	79,484	47,542	59,973	64,654	69,322	70,725	63,533	16,891
Thurston	4,915,648	1,777,592	2,625,128	7,964,904	4,200,388	1,660,728	5,017,407	2,999,025	4,368,648	6,872,266
Wahkiakum	571,852	1,170,658	1,516,340	1,820,052	1,400,872	1,956,441	1,742,003	1,631,697	800,955	1,485
Whatcom	2,420,510	6,067,453	3,569,263	2,405,630	3,543,071	4,468,281	3,763,694	2,178,129	4,022,292	706,917
Totals	\$67,490,683	\$53,682,639	\$49,374,342	\$73,579,929	\$71,520,698	\$50,219,757	\$56,853,794	\$60,466,140	\$ 57,235,352	33,723,689

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 2016		January thru December 2017	
	High	Medium	High	Medium
Clallam	\$3,757.8	\$7,156.5	\$690.0	\$1,660.9
Clark	716.5	716.5	2,416.3	2,595.5
Cowlitz	1,365.0	1,365.0	892.2	892.2
Grays Harbor	532.9	544.8	1,782.3	1,817.6
Jefferson	0.8	571.1	927.7	927.7
King	568.1	568.1	686.9	686.9
Kitsap	163.5	163.5	76.1	76.1
Klickitat	22.0	22.0	31.5	31.5
Lewis	1,690.3	2,523.0	1,780.4	1,894.7
Mason	993.3	1,005.6	2,866.1	2,866.1
Pacific	642.0	1,477.7	109.0	737.4
Pierce	0.0	66.0	0.0	1,566.0
Skagit	1,279.8	3,805.7	2,392.3	7,660.2
Skamania	59.8	209.1	938.0	1,057.4
Snohomish	2,387.1	2,822.2	1,434.7	2,359.0
Stevens	51.3	51.3	69.6	69.6
Thurston	1,533.5	1,845.2	2,429.3	2,568.2
Wahkiakum	652.8	652.8	1.7	1.7
Whatcom	614.2	1,402.3	481.9	481.9
Totals	\$17,030.8	\$26,968.4	\$20,006.0	\$29,950.7

^{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 2016**. 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) ^{1/}

Sale App. Number	Sale Name	Expiration Date	Legal Description			July thru December 2016		January thru December 2017		Value Under Contract after Dec-17
			Section	Township	Range	High	Medium	High	Medium	
89645	Over There	09/30/16	2, 3, 10, 11	28N	8E	43.3	43.3	0.0	0.0	0.0
89646	Moonbeam VDT & VRH	09/30/17	21, 28	28N	9E	0.0	150.0	0.0	0.0	0.0
89859	Cooperation	09/30/17	17, 18, 20	28N	8E	501.5	501.5	470.6	470.6	0.0
89860	Fozzie	09/30/16	33 32, 33	29N 29N	8E 9E	34.7	34.7	0.0	0.0	0.0
90069	Sea Bass VRH & VDT	03/31/18	19, 20, 29, 30	29N	8E	224.4	224.4	555.2	555.2	0.0
90094	North Heights VRH & VDT	03/31/20	2, 5, 11 35	32N 33N	9E 9E	0.0	0.0	0.0	0.0	127.3
90780	Squire Creek VRH & VDT	09/30/16	17	32N	9E	505.1	505.1	0.0	0.0	0.0
91138	Recur VRH & VDT	09/30/16	7, 8, 17	29N	8E	284.6	284.6	0.0	0.0	0.0
91789	Sidehill Salmon	10/31/17	25	27N	7E	76.3	0.0	267.1	0.0	0.0
92183	Biscuit VDT & VRH	03/31/20	13, 14, 22-27 19, 20	32N 32N	6E 7E	0.0	0.0	0.0	0.0	671.0
92203	Lost Horse VRH & VDT	03/31/18	2-4, 10	28N	7E	11.5	11.5	0.0	1,023.9	0.0
92303	Dyno VRH & VDT	03/31/19	2, 11, 12	27N	9E	0.0	335.1	0.0	167.5	0.0
92649	Golfer	03/31/19	1 27, 28, 33, 35, 36	28N 29N	8E 8E	0.0	0.0	0.0	0.0	346.9
93059	Lotta Strands	03/31/19	1-3, 10-12 35	28N 29N	8E 8E	0.0	0.0	0.0	0.0	2.3
93095	Ursa Major	03/31/18	1, 14, 23	31N	6E	662.8	662.8	0.0	0.0	0.0
93096	Blue Tuxedo	03/31/19	29, 32	29N	8E	0.0	26.3	0.0	0.0	446.3
Total						\$2,344.3	\$2,779.4	\$1,293.0	\$2,217.3	\$1,593.7

^{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.
Values are cumulative from high to medium probability.

Note: Projected revenues are based on timber purchaser's logging plans as of June 2016. 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 2017 ^{1/}

<u>County</u>	<u>Volume (mbf)</u>	<u>Net Value</u>
Clallam	1,839	\$299,088
Clark	135	28,079
Cowlitz	0	0
Grays Harbor	114	28,259
Jefferson	0	0
King	0	0
Kitsap	0	0
Klickitat	0	0
Lewis	3	719
Mason	0	0
Pacific	0	0
Pierce	0	0
Skagit	5,262	1,336,648
Skamania	3,473	1,437,313
Snohomish	7,442	1,593,652
Thurston	449	111,083
Wahkiakum	0	0
Whatcom	0	0
Totals	18,716	\$4,834,841

^{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 2016**. 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.