

**DRAFT Meeting Minutes
Timber Advisory Committee
Thursday, November 7, 2024**

The meeting was called to order by Mr. James Dahlen, Chair, at 10:11 AM

COMMITTEE MEMBERS IN ATTENDANCE

James Dahlen, Chair

Leslie Morgan, Vice-Chair/Secretary

Jennifer Perry

Howard LaHaie

Craig Kay

Marty Olhiser

Lennart Lindstrand

Dan Stapleton

COMMITTEE MEMBERS NOT ATTENDING

Cynthia Froggatt

OTHERS IN ATTENDANCE

Susanne Buehler, Deputy Director

Mike Doyich

Mark Collins

Charles Holthaus

Leslie Ang

Tuan Nguyen

Rachel Zou

Dirk Lambert

REPRESENTING

California Department of Tax and Fee
Administration (CDTFA), Program
Compliance Bureau

Assessor, Shasta County

Assessor, Del Norte County

Assessor, Humboldt County

Assessor, Siskiyou County

Large-Scale Timber Owners

Small-Scale Timber Owners

Board of Forestry

REPRESENTING

Assessor, Plumas County

REPRESENTING

CDTFA, Business Tax and Fee Division
(BTFD)

CDTFA, BTFD

CDTFA, BTFD

CDTFA, BTFD

CDTFA, Legal Division

CDTFA, Program Compliance Bureau

CDTFA, Program Administration Branch

CDTFA, Audit Examination Branch

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

Mr. Dahlen, Chair of the committee, called the meeting to order at 10:11 AM and welcomed the committee members.

2. Roll Call

Chairman Dahlen called the roll. Except for Plumas County Assessor, Ms. Cynthia Froggatt, all other committee members were present. With a quorum present, the meeting was allowed to proceed.

3. Review and Approval of Meeting Agenda

The Chair called for additions to the agenda. Hearing none, the meeting proceeded on to the next order of business.

4. Discussion and Approval of the Minutes from the May 15, 2024, Meeting

The Chair called for additions, corrections, and discussion on the minutes from the May 15, 2024, meeting. Hearing none, Ms. Leslie Morgan made a motion to approve the May 15, 2024, meeting minutes as submitted. Mr. Lindstrand seconded the motion. The motion passed with Mr. Stapleton abstaining since he was not present at the May 15, 2024, meeting.

5. Opening Comments and General marketing trends – Mr. Mike Doyich

Mr. Doyich began his presentation by stating that the forest products industry has caught up on harvesting fire salvage timber and that new sales have been transitioning to mostly green timber for the first half of 2024. The first half of the year saw improving log prices with salvage harvesting primarily limited to the secondary die back occurring in the old burn scars. The 2024 fire season has been more severe than last year with year-to-date totals slightly over 1 million acres. Much of the acreage burned in 2024 has been in non-commercial forest types such as low elevation grassland and oak-woodland vegetation types.

Pine lumber prices saw some increases early in the year but began to fall sharply in the third quarter, with log prices quickly following that trend. White wood lumber prices have remained relatively stable with modest second quarter gains followed by slight price reductions observed in the third quarter. The high Douglas-fir log prices observed over the past couple years have also begun to wane. Redwood has seen the biggest price reductions of all species statewide with log prices down \$100 to \$165 per thousand board feet. The price reductions for lumber and delivered logs observed in third quarter are reflected in the sales information collected by CDTFA appraisers and in the proposed values for the first half of 2025.

Chairman Dahlen asked if there were questions or comments regarding the general marketing trends. Hearing none, the meeting proceeded on to the next agenda item.

6. Suggested Immediate Harvest Values for the Period of January 1, 2025 – June 30, 2025

a) Table G – Green Timber Harvest Values

Mr. Doyich discussed the green timber values portion of the Appraisal Summary and commented that with few exceptions, all the index numbers are negative going back for the past 24 months, and this is reflected in the proposed green values. Mr. Doyich said that staff would be happy to answer any questions the committee members may have and opened discussion on Table G, Green Timber Values.

Chairman Dahlen called for discussion, questions, or comments on the Green Timber Values. Hearing none, 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

Mr. Doyich summarized the salvage situation by region and TVA for the committee and opened the discussion on Table S, Salvage Timber Values.

Mr. Lindstrand asked if any sales for the Park Fire or Shelly Fire salvage operations were reflected in the proposed values. CDTFA staff confirmed that a limited number of sales from both fires are in the database and were used in conjunction with others when developing the suggested salvage values for these TVA's. With no further questions or discussion, Mr. Lindstrand made a motion to approve Table S as proposed. Ms. Perry seconded the motion. The motion passed unanimously.

c) Table 1 – Miscellaneous Forest Products Harvest Values

Mr. Doyich reviewed the only proposed change to Table 1 values, the Small Sawlog Miscellaneous (SSM) category. The proposed value is \$140 per thousand board feet (MBF), for a decrease of \$20.00 per MBF from the previous half. The drop in SSM is following the downward trend of green timber sawlog values.

Mr. Lindstrand began the discussion on SSM values and asked why the 24-month calculated value was different than the proposed value. Mr. Doyich provided a detailed explanation about SSM, and the methodology and techniques used to develop the proposed value. Satisfied with this response and after some further discussion, Mr. Lindstrand made the motion to approve Table 1 as proposed. Mr. LaHaie seconded the motion. The motion passed unanimously.

7. Old Business

a) Presentation of the 2024 Deductions Study and Staff Recommendations
(Cable/Helicopter Deductions, Low Total Volume Deductions and Low Volume Per Acre Deduction)

Mr. Doyich began the presentation of the CDTFA 2024 Deduction study by explaining a few basic concepts and definitions. The values in the Harvest Value Schedule are all adjusted to one single standard where all the values in the schedules represent comparable sales that are more the 300 MBF, more than 5 MBF per acre, and are 100 percent tractor logging. The terms adjustment, deduction, average and weighted average were all defined and explained.

The cable logging deduction was the first topic of discussion. CDTFA appraisers reached out to 63 loggers in California that do both tractor and cable logging so that the differential between the two logging systems on a statewide basis could be determined. The premise being the differential should be a good indicator of what the new deduction should be. Staff received responses from 43 loggers, for a response rate of 68 percent. Mr. Doyich summarized the results of an in-depth analysis of all the methods used in the cable logging study which included the current logger's market survey, the cost differential

weighted by actual percent volume of cable logging by TVA method, the use of limited sales data of 100 percent cable logging sales, and a factored compound interest method of the current sixty-dollar deduction. It was staff's conclusion that the *Cost Differential Weighted by Reporting Method* was the best indicator of what the new cable logging deduction should be. CDTFA staff recommended an increase of the cable logging system deduction from \$60/MBF to \$100/MBF.

Mr. Lindstrand stated the methodology and process staff used in developing their recommendation for the new cable logging deduction was sound and he thanked staff for all the time and work that went into the cable deduction study. Mr. Lindstrand discussed some specifics regarding the higher costs of cable logging and agreed with the conclusions and final recommendation for the cable logging study. Mr. Stapleton concurred with Mr. Lindstrand's comments and with staff's recommendation. Due to the length of time in between previous deduction studies, Ms. Morgan suggested the deductions be reviewed on a standard reoccurring basis such as every five years, for example. The committee discussed this idea and decided not to establish standardized review periods. It was agreed that continual monitoring and subsequent future review of the deductions should be on an as needed basis. Mr. Stapleton made a motion to increase the Cable Logging Deduction from \$60/MBF to \$100/MBF. Mr. Lindstrand seconded the motion. The motion passed unanimously.

Mr. Doyich continued the deduction study presentation with a summary of the helicopter logging system deduction analysis. He summarized the very limited amount of recent helicopter logging sales and cost information and compared that to the statewide average tractor logging cost. The differential between the two logging systems was found to be \$351 per thousand board feet. Mr. Doyich pointed out that very little helicopter logging has occurred in the state in recent years due to the high costs associated with helicopter logging and the low log prices currently being paid by most sawmills. In conclusion, CDTFA staff recommended an increase to the Helicopter Logging System Deduction from \$200/MBF to \$350/MBF. Mr. Lindstrand agreed with staff's presentation, analysis, and recommendation. With no additional comments from the committee, Mr. Lindstrand made a motion to approve the proposed increase to the Helicopter Logging System Deduction from \$200/MBF to \$350/MBF. Ms. Morgan seconded the motion, and the motion passed unanimously.

Mr. Doyich and Mr. Charles Holthaus continued the deductions study presentation with a detailed summary of the methods and results of the Low Total Volume Deduction analysis and the Low Volume Per Acre Deduction analysis. In summary, the data and the parameters used in the analysis for both deduction categories was inconclusive and did not demonstrate a need for a change to either of these deductions at this time. In conclusion, CDTFA staff recommended no changes to either the Low Total Volume Deduction or the Low Volume Per Acre Deduction. After some discussion, the committee agreed with staff's recommendations for no changes to either deduction category due to the conflicting results of the analysis. Chairman Dahlen stated motions for no change to these deductions were not necessary and the committee agreed.

8. New Business

- a) Tentative date for the next meeting is May 22, 2025, at 10:00 AM, via video conference or in person, at CDTFA 651 Bannon Street, Room NE 133 , Sacramento, CA. 95811.

Chairman Dahlen asked the committee if the next TAC Meeting tentatively scheduled for May 22, 2025 worked for everyone. Hearing no objections, the committee agreed to that date for the next TAC meeting.

9. Adjourn

After making some closing comments, Chairman Dahlen adjourned the meeting at 11:39 AM.