

TO: Jackson Demonstration State Forest Advisory Committee

FROM: JDSF Economics Committee

SUBJECT: Summary, Economics Committee Meeting, May 15, 2009

DATE: May 16, 2009

The committee was called to order at 9:05 AM, May 15, at Room 300, College of the Redwoods, Fort Bragg, CA. Attending were committee members Mike Liquori, Forest Tilley, Helge Eng and Jere Melo. It was reported that member Vince Taylor was attending the Landscape Committee meeting at the same time, and that member Peter Braudrick was in Ireland.

1. Develop Recommendation to JAG for a “Prudent Reserve”.

This task was assigned by the entire JAG to the committee at the April JAG meeting. The committee reviewed PRC Sections 4652 and 4799.13, pages 173 and 175 in the Management Plan related to the Forest Resources Improvement Fund (FRIF). It was reported that the version in the Management Plan is out of date. Section 4799.13 was amended to limit the use of FRIF for funding the state forests.

It is not clear that the law allows for a “Prudent Reserve”. After discussion for about an hour, the committee offers the following:

Assumption: The sale of timber is the most important source of funds. The sale program will reflect the standards for silviculture assigned by landscape allocation.

Recommendations on a Prudent Reserve:

1. Section 4799.13 may need to be amended to allow for a “Prudent Reserve”. The committee is not qualified to interpret the law.

2. The committee recommends that a one year operating reserve for the state forest system be created, gradually as cash flows allow it and by generating revenue above budget in years when timber prices are high.

3. The reserve should be protected against being used for purposes other than the state forest system.

Other Recommendations

1. The committee recommends some business practice ideas to re-create a clientele to purchase wood products. The current job is similar to starting a new business, as JDSF has not been a supplier of wood for about eight years.

a. Create and keep current an inventory of potential timber sales. The inventory needs to anticipate how JDSF might provide a portion of the wood supply for local industry.

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Comment [vt1]: The addition in the first sentence makes clear that the reserve applies to all state forests and equals the operating budget for all of them. I don't think more is needed.

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3. The committee recommends that reserve funds should be invested in a money market-type fund, and that interest earned should be applied to state forest programs.

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Comment [vt2]: This recommendation goes beyond economics. Priorities for expenditure of funds should not be constrained in this manner. Decisions on expenditure of funds should be part of the management decision process.

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2. **Review Draft Spreadsheet Examining Allocation of Acres, Silvicultural Methods, Rotation Ages or Cutting Cycles as a Way to Predict Annual Harvest Levels.**

Mike Liquori provided a demonstration of a computer-based spread sheet. It is based on the Option A, SYP, submitted by JDSF staff. The Option A represents staff interpretation to apply the Management Plan, as adopted by the Board of Forestry. Mike acknowledged substantial contributions to the spread sheet from Helge Eng, Marc Jameson and Sebastian Roberts.

The committee agreed to ask the Chair for time to demonstrate the spread sheet to the entire JAG.

3. **Public Comments:** No one from the public attended the committee meeting.

4. **Adjourn:** The committee adjourned at 10:30 AM.