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Subject: Prudent Reserve Discussion, Next JAG Meeting
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Following are my suggestions for a discussion:

1. Adopt, Revise or Reject the assumption in the May 16 Economics Committee Report: *"The sale of timber is the most important source of funds. The sale program will reflect the standards for silviculture assigned by landscape allocation."*
2. Adopt, Revise or Reject the first recommendation: *"Section 4799.13 may need to be amended to allow for a "Prudent Reserve".*
3. Adopt, Revise or Reject the amended second recommendation: *"The recommendation is that a one year operating reserve be created, gradually as cash flows allow it. The reserve fund should be a dedicated fund that would apply to the entire state forest program, and based on current and near-term program costs."*
4. Reject the third recommendation: *"The recommendation is that reserve funds should be invested in a money market-type fund, and that interest earned should be applied to state forest programs".* (You guys need to know that I will not support dropping this item. A major problem with state programs is that there is no "rainy day fund" for nearly everything, and as a result, programs run out of cash. There is no dedicated fund if it is not invested to support the state forest program.)
5. Somewhat separate from the "Prudent Reserve" question, but suggestions for generating cash flows are the following: a. An inventory of THPs, or sufficient THPs to respond to market demands; b. Variable harvest levels – higher in good markets and lower in poor markets – to maximize cash flows and to provide a stabilizing influence on the industry; c. Consider limiting high cost deferred maintenance projects, especially those remote from timber sale areas; and/or, seeking grants for deferred maintenance projects; d. Using volunteers to conduct projects at low or no cost to the state; e. Cutting costs by reducing travel expenses, requiring multiple occupants in state vehicles, requiring all persons at a work site to actually work and minimizing supervision costs at work sites.

It seems to me that there must be a discussion and vote on item 1. That would be followed by a discussion and vote on items 2, 3 and 4. Item 5 would be a separate item.

Now, I take back my statement at the Jughandle hike, that the Economics Committee job is done. I believe that statement is correct in terms of the questions specifically asked in the Work Plan. Following the hike, it occurred to me that the direction of the Landscape Committee is to write out a prescription for each of the "reserve" areas, or whatever they are going to be titled. Well, Lynn Webb and I served to compile cost estimates for the Camp 3 sale demonstration before the creation of the Committee, and as a result, the JAG was aware of the costs and Cal Fire amended the demonstration program to fit what they felt they could support. Similarly, the Committee may serve a purpose to estimate the costs and benefits associated with each prescription. So, I will appreciate either direction from the Chair or direction from a JAG discussion on this suggestion.