

CLACKAMAS COUNTY BOARD OF COUNTY COMMISSIONERS

Study Session Worksheet

Presentation Date: July 24, 2012 **Approx. Start Time:** 2:30 PM **Approx. Length:** 60 minutes

Presentation Title: County Parks & Forest – Portfolio Management & Harvest Rates

Department: Business & Community Services

Presenters: Gary Barth, Director; Jeroen Kok, Manager; Dan Green, County Forester

Other Invitees: Members of the County Forest Advisory Board

WHAT ACTION ARE YOU REQUESTING FROM THE BOARD?

Discuss the opportunity to save approximately \$1 million in interest payments by prepaying the debt on the Stone Creek Golf Course from an accelerated timber harvest program. In addition to interest savings, early defeasement of the Stone Creek debt will result in an increase in the net operating revenue from the golf course. The net revenue is transferred annually to County Parks for ongoing operations and maintenance, thereby providing a more predictable year-over-year revenue stream than that provided by the Timber Trust Fund.

EXECUTIVE SUMMARY:

Financial Situation: County Parks is currently operating under an annual budget shortfall. Timber revenue to support County Parks operations has proven to be somewhat unpredictable and volatile. Annual debt service on the Stone Creek Golf Course bonds is approximately \$450,000, of which approximately \$100,000 is interest.

Goal: Provide increase financial stability to County Parks by moving toward a more balanced revenue and expense operating model and increasing year-to-year revenue certainty.

Opportunity: The County possesses a significant inventory of harvestable timber that is older than the target age class. The Stone Creek Golf Course Bond payments are eligible for repayment beginning in September 2013. Early repayment will save the County money.

Proposal: Accelerate timber harvests to generate approximately \$4 million in cash over a 2-3 year period to defease the Stone Creek bond debt.

Result: Save approximately \$1 million in bond interest debt payments (paying off in 2014 instead of payments to maturity in 2024). Achieve a better balance in timber age classes. Generate a short-term increase in timber sales which will support local logging, trucking and milling jobs.

Challenge: Board may be asked to withstand a certain amount of protest to timber sales on a small percentage of the land that will be actively managed to produce the desired income.

FINANCIAL IMPLICATIONS (current year and ongoing):

Currently, County Parks are operating at an annual deficit of approximately \$400,000, despite the fact that county timber sales have generated approximately \$710,000 in average annual revenue over the past ten years.

LEGAL/POLICY REQUIREMENTS:

An accelerated harvest program will result in a departure from the historic harvest levels called for in the County Forest Management Plan. The County has been harvesting timber at the rate of growth – an average of 55 acres/year. The accelerated harvest being proposed would increase harvests on approximately 450 acres over a two year period in order to defease the golf course debt, at which point harvest levels will be reduced to 40-45 acres/year, reflecting the new rate of growth.