

CFTM
Committee on Forest Land Taxation Methodology
June 20, 2008
11:00 AM
Conference Room
Kootenai County Courthouse
Coeur d'Alene, Idaho

Tom Katsilometes opened the meeting welcoming everyone and asking them to introduce themselves.

In attendance:

Name	Representing	E-Mail
Tom Katsilometes	ISTC Commissioner (Chair)	tkatsilometes@tax.idaho.gov
Jane Wittmeyer	IFA – Boise	jane@intforest.org
Jack H. Buell	Benewah Cty Commissioner	jreynolds@Benewahcounty.org
Dave Ryals	Boundary Cty Assessor	dryals@boundarycountyid.org
Stan Leach	Clearwater Cty Commissioner	commissioners@clearwatercounty.org
Melissa Stewart	Clearwater Cty Assessor	mstewart@clearwatercounty.org
Jerry White	Shoshone County Assessor	jwhite@co.shoshone.id.us
Jon Cantamessa	Shoshone Cty Commissioner	jcantamessa@co.shoshone.id.us
Michael G. McDowell	Kootenai Cty Assessor	mmcdowell@kcgov.us
Lloyd Fillis	Stimson Lumber	LFillis@Stimson.com
John Mandzak	Potlatch Corporation	John.mandzak@potlatchcorp.com
Dwayne Tofell	Potlatch Corporation	Dwayne.tofell@potlatchcorp.com
Mark Benson	Potlatch Corporation	Mark.Benson@potlatchcorp.com
Mike Wolcott	Inland Forest Management	inlandforest@imbris.com
Steve Fiscus	ISTC County Support	sfiscus@tax.idaho.gov
Gregory Cade	ISTC County Support	gcade@tax.idaho.gov
Rod Brevig	ISTC County Support	rbrevig@tax.idaho.gov
Ron Craig	ISTC County Support	rcraig@tax.idaho.gov
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Ron Craig	ISTC County Support	rcraig@tax.idaho.gov
Patrick Vaughan	Latah County	pvaughan@latah.id.us

Agenda

- I. Welcome and introductions of Committee Members – Tom Katsilometes, Chair.

- II. Overview of Published RFI Documents and Division of Purchasing Comments; RFI specifications and sub-committee discussions – Steve Fiscus.

(Lunch on the premises)

III. Review and Analysis of RFI Responses.

IV. Discussion of RFP and Bid Process.

V. Committee Meeting Schedule, Adjournment.

Discussion

Steve Fiscus offered to go over the RFI document that had been sent to the vendors.

Tom Katsilometes asked if the committee wanted to go over the RFI.

Jane Wittmeyer suggested that it may be productive to review the input of purchasing.

Steve Fiscus responded that the instructions are the same (1) if the contractor is a state agency then we can go with a contract, (2) if we don't use a state agency then we need to go to an RFP.

Mark Benson asked if there wasn't a pathway to go directly to the contract with a vendor other than a state agency.

Dave Ryals suggested that what Mark Benson is suggesting is a sole source provider and that cannot be the case as there was more than one response to the RFI.

Mark Benson responded that we have tapped the pool of potential contractors and the pool seems to be very limited.

Jane Wittmeyer suggested that they had left the last meeting (the CFTM meeting of May 1, 2008) with the idea that they could go with a sole source and go directly to a contract.

Tom Katsilometes responded that we can call Mark Little in Purchasing and get a clarification on Jane's question.

Dave Ryals restated his former position that the only way to go directly to a contract is if it were to be a sole source provider and that is not true in this instance.

Steve Fiscus said that the reason for the order of the items on the agenda was that Mark Little had informed them that he would not be available until after lunch Boise time which is not that far off because the time in Coeur d'Alene is an hour behind Boise time.

Tom Katsilometes said that he remembers the Department of Purchasing saying the they would require an RFP if we go with a vendor who is not a state agency.

Mark Benson suggested that if the CFTM agrees on a provider then we should not have to go through an RFP process.

Tom Katsilometes said that the CFTM can vote as much as they want but the Department of Purchasing will not allow the contract to be issued without an RFP process. Tom asked if the RFI from the University of Idaho could be considered as they were one of the groups to respond to the RFI.

Steve Fiscus said that the details from the FORSight response to the RFI were not as complete as those from the other two groups.

Rod Brevig replied that they were asked to respond to an RFI not an RFP and they're knowledge of this project is not as complete as the other two groups who responded to the RFI and have been more involved in this process for some time.

John Mandzak said that he has worked with many of the principals in the FORSight group and they are very capable people. He ranked Arney first and FORSight second then the UofI cooperative in terms of their capabilities in working in the field of growth and yield. He said that he works with the folks at the UofI Forest Nutrition Cooperative every day and he is on their steering committee.

Jerry White said that in his opinion of the ones who responded to the RFI he would rank the UofI first as they had a more well rounded response to the RFI. He would rank Jim Arney with Forest Biometrics a distant second as he has problems with their response.

Steve Fiscus said that we may be spinning our wheels because whether we go with a vendor other than the UofI really depends on whether we can go with them without the need for the time consuming RFP process. He suggested that we need to call Mark Little for a clarification before we continue our discussion.

Mark Benson asked if there were minutes available from the last CFTM meeting on May 1st.

Greg Cade said that the minutes from the last meeting had been circulated three weeks ago.

Steve Fiscus said that he had looked into having someone else (a professional copyist) take the notes and it was cost prohibitive.

Jane Wittmeyer asked if the requirement for going directly to a contract was with a state agency or a non profit.

Steve Fiscus said again that the contract must be with a state agency if we do not go through the RFP process

Mark Benson had been provided with a copy of the minutes of the last meeting by Greg Cade and he quoted Mark Little as stating that if the CFTM can agree on the specifications for the contract then we can go directly to bid with a state agency.

Stan Leach said that was his understanding also that since it is taxpayers' money and the state is involved then we would be required to go with the University of Idaho.

Mark Benson said that if we have to go through the RFP process we lose the field season and just postpone the argument because once we get to the RFP we still have to come back to this issue. He said that he is a forester but he is not a Biometrician so he may not have the knowledge to analyze the submittals as they may be pretty complicated anyway.

Tom Katsilometes asked if Jerry White would like to express the problems the counties have with the Forest Biometrics suggestions in their RFI.

Jerry White said that we are still very much in this process and there are issues that we have not had a chance to discuss yet. But if the decision is to look at the Forest Biometrics process further we have to go through an RFP and we lose the field season in that process. If we go with the UofI then we have the opportunity to proceed now. If we go with the Forest Biometrics process then we have to change code and rule and we have one principal person involved, if they go away what happens to the process. Additionally, can Forest Biometrics get the project done for the money that is available? According to their RFI their cost is \$30,000 per county. We have \$125,000 available and that will only get 4 counties completed. We have to wait for another appropriation to obtain enough to get the balance of the counties done. If that funding doesn't become available then we end up with a partially completed project and accomplish little if anything with what has been done.

John Mandzak said that the work of Forest Biometrics could be checked if they bring their tree cookies into someone's offices.

Jerry White responded that with only 32 field sites per county which is called for in the Forest Biometrics RFI it may leave a lot of areas with questions. The counties would be left with issues to try to settle with taxpayers who don't think they are being treated fairly. Also if the impacts to tax revenues are not neutral, problems will be created with other taxpayers who find taxes being shifted to them and again the counties will be left with the problems. Will the counties have the opportunity to come back to the CFTM to renegotiate these issues?

John Mandzak said that he has concerns that the other two proposals do not take into account the early growth that occurs in trees in the same way that Forest Biometrics does.

Jerry White asked him to demonstrate what he means.

John Mandzak went to the board and illustrated that in site index curves the height and age determine the site index. He explained that early in the growth of a tree competition can cause abnormalities in growth and these will not fit the growth pattern assumed in the development of the site index curves. Traditionally we know from experiments that unless the stand is very thick then the height growth will not be affected by overcrowding because the dominant and codominant trees express dominance very early in life. However in some instances the height growth can be affected and that is what the Forest Biometrics methodology takes care of.

Jerry White asked how long it normally takes a site tree to get to DBH.

John Mandzak said that it normally takes three years for a dominant or codominant tree to get to DBH. If we wait until after crown closure to take our measurements then we can eliminate this problem.

Stan Leach said that his concern is that if we change any of the inputs to the valuation model then we can have a drastic impact on the values that come out of the model.

Mike Wolcott asked if we use natural growing trees as the driver in the model then nothing should change if we continue to use natural growing trees in the future.

Steve Fiscus suggested that he doesn't have a dog in this fight any longer as he is not longer a member of the CFTM. However if there is going to be a change to be fair there has to be a side by side comparison of where we have been and where we are going to determine if everyone can be happy with the outcome. He reminded the committee that there will be a need to come back in 2012 and review the values and the process to determine if it is still serving the needs of the group.

Jerry White suggested that if we go with the UofI proposal then everything remains the same and we don't have to go back to the model and change things.

Steve Fiscus said that there may still be a need to go back to the model depending on how these negotiations turn out.

Jerry White asked if the Forest Biometrics proposal changes the site index curves then there will be a need to back to the valuation model and change some of the components of the model.

John Mandzak went to the board again to explain part of the process. He drew a traditional statistical bell shaped curve for a normal population. He said that there should be an opportunity to go back and determine if the number of acres under each portion of

the curve is correct for the group. These productivity classes could be the same for the state or for the region.

Jerry White responded that an influence on the chart that John just drew may be all of the land in the southern part of the state that is forested but is now in the dry grazing category.

Mark Benson said that Steve Fiscus has some thoughts of great wisdom. If the ends of the curve need to be tweaked that is something that can be done at a future time. But he asked if the committee members are all headed in the same direction?

Jerry White said that he is interested in a uniform system of forestland classification that is applied in the same way by all of the counties throughout the state.

Jane Wittmeyer said that she is pleased that Mark Benson asked the question because she wasn't sure what the end product is. We want a new productivity classification system.

Jack Buell said that the general attitude of the public is that forestland isn't paying their fair share now. We have companies who cut the trees and sell the land and no longer seem committed to the area. Other folks see this going on and they are not happy with the taxes that forestland is paying now.

Jane Wittmeyer responded that is a different problem that has to be dealt with otherwise. What we are here for is to come up with a system of forestland productivity classification across the state. Some of the forest owners feel that they are paying too much now and may want to open up the valuation model and seek lower taxes.

Steve Fiscus said that there will not be a uniform number of acres under each of the portions of the bell shaped curve for some reasons that may not be apparent now.

Tom Katsilometes interrupted the course of the conversation to say that we can call Mark little now.

Greg Cade introduced the group to Mark Little.

Tom Katsilometes asked Mark Little if the group voted unanimously to go with a non-governmental entity can we do that without going to an RFP?

Mark Little said that when public funds are involved there has to be a competitive process. If the committee can agree on every specification then we can go to bid as price is the only issue. If the process needs to be clarified then we have to go through an RFP process. In either instance there has to be a competitive process to meet the requirements in Idaho law.

Jane Wittmeyer asked if we have a 501C3 entity are they the equivalent of a governmental organization?

Mark Little said that if there is public money there has to be a competitive process unless there is an exemption. In this instance a governmental organization can be qualify for the exemption to the competitive process.

Mark Benson asked Mark Little if the committee can agree on all of the issues for the bid contract can be go directly to a bid contract?

Mark Little responded that we can go to 10 days to bid or appeal. We have to have at least three vendors with a significant presence in Idaho.

Jane Wittmeyer asked what constituted a significant Idaho presence.

Mark Little said that he can read the statute to the committee. He knows what the industry folks want to hear but he isn't going to say it. Mark went through the time frame and if everything were to come together perfectly is may be possible to accomplish a contract by July 21st. We are required to go with the lowest responsible and responsive bidder.

Jane Wittmeyer asked how long it would take if we go with an RFP.

Mark Little said that it will take at least 45 days.

Rod Brevig asked what the date for the bid would be.

Mark Little went back through the time line and said that it may be as soon as July 18th again if everything were to take place just right.

Tom Katsilometes asked again if the RFP process could be accomplished in as little as 45 days.

Mark Little said that it may take as little as 45 working days. If it did then that would put us in the middle of August for a completed process.

Stan Leach asked how complicated it is to put together the bid specifications.

Mark Little said that everything in the bid has to be detailed. Every item must be provided ahead of time.

Jane Wittmeyer asked if there is a standard form that would supply most of the specifications.

Mark Little said that he can provide a template.

Jane Wittmeyer asked if the process is limited to the three vendors who have responded to the RFI.

Mark Little said that it has to go to the three who responded to the RFI and then more broadly to meet the requirements of the code.

Stan Leach said that another question has come to his mind. If we are only going to get to a small portion of the counties, how are we going to select which counties are done. He has concerns about the inequity that would be introduced if a few counties are changed and the rest stay the same.

John Mandzak said that the selection should be for the counties that have the best NRCS data.

Mark Little suggested that he needs to run this part through his attorney.

Tom Katsilometes thanked Mark Little for his time and ended the phone call. Tom then asked if it was the pleasure of the committee to take a break for lunch.

Tom Katsilometes reconvened the committee and asked for the pleasure of the committee. He sees three options available to the committee at this point in time:

- (1) Go to bid.
- (2) Go to an RFP.
- (3) Go to the UofI and establish a uniform basis of mapping forestland productivity in Idaho.

Jane Wittmeyer asked for some time to caucus.

Tom Katsilometes asked for the committee to come back to continue business as some of the members have to leave soon. Tom asked again for the pleasure of the committee.

Jerry White asked if the committee could give attention to the third option that Tom had mentioned. He asked if the concerns with the UofI could be laid out so the committee could have an opportunity to discuss them.

John Mandzak said that he has concerns because they don't have a growth and yield person on staff at the university now. He mentioned that Chuck Stiff one of the principals in the FORSight group used to be on the staff of the UofI but of course is no longer with them.

Jerry White asked if they could obtain that expertise when they need it in the process as they go along.

John Mandzak said that they could acquire that capability from another entity.

Jerry White suggested that going down the road of an RFP or a bid process might take a very long time.

Mark Benson said that they have said they think the 10 meter system proposed by the Forest Biometrics folks is the best system available and is the state of the art. If this is the case why should the UofI even be considered?

Jerry White asked if the site indexes being suggested by Forest Biometrics are detailed on pages 10, 11 and 12 of their response to the RFI. Jerry asked why the site indexes detailed on these pages for determining good, medium and poor are different than the ones currently listed in code and rule.

John Mandzak said that he didn't know why the site indexes from Forest Biometrics on pages 10, 11 and 12 of their response are different than those currently used.

Steve Fiscus read from the Forest Biometrics proposal a section in which they state that the system that they propose is the best. What they should have said is that it is the best system in their opinion. He said that they could have included an analysis of the 10 meter system with the traditional systems that are currently in code and rule and it would have been very helpful.

Jerry White suggested that if we use the UofI proposal we can establish a statewide system that could be used by the counties in performing their assessment cycle.

John Mandzak responded that he doesn't know when he is speaking appropriately because he is on the board for the Forest Tree Nutrition Coop. He asked if the Coop could utilize the 10 meter data in their model.

Mark Benson asked if the FTNCoop would perform the 10 meter process.

Jerry White said that they could include the 10 meter information if they include an analysis of the two systems. He said that he remains concerned about changing the site index system to the 10 meter approach because there is no relationship in the scales of the traditional site index curves and those of the 10 meter system.

Mark Benson said that they don't want to see a lot of their land go to the good category and the counties don't want to have a lot of the good class go to medium. He said that what we may need to do is agree on the number of acres under each of the productivity classes. He suggested that the method isn't important as long as the tax loads remain the same. He said that they don't know where they are at and they cannot address it today in these discussions.

Dave Ryals said that revenue neutral is important because he doesn't want to see as shift in the tax loads to other people.

Jon Cantamessa said that it is important to them to keep revenue neutrality between their categories of property.

Dave Ryals said again that it is important that a comparison needs to be included in the process so they can determine how things are working.

Jane Wittmeyer said that Forest Capital is not represented here because Kennon McKlintock has recently had back surgery. But she said that they feel that what happened in Shoshone County is not fair. Their taxes went up because of the work that was done in the county and that needs to be corrected.

Jerry White countered that the inequity has occurred for the past 50 years and it is required of him that he correct inequities for the properties in his county whenever he can.

Jane Wittmeyer said that what the previous taxpayers received in lowered taxes is not important because Forest Capital is a recent owner and they feel that it is not right for them to have to pay more even if the previous owners benefited because the classifications were too low.

Dave Ryals said that he knows that the issue is personal to Forest Capital but equity is important to assessors and they have to accomplish that when they can.

Jerry White said that Forest Capital has received benefits when the M&O was taken off and they benefited when the valuation on other categories of land in the county went up it lowered the tax load for Forest Capital. When there has been an inequity for many years in the valuation on their land it is his job to correct that.

Mark Benson asked if there is something wrong in Shoshone County then will they conform to all the lands in every other county.

Stan Leach said that if the present allocation is 50% good, 40% medium and 10% poor across the state then of course they will agree to that.

Mark Benson said that he just as soon it be 80% poor but he is not ready to address that now.

John Mandzak said that the numbers for the Jim Arney 10 meter site index numbers change completely from what they are now. A 34 would be a tree that grew 34 feet in the time period from 10 to 20 meters in height.

Mark Benson said that he is not concerned about the number as long as the value is determined in a consistent way.

Steve Fiscus asked if we need to hire an economist again to look at the valuation model.

John Mandzak said that he doesn't see a reason to go back to the valuation model again.

Stan Leach suggested that he continues to have concerns about the process remaining revenue neutral.

Tom Katsilometes asked if the committee is agreeable to go with the University of Idaho as the vendor for this project.

Melissa Stewart asked how she will be able to back up what she has done when her tax payers come into her office if a new system is implemented. She has concerns that she will be put in a difficult position if she doesn't have the necessary information to back up the valuation on one of her properties.

John Mandzak said that he will provide a map on the wall that Melissa can show to the landowner and explain to them that it was developed by experts in the field of forest measurements and the methodology that they used.

Dave Ryals suggested that he has landowners who question everything. If he can point to another governmental agency like the NRCS that came up with the information it is easier for the taxpayer to accept because they know that the data was developed independently of bias. If he presents data from some guy in Oregon who may be gone in the future he is concerned that he will have a difficult time with some of his taxpayers.

John Mandzak said that the counties will be able to point to a stream of scientific information that was used to arrive at the information.

Dave Ryals responded that he would prefer to have a government agency come up with the data because there is no perception of bias.

Tom Katsilometes suggested that we can debate this further but can we arrive at some consensus of opinion.

Mark Benson said that there are a couple of items that have to be answered: (1) First that it will be stipulated that the FTNCoop will follow the Forest Biometrics process to get their answer, and (2) Are we willing to commit to a different date to come back to the issue of the allocation within the counties.

Steve Fiscus said that he doesn't see a way that we can follow the course that Mark Benson has just suggested because the former presupposes the latter.

Mark Benson said that he doesn't know the answer to that.

Steve Fiscus suggested that we still need to look at where things are going to determine if it is headed in the right direction or not.

Jerry White asked for a brief opportunity to caucus.

Tom Katsilometes suggested that the committee take 15 minutes to caucus.

Tom Katsilometes called the committee back to order at 2:50 PM and he asked where the groups are now.

Mark Benson said that he wants to see where the distribution is going to be before they agree to anything in that regard. They want to take the cover letter off the UofI materials and put it on the Forest Biometrics material and give that to the UofI to work with. They want to keep the distribution the same by region.

Jerry White said that Shoshone County may be low or high or just right but he is left with the question if everything is going to remain the same then why change anything at all.

Mark Benson asked if we are to freeze the productivity classifications now how do we know whether we freeze them before or after the work is done. Mark said that in his estimation Clearwater and Shoshone Counties may be different.

Jerry White said that the end product should mean that the good, medium and poor in Shoshone would be the same as in Clearwater County. He said that he can see the benefit of having the UofI including the 10 meter data along with everything else.

Greg Cade asked if the 10 meter data can be included along with everything else.

Mark Benson said that he thought that Jerry White can go back to the map and explain how it was developed.

Melissa Stewart said that she still has a problem with auditing the 10 meter data. Now she can go out and check questions with taxpayers but with this 10 meter information she will lose that ability and that is a concern to her.

Jerry White said that he can audit anything with habitat typing and site indexing as presently required in code and rule. If he has a question then he can call on Rod Brevig to provide further analysis of any particular problem. He can go on the ground and verify whether the concerns are verified with what is actually on the ground.

John Mandzak said that he thought that the counties will be able to go back to the data in the 10 meter data and explain that to their taxpayers.

Dave Ryals said that he can go out now with the NRCS data and show his taxpayers exactly what the productivity classifications are and how they were arrived at he doesn't really see the need for a different system.

Mark Benson asked if the NRCS could use a different data set.

Dave Ryals responded that he can go back to his NRCS data and it is useful and it doesn't change and he can be consistent and he doesn't really see a reason to change to something else.

Melissa Stewart said that Dave and she can continue to work with the NRCS data and get it more accurate as they go along and they have the ability to check the accuracy of the data with measurements that they can take on the ground.

John Mandzak said that there is more of a problem in Valley County where the NRCS has less data. He said that he met with a couple of NRCS folks with the FTNCoop folks yesterday and suggested to them that they take a look at using the 10 meter information in their data set.

Dave Ryals said that he already has those answers.

John Mandzak said that there are better methods that are available now.

Mike Wolcott asked why the counties use the NRCS data since the current code and rule looks at habitat type and site index.

Rod Brevig said that habitat typing is a field tool to use on the ground.

Jerry White said that he has a lot of confidence in the current code and rule and has found that it works and is consistent from one area to another.

Jane Wittmeyer said that they have expended a lot of time and effort to get here and she thought that we are now here to determine how to change.

Jerry White said that he is suggesting that the FTNCoop can move forward with the current process in code and rule and make it spatial to increase uniformity between counties.

John Mandzak said that he thought that they have laid out a better system of identifying forest productivity and now the counties are not looking at the system they have proposed. It seems like all the counties are willing to do is look at it and not do it.

Mike Wolcott said that he goes out and tries to establish site index and has a hard time sometimes trying to find a good site tree.

Mark Benson said that at first he thought that they were only at risk in Shoshone County but he recognizes that the productivity classifications could be changed in every county. They have tried to bring in new methodology that they have confidence in. If now they have reached an impasse while trying to be fair and open he is disappointed. He said that we can go to continual litigation and seek a solution that way.

Steve Fiscus suggested that if we look at the UofI proposal they have included looking at the 10 meter data.

Jane Wittmeyer suggested that both sides look at providing details to Steve Fiscus who can email changes back and forth to see if a consensus can be developed.

Greg Cade said that Mark Little suggested that the UofI could be used and modified to meet the needs of the group.

Jane Wittmeyer said that it is possible that it could be made to work.

Steve Fiscus suggested that he could work with the CFTM and develop a contract that will work for the committee. He asked that the CFTM take a vote to see if a consensus could be developed.

Mark Benson asked Steve for a clarification of what they are voting on.

Steve Fiscus said that what the CFTM will get is a contract modified to include the concerns that both sides have expressed.

Jane Wittmeyer suggested that if the contract with the UofI is the vehicle to get them to the place they want to be it can work. She said that they have been very clear about what they want to do.

John Mandzak said that he is of the opinion that they have proposed a better solution to the answer than they had before.

Mike Wolcott asked Rod Brevig why habitat typing is used in current rule.

Rod Brevig responded that it is a very good, uniform and valuable tool to identify differences in forested areas when doing work on the ground.

John Mandzak responded that habitat typing cannot be mapped.

Rod Brevig reminded John Mandzak that at the last CFMT meeting data had been presented that demonstrated that Mark Kimsey had mapped habitat types for the portion of Clearwater County covered by NRCS data.

John Mandzak responded that the bars in the habitat typing manuals representing the breadth of the ecological presence of some habitat types in the environment are very broad.

Rod Brevig responded that what John Mandzak is saying is true.

Mark Benson interjected that he would not be surprised if John Mandzak was offended because his word had been called into question.

Jane Wittmeyer said that she feels that John Mandzak might be offended also.

Rod Brevig responded that there are probably a lot of reasons different ones might feel that they could take offense at things others have said if they want to go there but that is not why we are here. The reason for the meeting is to find a resolution to the issues that have been presented by the committee members.

Greg Cade asked if he could understand that the committee doesn't want to pursue an RFP at this time.

Mark Benson said that if we don't have agreement on the UofI then another course may be appropriate.

Tom Katsilometes reminded the committee if they don't come so some sort of agreement now then they are back to where they were two years ago. Tom asked if there were any further business at this point in time. Seeing none he adjourned the meeting.

Tom Katsilometes
Chairman