

**SUMMARY and FISCAL NOTE\***

<b>Department:</b>	<b>Dept. Contact/Phone:</b>	<b>CBO Contact/Phone:</b>
Seattle Public Utilities	Regina Carpenter/6-0836	Akshay Iyengar /4-0716

**1. BILL SUMMARY**

**Legislation Title:** AN ORDINANCE relating to the Cedar River Watershed; authorizing two years of ecological thinning, in accordance with the Cedar River Watershed Habitat Conservation Plan, Sections 8 and 9, Township 22, North, Range 8, East, W.M., Sections 3, 4, and 10, Township 21, North, Range 10, East, W.M., and Section 33, Township 22, North, Range 10, East, W.M.; declaring the logs resulting from ecological thinning to be surplus to the City’s needs; authorizing the sale of such logs pursuant to applicable City contracting and surplus property sale procedures; and directing deposit of the proceeds therefrom to the Water Fund for the purposes of the Habitat Conservation Plan implementation.

**Summary and background of the Legislation:** This ordinance would authorize the sale of surplus timber from ecological thinning conducted under the Cedar River Watershed Habitat Conservation Plan (HCP). The Cedar River Watershed HCP is a 50-year, ecosystem-based plan prepared under the Endangered Species Act to address declining populations of salmon, steelhead and other fish and wildlife in the Cedar River basin.

The ecological thinning would occur from 2021-2022 and involve approximately 225 acres of second-growth forest. The purpose of the project is to improve forest habitat and biodiversity by reducing forest density, creating canopy gaps, and planting additional tree and shrub species. Up to 3,000,000 board feet of merchantable logs are expected to be cut. The ordinance would declare these logs to be surplus, authorize their sale, and direct the deposit of the sale proceeds to the Water Fund to offset costs of the HCP.

The City in 2002 adopted Ordinance 121040, prohibiting commercial timber harvest in the watershed and authorizing limited, non-commercial timber harvesting, including ecological thinning, to make forest habitat improvements. The ordinance allows the sale of merchantable logs up to 250,000 board feet without additional ordinance authority, provided the proceeds be deposited in the Water Fund and dedicated to offsetting the costs of implementing the HCP. Ordinance 124853 authorized surplus log sales from ecological thinning projects implemented from 2016-2020. The changed work environment under the COVID-19 conditions and the log-market uncertainty prevented SPU from securing an implementation contract and completing the work before the end of 2020. This ordinance seeks authority for additional two years (2021-2022) to implement ecological thinning and associated sale of surplus timber, previously approved under Ordinance 124853, to support efficient project planning and implementation to meet ecological objectives and HCP commitments.

**2. CAPITAL IMPROVEMENT PROGRAM**

Does this legislation create, fund, or amend a CIP Project?          Yes   X   No

**3. SUMMARY OF FINANCIAL IMPLICATIONS**

Does this legislation amend the Adopted Budget?        X   Yes     No

Appropriation change (\$):	General Fund \$		Other \$	
	2020	2021	2020	2021
Estimated revenue change (\$):	Revenue to General Fund		Revenue to Other Funds	
	2020	2021	2020	2021
				\$100,000
Positions affected:	No. of Positions		Total FTE Change	
	2020	2021	2020	2021

**Does the legislation have other financial impacts to the City of Seattle that are not reflected in the above, including direct or indirect, short-term or long-term costs?**

Other Non-Operating Revenue (408000) for the Water Fund (43000) is estimated to increase \$10,000-\$200,000 each year for 2021 and 2022. The estimate for 2021 is reflected in the table above.

While difficult to quantify a financial benefit, this legislation supports the long-term forest restoration program in the Cedar River Municipal Watershed by improving complex habitat development and forest resilience.

**Is there financial cost or other impacts of *not* implementing the legislation?**

Not implementing the legislation would impair multi-year plans for ecological thinning, which is an important element of the forest restoration commitments the City made in the HCP. Multi-party agreements associated with the HCP provide the City with certainty on several key issues related to its water supply operations on the Cedar River. Failure to meet HCP commitments, such as ecological thinning, would put us out of compliance with the permit conditions and may have ecological and financial costs. Finally, without this legislation SPU would lose the opportunity to receive potential revenue from sale of surplus logs to offset HCP costs.

**3.a. Appropriations**

This legislation adds, changes, or deletes appropriations.

Fund Name and number	Dept	Budget Control Level Name/#*	2020 Appropriation Change	2021 Estimated Appropriation Change
<b>TOTAL</b>				

**Is this change one-time or ongoing?**

N/A

**Appropriations Notes:**

Appropriations in the 2021-2022 spending plan cover SPU operating costs of this program. Costs are approximately \$80,000 annually with labor averaging 85% and non-labor averaging 15% of the expenditures and include project planning, permitting, contract administration and compliance monitoring. The specific activity is C100027, in the Water Fund’s Habitat Conservation Plan sub-BCL (C160). The ecological thinning contracts to implement the projects include tree felling, log yarding to roads and log transportation. While not applied as an expense reduction by accounting, contract costs are fully offset by revenues from the sale of surplus timber. Ecological thinning conducted pursuant to this ordinance would begin in early 2021 and continue through the fall of 2022.

**3.b. Revenues/Reimbursements**

This legislation adds, changes, or deletes revenues or reimbursements.

If this box is checked, please complete this section. If this box is not checked, please proceed to Positions.

**Anticipated Revenue/Reimbursement Resulting from this Legislation:**

Fund Name and Number	Dept	Revenue Source	2020 Revenue	2021 Estimated Revenue
Water Fund 43000	SPU	408000 - Other Non-Operating Revenue	\$ 0	\$100,000
<b>TOTAL</b>			<b>\$ 0</b>	<b>\$100,000</b>

**Is this change one-time or ongoing?**

Ecological Thinning is an ongoing program over the 50-year life of the HCP. The sale of surplus logs depends on the strategic approach of using forest thinning to meet the goals of the HCP and local and market conditions that change from year to year. This legislation covers 2021-2022.

**Revenue/Reimbursement Notes:** SPU estimates up to 3,000,000 board feet of merchantable logs will be declared surplus and sold because of ecological thinning from 2021-2022. Proceeds from the sales will depend on timber quality and volume at each site as well as bids received and

market conditions at the time of implementation. Proceeds from the sale of these logs could range from \$10,000 to over \$200,000 per year, after logging costs, depending on the factors just mentioned. All timber revenues will be deposited into the Water Fund, and while they are not applied as an expense reduction, they offset costs of HCP implementation.

#### 4. OTHER IMPLICATIONS

- a. Does this legislation affect any departments besides the originating department?**

No

- b. Is a public hearing required for this legislation?**

Yes, given that this ordinance would authorize the sale of surplus property with potential value exceeding \$50,000 (per RCW 39.33.020). Public hearings have been and will be held for all ecological thinning ordinances requesting to sell timber as surplus property.

- c. Does this legislation require landlords or sellers of real property to provide information regarding the property to a buyer or tenant?**

No

- d. Is publication of notice with *The Daily Journal of Commerce* and/or *The Seattle Times* required for this legislation?**

Yes

- e. Does this legislation affect a piece of property?**

Yes.

- f. Please describe any perceived implication for the principles of the Race and Social Justice Initiative. Does this legislation impact vulnerable or historically disadvantaged communities? What is the Language Access plan for any communications to the public?**

This legislation provides authority to sell timber as surplus from ecological thinning projects in the Cedar River Municipal Watershed. The only perceived implication for historically disadvantaged communities is positive, which would be improved habitat and plant diversity and therefore improved potential for hunting and gathering by Native American Tribal members.

- g. If this legislation includes a new initiative or a major programmatic expansion: What are the specific long-term and measurable goal(s) of the program? How will this legislation help achieve the program's desired goal(s)?**

Not applicable

**List attachments/exhibits below:**

Summary Attachment A – Proposed Ecological Thinning 2021 through 2022: Cedar River Municipal Watershed