

EMERGENCY FIRE COST COMMITTEE
January 7, 2020

In accordance with the provisions of ORS 477.455, a meeting of the Emergency Fire Cost Committee (EFCC) was held at the State Forester's Headquarters, 2600 State Street, Salem, Oregon on Tuesday, January 7, 2020.

Committee Members Present

Ken Cummings, Chair
Steve Cafferata
Chris Johnson

Others Present

Nancy Hirsch, EFCC Administrator
Tina Meyers, EFCC Finance Coordinator
Brennan Garrelts, Lone Rock Resources
Stacy Miller, Fire Finance Manager, Oregon Department of Forestry (ODF)
Travis Medema, Special Projects, ODF
Joy Krawczyk, Public Affairs Program Manager, ODF
Bill Herber, Deputy Director for Administration, ODF
Ron Graham, Deputy Chief of Fire Protection, ODF
Tim Holschbach, Fire Prevention & Policy Manager, ODF
Kim Titus, Incident Finance Specialist, ODF
Lee Lockrem, Willis Towers Watson
Karen Caterino, Willis Towers Watson
Chrystal Bader, Executive Support, ODF
Nick Yonker, Smoke Management Program Manager, ODF
Marie Hansen-Wagnier, Oregon Department of Administrative Services (DAS) Risk
Renee Klein, DAS Chief Financial Officer (CFO)
Neal Laugle, Aviation Unit Manager, ODF
Sarah Lathrop, Aviation Coordinator, ODF
Kyle Williams, Director of Forest Protection, Oregon Forests & Industries Council (OFIC)
Gary Springer, Retired
Randy Hereford, Starker Forests
Kathy Wells, Fire Finance, ODF
Pat Skrip, DFPA manager
Mike Totey, District Forester, West Oregon District, ODF
Bobbi Doan, Public Affairs, ODF
Michael Eliason, Director of Government and Legal Affairs, OFIC
Lena Tucker, Deputy State Forester
Matt Stayner, Legislative Fiscal Office (LFO)
Jason Miner, Governor's Office
Jennifer Erdmann, Assistant to NWOA Director, ODF

ITEM 1: CALL TO ORDER

Chair Cummings called the meeting to order at 10:01 a.m. on Tuesday, January 7, 2020. Introductions were made around the table and the room including the introduction of Brennan Garrelts. Chair Cummings welcomed Brennan to the Emergency Fire Cost Committee, pending the Board of Forestry's approval of his appointment tomorrow, January 8, 2020.

ITEM 2: APPROVAL OF THE MINUTES OF THE SEPTEMBER 3, 2019 COMMITTEE MEETING [Decision Item]

No comments were made by committee members or attendees on the [September 3, 2019 EFCC meeting minutes](#). A motion for approval was made. All were in favor and none opposed. The minutes of the September 3, 2019 Emergency Fire Cost Committee meeting were unanimously approved.

ITEM 3: FINANCIAL STATUS OF THE OREGON FOREST LAND PROTECTION FUND [Information Item]

The committee reviewed the [Financial Status of the Oregon Forest Land Protection Fund](#) (OFLPF) for FY20. The report was based on November 30, 2019 financial reports.

- Revenue
 1. The \$15M loan was repaid to the fund in October, and is showing as revenue in the actual column.
 2. Total assessment estimated revenue is down about \$35K from the last report due to a drop in the number of minimum and improved lots; year to date collected for assessments is \$488,970.

3. The second quarterly harvest tax payment was received in November and was approximately \$469K; YTD collected for harvest tax is \$1,027,356.
 4. Estimated interest income has increased about \$130K from the last report. That estimate is based on 2.45% interest rate from October, and includes approximately \$83K in interest income from the loan repayment.
- Expenditures
 1. Payroll and Operating expense for January through June 2019 was transferred in September in the amount of \$118,494.
 2. The FY20 Payroll and Operating expense is estimated at \$120K. YTD expenditure is \$55,382 with 42% of the year elapsed.
 3. The fire season 2019 catastrophic insurance premium payment was transferred out of the fund in October in the amount of \$342,332.
 4. The estimated fire season 2020 catastrophic insurance premium payment is listed as \$1.9M, which is half of the estimated total premium amount of \$3.8M.
 5. Severity transfers out of the fund occurred in July, August and September and totaled \$3M.
 6. An estimated amount of approximately \$1.8M is listed as available for additional expenditures in large fire, operations, catastrophic insurance premium, or strategic investments, all yet to be determined.

Claims for the 2019 fire season are listed for districts that have a draft EFC claim and include COD, DFPA, KLD, SCAS, and SWO. The total net amount of those claims is approximately \$13.3M. OFLPF's half of that amount is \$6.6M. Of that, \$6.5M was advanced to DFPA leaving an estimate of approximately \$157K listed as the balance of the fire season 2019 draft claims net amount.

Estimated fund balance on November 30 was approximately \$8.2M. Estimated fund balance on June 30, 2020 is approximately \$14.2M, based on the assumption that the expenditure cap of \$13.5M will be spent from the fund and estimated revenue will be received.

As asked after the report, the \$6.5M advance amount will move to the row corresponding with DFPA's 2019 fire season claim. A question about the decrease to minimum and improved lots assessments was answered: due to the FY20 reporting from the Protection Division, the decrease to minimum and improved lots in NWOA caused an overall statewide decrease in the reported estimated revenue.

Current Fund Balance **8,247,847**

ITEM 4: FISCAL YEAR CLAIMS STATUS REPORT [Information Item]

This [report](#) reflects changes in the level of detail associated with extra fire costs for districts with EFC claims during fire seasons 2015 through 2018 (Fiscal years 2016 – 2019). The amounts listed on the report are based on FY totals because the EFC claims are assembled by FY. Outstanding costs are listed separately in order to recognize those as part of the estimated total extra costs. Recoveries are now listed by category and include: BLM cost recovery per cost share, other agency, responsible party, and FEMA estimate. Deductibles are listed by daily amounts and acreage amounts and are adjusted based on the maximum amounts of daily deductibles as calculated on the claims. Estimated net claim amounts are listed and advances or reallocation of advances are included to show an estimated net claim balance. Three claims in fire season 2015 are showing as ready to be finalized and include NWOA, WO, and WL. One claim in fire season 2016 is showing as ready to finalize for WO district. DFPA's fire season 2016 claim has been finalized. The report will be updated as draft claims are updated.

ITEM 5: WEATHER UPDATE [Information Item]

Nick Yonker provided the [weather update](#) for January 7, 2020. Bottom line: Oregon will be in El Niño neutral throughout the winter with a wide variety of winter conditions. Equal chances of precipitation with weak signal toward above normal temperatures through summer. Nick forecasts a normal to above normal fire season for 2020.

ITEM 6: UPDATE ON STATUS OF LARGE FIRE COST COLLECTION EFFORTS [Information Item]

Ron Graham provided this report, noting the status of [Large Fire Cost Collections](#) to date. The agency continues to make progress on cost collection for smaller fires. Of special note, Lobster Creek is now settled and ODF has received the funds from the liable parties. BLM has been responsive with regard to cost collections, however, it is causing extra work.

ITEM 7: INSURANCE POLICY FOR 2019 FIRE SEASON [Decision Item]

Chair Cummings reminded the committee that it is a decision of the State Forester as to whether an insurance policy is purchased. The OFLPP contributes up to 50% of the premium. U.S. and London Brokers, and the lead underwriter from Canopus visited in October. Douglas Forest Protective Association (DFPA) hosted the visit which included an opportunity to visit with local landowners, a tour of the MP 97 Fire, an overview of their detection center, and an overview of the EFCC/OFLPP strategic investment in new fire detection technology and night vision goggles to support 24-hour operations at the Roseburg airport. This focus helped to demonstrate how Oregon is still a good risk.

Marie Hansen-Wargnier noted changes at Willis Towers Watson (WTW). Our usual contact, Lindsay Cunningham, is currently on leave. Lee Lockrem, Senior Property Broker, has been involved as a technical expert since Willis began. Karen Catarino, West Region Leader – Public Entity Center of Excellence WTW, is new in working with us.. The market is continuing to harden with recent natural disasters; therefore some companies are taking significant increases. There have also been numerous mergers which reduces capacity options. Last year, when the policy was purchased, 94% of policy was placed with London, 3% in companies in Bermuda, and 3% in companies in the United States. This year, U.S. interest rates increased. Many carriers are deploying lesser limits and levying rate increases across the board. There was a 4.7% premium increase in 2019 but things are looking good now and Willis will go in holding at a \$50M retention. This may increase by 5% which would make the premium \$3.9M, but it all depends upon capacity options and relationships. That being said, multiple alternatives are available if needed. The focus of the proposal to the market this year will be on the reduction in financial risk, and strategic investments in technology.

A handout of the [insurance program summary](#) as of October 16, 2019, was provided for review. A motion for a recommendation to the State Forester to continue to pursue the catastrophic wildfire insurance policy with Lloyd's of London for 2020 was made. All approved, none opposed.

ITEM 8: SET DISTRICT DEDUCTIBLE RATES FOR 2020-2021 FISCAL YEAR [Decision Item]

Nancy noted that approval of the district deductible rates is due each year by January 15. There are no planned deductible increases in the agency's budget. Therefore, for FY21, Nancy recommended keeping district deductible rates as they are currently.

Chair Cummings noted the need for larger policy communication on this conversation in the future. Steve Cafferata motioned for approval of the recommendation and all were in favor; none opposed. The district deductible rates for the 2020-21 FY will remain consistent with what they were for FY20.

ITEM 9: ANNUAL AUDIT REPORT [Decision Item]

Nancy provided comments on the [EFCC Annual Audit Report](#), noting that the three reports were sent to committee members in mid-December to review prior to this meeting. She also noted that FY17 and FY18 audit reports were prepared by Tim Keith, consistent with the EFCC transition plan.

FY19 audit report was prepared by Tina and Nancy. Commitment was made to the committee to provide this audit report annually at the January meeting of the Emergency Fire Cost Committee.

Nancy recommended to the committee the approval of the FY19, FY18 and FY17 audit reports and approval of payment when the audits are finalized.

Chair Cummings noted that this is the integral part of what the Emergency Fire Cost Committee is tasked with. The goal is to improve process and help inform and educate districts. He thanked all involved and praised their work.

A motion to approve the FY19, FY18 and FY17 Annual Audit Reports and payment upon finalization was made by Steve Cafferata. All were in favor and none opposed.

ITEM 10: FIRE DIVISION REPORT [Information Items]

- Governor's Wildfire Council Update
 - Lena Tucker thanked all involved for their work (Travis Medema, Chad Davis, Ken Cummings, and Bobbi Doan) to help produce the [Final Report](#) of the Governor's Wildfire Resiliency Council.
 - Good representation of citizens across Oregon, including landowners.
 - Interim Legislative Days next week where some Legislative Concepts will be presented.
 - Jason Miner spoke on the Governor's bill, explaining that it will be an omnibus wildfire bill intended to track closely with Wildfire Council recommendations and language and will include health effects, land use, defensible space, building codes, and emergency management, and will address multiple agencies. It will also include mitigation,

suppression and adaptation components as well as an investment in fuel reduction on the landscape and an increase in resources for ODF for firefighting.

- Gary Springer asked about the demonstration legislative concept, specifically with regard to the Deschutes National Forest. Tim Holschbach noted it's a demonstration to communities of a fuels reduction/thinning project. It includes federal and private lands to show a cohesive landscape.
- Governor's Oversight Committee & ODF Financial Report
 - DAS has contracted with MGO, a CPA and advisory firm that began work right before the holidays and they are currently in the field assessing financial processes that will inform their future work. Their reports to follow will include recommendations to improve business fire finance processes on large fires. It is anticipated that they will be looking at the backlog in the field in February to help streamline our process and get those fires closed out. A target of June is set to complete their review and provide recommendations back to DAS and Governor's Office.
 - Tina & Nancy will meet with MGO tomorrow to walk through the claims process.
- BLM Western Oregon Agreement
 - In the past, ODF was under a one-year operating plan with BLM. ODF actual costs exceeded the estimated by \$1.2M. BLM has indicated they will not pay that amount. ODF is currently communicating with DOJ as to next steps.
 - Currently, ODF is under the Western Oregon Operating Plan, a 5-year agreement. BLM will continue to be ineligible for extra, large fire costs from the OFLPP and General Fund (GF). A cost reduction strategy identification with recommendations will be presented to BLM on January 24. In a November 4, 2019 letter from BLM, it was stated that the agency is unable to pay the actual costs for FY19 and that they are currently looking at reducing costs for fire protection on BLM lands to \$5M by 2024.
 - Looking ahead, the ultimate goal is to gain efficiencies for all who are paying into the system. Nothing significant is expected to happen, except for the removal of Klamath Basin resources on July 1, 2020. The FY20 invoice has been sent to BLM and ODF is meeting with BLM later this month to review the five year operating plan, however not many significant changes are expected. A separate operations plan is reviewed annually.
- Strategic Investments Financial and Status Report
 - Tina provided the [Financial Report](#), based on November 30 financial reports. There was approximately \$19K spent on the Northeast Oregon detection cameras since the last report in September. The total amount spent for strategic investments since the 2017 transfer of OFLPP funds is \$1,076,745, with a remaining balance of \$423,255 for completion of approved projects
 - Ron reported on the [status of the strategic investment projects](#) as follows:
 - Guard station & detection cameras in NEO to be completed and functional for the 2020 fire season.
 - All night modifications to the Partenavia have been installed and approved by the FAA. The camera and navigation system are to be installed in February. ODF will be bringing on a new pilot (paid by Oregon Military Department for 120 days) for call when needed resources for the 2020 fire season, along with a retired OSP pilot. ODF personnel will be trained on use of the infrared in the spring for implementation in June.
 - This leaves about \$1.8M potentially available for strategic investments in the OFLPP. A proposal for submittals will be sent out soon and discussed with landowners in March and April during the spring Association meetings. The draft strategic investment proposals will be brought back in June to EFCC for review. Ron will send the proposals to the committee members for their review ahead of the June EFCC meeting.
- FEMA Update
 - \$274k in prepositioning funds have been received to date. The South Valley fire claim has been submitted as well as the Garner Complex claim but has not been reimbursed as of today.
 - FEMA recently held a financial compliance review – nothing significant came from that. A similar Secretary of State audit was also done with no major findings.
- ODF Incident Management Teams
 - The ODF Geoboard provided its final recommendation for future structure of ODF Incident Management Teams (IMT's) to Chief Grafe for his review. Doug will present this to the Executive Team at their next meeting. Any implementation of changes to ODF IMT structure will not take effect until the 2021 fire season. For the 2020 fire season, ODF will have three fully staffed IMTs with two deployable. The ODF Geoboard continues to meet monthly to discuss other issues regarding IMTs.
 - Chair Cummings suggested a recommendation for a fourth IMT (Finance Team) and Steve asked if the Geoboard could be linked to the legislative concept on additional capacity for ODF. Ron responded that the additional capacity would not be for IMTs.
- Staffing update
 - The Protection Division is almost at full capacity. Belinda Boston, SCC manager, has accepted a 2-year job rotation with ODF HR and the division is actively recruiting for a backfill for that position. Blake Ellis has been officially hired (in December) as the Fire Operations Manager but will be on paternity leave for 6 weeks at the end of January/early February. The division is looking to fill this vacancy as a short-term developmental/job rotation.

ITEM 11: EFCC ADMINISTRATOR REPORT [Information Item]

Nancy thanked committee members for their feedback during her visits in the fall, with regard to opportunities for improvement. She then provided the EFCC Administrator report highlighting her participation in the fall Association meetings where she provided a status update on the Oregon Forestland Protection Fund and the work of the Emergency Fire Cost Committee given the recent staffing changes and transition.

Additionally, Nancy provided an update on the eligibility directive review noting there may be potential to review minor efficiency changes by the March EFCC meeting.

ITEM 10: PUBLIC COMMENT / GOOD OF THE ORDER

Pat Skrip, Douglas Forest Protective Association, provided public comment on the following topics:

- With BLM now paying their own large fire costs, exposure to the OFLPPF, GF and the insurance policy is reduced.
- Pat thanked Tina Meyers for clarifying in her report, that the advancement of claims to associations are not loans, these are cash advances that allow for the payments of actual expenses.
- He also thanked the EFCC for the strategic investment dollars in Southwest Oregon and DFPA for detection cameras and other technology updates.

Steve Cafferata asked about the consideration of using BLM as the fiscal agents, specifically with regard to the Ward fire. Pat replied that can be done through an agreement with BLM but that there is greater value in the current model where the association/district is the fiscal agent. This also applies to local resources as they would have to be tied into the VIPR system if BLM were to be the fiscal agent.

Gary Springer asked if Oregon was sending any firefighters to Australia. Ron Graham responded that the state of Oregon is not sending anyone, however, there are some firefighters being deployed at the national level.

There being no further business before the committee, Chair Cummings adjourned the meeting at 12:17 p.m. The next regular meeting of the committee will be held at **10:00 a.m. on Tuesday, March 3, 2020** in the Santiam Room of the State Forester's Headquarters in Salem.

Minutes drafted by: Chrystal Bader
Minutes reviewed by: Nancy Hirsch & Steve Cafferata