

DF Distribution

**MINUTES
EMERGENCY FIRE COST COMMITTEE
January 05, 2016**

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.

Committee Members Present:

Ken Cummings, Chair
Steve Cafferata
Pete Sikora
Lee Fledderjohann (Conference Line)

Others Present:

Tim Keith, EFCC Administrator
Doug Decker, State Forester
Nancy Hirsch, Deputy State Forester
Doug Grafe, Division Chief, Fire Protection Program
Nick Yonker, Meteorology Manager, Fire Protection Program
Charlie Stone, Policy Analyst, Fire Protection Program
Whitney Lanham, Administrative Support, Equipment Pool Program
Colleen Conlee, Emergency Fund Finance Coordinator
Jeff Bonebrake, Investigation & Cost Recovery Coordinator, Fire Protection Program
Jeff Friesen, Willis of Oregon
Mike Dykzeul, Oregon Forest & Industries Council
Todd Scharff, DAS Risk Management

ITEM 1: CALL TO ORDER

Chair Cummings called the meeting to order at 10:01 a.m. Introductions were made around the table. He briefly outlined the meeting agenda, pointing out that additional time was being set-aside for discussion regarding procuring an insurance policy for the 2015-16 policy year.

ITEM 2: APPROVAL OF THE MINUTES OF THE SEPTEMBER 08, 2015 COMMITTEE MEETING [Decision Item]

The minutes of the September 08, 2015 meeting were approved unanimously by the committee after accepting suggested changes from Steve Cafferata and Lee Fledderjohann, including abbreviation of the discussion regarding the Elephant Rock fire cost settlement. [Administrator Note: the committee approved changes to the minutes by email; the minutes were subsequently distributed to interested parties and posted on the committee's web page.]

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

Below is an updated summary of the financial status of the Oregon Forest Land Protection Fund (OFLPF) prepared and reported by Colleen Conlee. For the purpose of this report, the current year's insurance premium was used as the estimated expense for the 2016-'17 policy year.

<i>Balance as of FY16</i>	<i>\$ 21,307,368</i>
<i>Estimated revenue (including Balance)</i>	<i>\$ 33,159,315</i>
<i>Less estimated expenditures</i>	<i>\$ (13,873,572)</i>
<i>Projected Fund Ending Balance for FY16</i>	<i>\$ 19,285,743</i>

November harvest tax turnover was \$62,007 less than what had previously been estimated.

The Deer Creek fire cost collection was \$1 million; \$321,312 will be distributed to the fund and \$678,688 will be reimbursed to FEMA based on prior payment.

The Siskiyou fire cost collection was \$585,673; \$309,155 will be distributed to the fund and \$276,518 will be reimbursed to FEMA based on prior payment.

A supplemental claim for \$3,543 was processed against Southwest Oregon District's (SWO) fiscal year (FY) 2010 claim; these costs were for additional investigation charges on the Siskiyou fire.

SWO's FY13 claim was finalized; a total of \$1,754,240 was transferred to the district which was \$19,496 more than had previously been estimated for the claim.

In September Colleen reported that she would be finalizing Central Oregon District's (COD) FY13 claim since the district had reported that all outstanding bills were paid. As she began the process, the district discovered an additional federal bill that hadn't been paid so this claim was not finalized.

Colleen reported an estimate of eight claims for FY 16; the entire \$10 million in suppression costs was advanced to Douglas Forest Protective Association to provide them with adequate funds to pay for suppression costs on their two large fires.

Steve Cafferata had previously requested that a fire cost recovery spreadsheet be prepared for members. Tim Keith reported that this report will be available for the committee's review at their March meeting.

Pete Sikora asked Doug Grafe about the status of FEMA negotiations. Doug responded that a letter has been written to FEMA regarding ODF's interpretation of receipts from fire cost collection; the agency is still awaiting FEMA's official reply but that there was no negative feedback at a meeting the agency had with FEMA representatives last week.

Nancy Hirsch noted that General Fund reimbursements from fire cost recoveries will be closely tracked by the State in the future with the large amount of General Fund expenditures for fire suppression in play.

ITEM 4: WEATHER UPDATE *[Informational Item]*

Nick Yonker, ODF Meteorologist, used graphics from last year's weather briefing to compare and contrast to this season. He compared the weak El Niño from last year to show how it has become a near record El Niño this year.

The forecast is for El Niño to rapidly shift to neutral or La Niña by next winter. Last year's below normal snowpack was compared to this year's above normal snowpack. However, because of El Niño, temperatures will likely be milder than average through winter and spring, leading to a potential early snow melt.

Last year's drought graphic was compared to this year's graphic, showing there has been little change in moderate to extreme drought despite the very wet December and above normal snowpack. The Drought Monitor data tracks over a long period of time – Nick expects that it will start to reflect the current situation if the winter remains damp.

Nick ended the briefing recapping the main points and indicating that another above normal fire season is possible in 2016.

ITEM 5: UPDATE ON STATUS OF LARGE FIRE COST COLLECTION EFFORTS *[Informational Item]*

Jeff Bonebrake, ODF Investigation and Cost Recovery Coordinator, presented the committee with a brief overview and status update for on-going fire cost recovery cases, focusing on significant fire cost collections. He reported that it has been a busy year.

Jeff referred to the Fire Cost Collection Claim Status report. Regarding closed fire cost recoveries greater than \$5K, since September nearly \$4.2 million dollars has been recovered, which compares favorably to the 10-year average of \$1.0 to \$1.2 million per year. He noted that Department of Justice's (DOJ) additional capacity has significantly influenced the increased rate of cost collections. There are no new claims on the books since September.

Regarding investigations in progress: the agency is in progress of mediating the Lost Hubcap Fire. There has been an offer of a \$1 million insurance policy, but the responsible party has assets that can contribute to additional cost collection. A day was spent in mediation, but the agency is awaiting further financial documents before proceeding. On other fires, investigative work is still continuing on Two Bulls. The end is in sight but there may not be a responsible party identified. They are getting ready to bill out on Moccasin and Ferguson fires – cost recovery will most likely be based on available assets which could be well below what was spent on those fires. Jerry's Draw, Willamina Creek, and the August Fire will likely not have responsible parties identified. The Cove fire identified another State agency as the responsible party. Stout Creek has a responsible party, but there are very limited assets available – ODF has the mower that started the fire in custody.

The Niagara fire origin was determined with definitive clarity: a cigarette butt was recovered that contains fingerprint information. They are working with the OR State Police Crime Lab to do a fingerprint analysis and potentially a DNA analysis. It's expected that a responsible party will be identified.

The total 2015 cost collection is over \$6 million for calendar year 2015 – an all-time record.

As requested at the last EFCC meeting, Jeff presented a graph of arson fire trends. Overall, a slight decrease is seen in the arson trend over the last several years. The 7,064 acres in 2014 includes the Two Bulls fire which may not be arson. The overall trend in arson fire starts is down the last two years after an increase in starts over the previous three years.

Pete Sikora asked about closed cases. Jeff confirmed that they have been reimbursed as much, if any, as the agency and DOJ expects to receive. Nancy Hirsch inquired about the Jerry's Draw fire in COD. Jeff responded that the parallel fire cause and criminal investigation had led the agency down 'rabbit holes' initially. At the present time, a responsible party has not been identified.

The committee expressed their appreciation for the report and the good work recovering fire costs.

ITEM 6: INSURANCE POLICY for 2016 FIRE SEASON [Decision Item]

Chair Cummings asked Jeff Friesen for a report on securing a policy for the 2016 fire season. Jeff reported that Willis has reached out to London about the potential for lowering the retention or policy pricing. Overall, it is felt that having only one good year behind the agency will not be enough to substantially change the policy terms. Willis will market the proposed policy at a \$45 million retention (deductible), as opposed to \$50 million, and see what happens – they do anticipate that underwriters will be willing to continue with the policy.

They are also currently working on derivatives, otherwise known as parametrics. They are still working to determine how best to deploy such a policy and what the policy terms might be. They are nearing a point where a proposed submission with two or three scenarios will be sent over to determine underwriter interest and see what the pricing may be. The hope is to discuss this with London when the contingent visits London in February.

Jeff reported that the trip to London is scheduled for the week of February 14; he will accompany ODF (Doug Decker and Travis Medema), DAS Risk Management (Todd Scharff) and Chair Ken Cummings. The itinerary will be similar to last year – meeting with current underwriters and one or two new potential policy participants. Jeff noted it's always good to have fresh capacity. The market overall is very good, but a policy premium decrease is uncertain. It may take one or two more good years (no pay-outs) before more favorable terms can be obtained.

In response to questions about rate setting, Jeff said that underwriters' rates are based on recent five years of loss history, and ODF has had two substantially negative payout years. He expects to need one or possibly two good years in the mix in order to start to move negotiations more favorably for Oregon. Mike Dykzeul asked about the global impact of natural resource disasters on pricing. Jeff stated that there is excess capacity in the market, making conditions good for procuring favorable policy terms. The question is, are there new markets available that should be explored?

Pete Sikora inquired about derivatives. Jeff said that there is tremendous flexibility in these products – a three-year policy is possible, partial pay-outs are an option. The challenge is to see actual terms and pricing to determine if these products have value. The ball is in our court to provide parameters – currently drought index is being considered: how dry over how many days would trigger a payment. As an example, London is doing a drought program for the whole of Africa, using pixelated data that isn't available for North America.

Chair Cummings discussed the importance of maintaining a policy for Oregon that continues to provide financial benefits to the state. The insurance policy is one of the State's assets that should be maintained and protected to help provide financial stability. He emphasized the need to continue to build relationships in London to add both viability and insurability to the agency – prior to 2012 no one had been to London. Subsequently these visits have helped maintain this invaluable policy.

Chair Cummings asked the committee for a motion to recommend the State Forester purchase an insurance policy for the 2016 fire season. The committee approved the motion unanimously.

Pete asked Jeff about the 5-year look back on loss history, is there the potential down-the-road to get back to a policy with terms that existed in 2013 and 2014? Jeff responded that he believed a \$20 million retention was not the right retention point, and that it was unlikely the market would respond favorably in the future to that low a price point. The cost would be prohibitive. Brief discussion regarding historical pay-outs and premiums concluded the agenda item.

ITEM 7: SET DISTRICT DEDUCTIBLE RATES FOR 2016-17 FISCAL YEAR [Decision Item]

Tim Keith recommended no change to rates, which stand at \$.10 per acre for timber and \$.05 per acre for grazing. The agency is in the middle of a biennial budget cycle and doesn't have available budgeted funds to accommodate an increase in deductibles.

Chair Cummings noted that adding to the landowners' burden would not be the right mechanism to resolve financial challenges that exist, and that deductibles do not amount to a significant amount of money. He requested a motion to keep rates same for fiscal year 2016-17. The committee passed the motion unanimously.

ITEM 8: STRATEGIC INVESTMENTS REPORT [Informational Item]

Chair Cummings requested that Doug Grafe give a report on Strategic Investments. Doug handed out a one-page copy of proposed projects. He noted that there were several caveats regarding the status of strategic investments. The concept was initiated with the Wildfire Protection Act. Due to the high-cost fire seasons since 2013, there have been no dollars available for the concept. It was decided to go through the process this year and develop projects for strategic investments despite the lack of money. The process yielded the projects listed on the table. He felt it was important to identify where the field felt there were opportunities for investments. Because of the lack of funds, he noted that the list of projects was not prioritized, and did not constitute a request to the committee.

Doug said that not all districts submitted proposals. He walked the committee through a basic introduction of the outlined projects that had been organized into themes. One theme that emerged was the purchase and installation of detection cameras. He stated that a statewide proposal for camera detection is a concept that should be considered in the future. Simulcasting is another need that could possibly be considered for statewide implementation – simulcasting allows wide geographic areas to be covered with a limited number of radio channels, e.g a radio transmission could be transmitted over an entire district and several repeaters. There were prevention proposals including target shooting that is emerging as an issue for districts. There are facility development proposals, although it is still up-in-the-air whether they should be included in Strategic Investments. Technology proposals again illustrate the need for considering statewide coordination/implementation of concepts. Readiness/capacity is generally being included in district budgeting processes, but Doug felt the committee should see what is being proposed. Finally, there are several aviation proposals that illustrate that the agency is still 'catching up' to the increased capacity created by severity resources.

The three areas have not seen this summary, and the core team has not prioritized any of the proposals. He summarized that he will be back next year with a similar product that will have been analyzed and prioritized for the committee. Chair Cummings noted the importance of keeping people thinking about the potential for Strategic Investments.

Mike Dykzeul stated that each district was asked to do a cost-benefit analysis for each project. He feels that it was within the committee's purview to utilize funds to move certain important projects along. He suggested that a legislative change be considered to allow the committee to make important investments.

Pete Sikora said that he was glad that the agency went through the dry run. He emphasized that this tool was to help solve a problem – that there are too many large, expensive fires. He stated that he hoped the agency was doing vigorous root cause analyses to get to the root cause of why a fire grew large; was it possible that those fires could have been managed differently early on to reduce acres burned and dollars expended fighting them. He pointed to the importance of early detection. Once the fire is large, it is often out of everyone's control what happens – the key is to attack and keep them small if at all possible. Steve Cafferata agreed with Pete and noted that he would like to see a pre-suppression category be considered by districts to help keep fires small. Chair Cummings agreed, the multitude of large fires indicates an opportunity to work to keep those fires smaller; it's important to think out-of-the-box.

Chair Cummings reminded the audience that root cause can breed fear and angst. It's important to realize that the purpose is not to find fault, but to build on success. Be careful how root cause analysis is rolled out – it needs leadership and trust amongst the participants. ODF has the right kind of culture to implement this approach. Nancy Hirsch agreed with his comments and noted that the protection standards' review process addresses this to a degree. A lot of people in field districts are trying new things as a result of these reviews. Doug Grafe added that the Fire Program Review can help vet improvements needed in the fire program.

Doug summarized that the Strategic Investments program application process will be fully implemented next year, regardless of funding availability. Steve Cafferata stated that districts should be allowed to re-submit proposals if not initially selected. Doug concluded, stating that they may need to tweak their timeline based on this year's experience.

ITEM 9: FIRE PROGRAM REVIEW [Informational Item]

With Chair Cummings' introduction, Doug Grafe stated that the Fire Program Review – which had already been referenced throughout the EFCC meeting – is designed to provide recommendations on continuous improvement strategies for Oregon's highly functioning complete and coordinated wildfire fighting system. One focus is on sustainable large fire funding: including insurance, the Oregon Forest Land Protection Fund, and the State's General Fund. The second focus is on sustainable fire organization capacity, including maintaining strength in State and Private Forests' programs during peak fire season. The final focus is on developing policy options to mitigate increasingly complex wildfire conditions in Oregon. What are we going to do as an organization to mitigate fire risks; including fuels management, urban interface across the landscape and prevention measures?

January 21st will be the next full committee meeting; initial proposals and projects will be presented from the working groups. The committee will meet again in March where more detailed proposals will be presented for the committee's consideration and acceptance. At the committee's last meeting in June, they will make final decisions on the various proposals, and discuss forming coalitions as needed to bring those selected proposals forward. Doug noted that he was the Fire Program Review chair; Ken Cummings and Nancy Hirsch are serving as co-chairs.

Chair Cummings stated the need to keep legislators vested in a long-term conversation on the fire program. The 2016 fire season is just around the corner, with the next full Legislative Assembly not meeting until early 2017. He also noted the importance of Chad Davis' fire policy committee and its long-term challenge of seeking management changes on federal lands.

Pete noted that access is a growing problem with BLM in western Oregon. Their lack of road maintenance and decommissioning roads is limiting access for fire suppression purposes. This is a big issue that can be addressed in a shorter time frame. Chair Cummings agreed and supported a look into that issue. Nancy Hirsch noted that the question of who pays for fire protection on the westside has also come up; BLM is represented on the committee and seems to be fully engaged. She said that State Forester Decker is working to manage expectations that immediate changes/recommendations will not be going to the 2016 abbreviated Legislative session, but rather to the full 2017 Legislative Assembly.

Mike Dykzeul mentioned that the website for the upcoming workgroup meetings is not linked to the Fire Program Review website. There simply is not an easy way to access information on those meetings if a person isn't a member of those work groups. Specifically, there is a high level of interest (and angst) from association members. He asked the agency to focus on the need to get the word out on the entire review process. Doug Grafe said that there is a need to balance the opportunity to keep people involved and the need for the workgroups to tackle their respective goals. It had been planned for later meetings to be more publicly shared, but agreement was recently reached to get more inclusive information out to the public and interested parties in a more timely and accessible manner. Nancy agreed that there was an additional need for transparency in the process. Steve Cafferata suggested that minutes of the meetings be posted relatively quickly so that folks can keep up on this fast-moving process. State Forester Decker stated the importance of hearing these concerns now so that the process can be appropriately modified.

ITEM 10: ADMINISTRATOR REPORT/UPDATE

Tim Keith had nothing additional to report.

ITEM 11: PUBLIC COMMENT/ GOOD OF THE ORDER

State Forester Doug Decker reviewed the current status of the performance audit being conducted by the Secretary of State's performance auditing team. The audit asks, is the agency 'walking the talk'. This audit's goal is to help ODF perform and meet its core duties more effectively and efficiently. ODF is embracing the audit and the recommendations that will be forthcoming. The focus has come down to the fire program, and its current review. The audit team has voiced their desire for their recommendations to end up closely aligning with recommendations that will come out of the Fire Program Review; with their goal to help ODF create a more sustainable long-term organization as a whole. Internal expectations are for the audit's recommendations to provide critical outsider insights and present ideas that ODF's management team may not have readily identified and considered. State Forester Decker expects that the results will provide important value for the agency. Nancy took the audit team on a tour of four project fires that really proved valuable for the team. Their audit will be complete by June on the same timeline as the Fire Program Review.

Pete Sikora shared a personal perspective in support of State Forester Decker's sustainable fire organization. He reminded the audience what can happen when the majority of a district's resources are deployed on a fire incident

and there are not enough resources left back home. The ability to operate during critical fire weather is key to maintaining a viable operator militia at home – yet if there are not personnel available to write waivers for those operators that landowners would like to see operating, they may be forced to shut down – they are not available to fight fire. Pete's point is that a sustainable organization is an important component in keeping home bases fully operational in order to meet stakeholder and public needs. He stated that the industrial waiver process provides a real-world example of adequate staffing. Mike Dykzeul agreed, pointing out that the industrial rules revision process is an important component of keeping local resources operating.

State Forester Decker mentioned Board of Forestry changes that are occurring. The first is the resignation of Gary Springer, effective April 30th for personal reasons. Three current Board members – Tom Insko, Nils Cristoffersen and Cindy Williams having finished their first term – second terms have been recommended by the Governor for approval during the February Legislative session. Finally, Board Chair Tom Imeson and member Mike Rose's terms expire in eleven months. He concluded that change is a constant companion on the Board of Forestry.

There being no further business before the committee, Chair Cummings adjourned the meeting at 12:16 p.m.

The next regular meeting of the committee will be held on Wednesday, March 08, 2016, at 10:00 a.m. in the Santiam Room of the State Forester's Headquarters in Salem.

TRK.