

**MINUTES  
EMERGENCY FIRE COST COMMITTEE  
June 07, 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

**Others Present:**

Tim Keith, EFCC Administrator  
Doug Grafe, Division Chief, Fire Protection Program  
Mark Hubbard, Finance Director, Administrative Services  
Nick Yonker, Meteorology Manager, Fire Protection Program  
Charlie Stone, Policy Analyst, Fire Protection Program  
Bob Young, Fire Prevention & Policy Manager, Fire Protection Program  
Toni Chambers, Fire Division Business Manager, Fire Protection Program  
Tracy Guenther, Administrative Support, Protection  
Elise Loewen, Administrative Support, Protection  
Chrystal Bader, Exec. Support, Public Affairs and Executive Team  
Colleen Conlee, Emergency Fund Finance Coordinator  
Jeff Bonebrake, Investigation & Cost Recovery Coordinator, Fire Protection Program  
Jeff Friesen, Willis of Oregon  
Amy Patrick, Oregon Forest & Industries Council  
Todd Scharff, DAS Risk Management  
Gary Springer, Starker Forests  
Rex Storm, Associated Oregon Loggers, Inc.  
Mike Haske, Bureau of Land Management

**ITEM 1: CALL TO ORDER**

Chair Cummings called the meeting to order at 10:03 a.m. Introductions were made around the table.

**ITEM 2: APPROVAL OF THE MINUTES OF THE MARCH 08, 2016 COMMITTEE MEETING [*Decision Item*]**

The minutes of the March 08, 2016 meeting were unanimously approved with the changes that Tim Keith had proposed on item #9 regarding Emergency Fire Cost Committee (EFCC) spending authority. [*Editor's Note: following the meeting, Charlie Stone reported that Matt Stayner has replied to his question; the issue is simply that ORS 477.755 continually appropriates monies to the EFCC, but the EFCC is not a state budget unit (since 1985). The fix would be to legislatively change the appropriation to the State Forestry Department. All authorities of the EFCC to set policies and control distribution of Oregon Forest Land Protection Fund (OFLPF) funds would remain the same. Following email conversations between the administrator and the committee, the committee asked Tim Keith to bring the issue back to the September 06, 2016 meeting for further discussion and clarification.*]

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

Colleen Conlee presented formatting changes that were made in the 'estimated expenditures' section of the balance sheet to address the request from the committee to be able to identify the estimated costs for FY16 that comprise the \$13.5 million spending limit.

- Two boxed columns have been added to the right side of this section which will respectively identify previous FY expenditures as well as actual and anticipated FY16 costs.
- The two columns to the left of these 'boxed' figures will be "gray". They include the detailed amounts that carry over to the two columns directly to the right.
- A 'subtotal' has been added to the 'estimated expenditures' section as well, making it easier to identify the \$13.5 million spending limit.

Below is an updated summary of the financial status of the 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>\$ 33,466,760</i>        |
| <i>Less estimated expenditures</i>                   | <i>\$ (13,911,842)</i>      |
| <b><i>Projected Fund Ending Balance for FY16</i></b> | <b><i>\$ 19,554,918</i></b> |

Colleen reported to the committee that the May Harvest Tax turnover was \$19,663 less than what had previously been estimated.

FY15 and FY16 draft claims have been updated with estimated outstanding expenditures and anticipated recoveries identified as Tim and Colleen met with the districts this spring for the 2015 fire season audits. These changes brought an overall increase in net claim costs of \$72,411 for fire season 2015 [FY15: (\$527,471) and FY16: + \$599,882].

As of May 2<sup>nd</sup>, the fund's 2015 fire season obligation for severity costs were estimated at \$2,757,455 which is a decrease of \$242,545 from what had previously been reported.

A supplemental claim in the amount of \$38,270 was processed against Central Oregon District's FY10 claim; these costs were for additional investigation charges incurred on the Microwave Fire.

Tim Keith reported that payroll and operating expenses are going to be higher than the original estimate of \$90,000 due to the heavy audit workload and the demands placed on both Colleen and him from the Fire Program Review. It now appears that costs will be approximately \$105,000.

After a question from Charlie Stone regarding fiscal year claims prior to the 2013 fire season, Pete Sikora asked how far back bills and reconciliations could occur. Tim responded that the agency pays for reasonable and appropriate charges, regardless of how old they were. He referenced a CAL Fire bill that Klamath-Lake District paid two years ago for air tanker charges that were over four years old. He told the committee that the agency has the latitude to also bill partner agencies for costs that date back several years, as well as fire cost collection cases that may go on for several years.

#### **ITEM 4: WEATHER UPDATE [Informational Item]**

Nick Yonker started off the briefing explaining that today would be the last hot day and that a week or two of cool, cloudy and showery weather was coming. Recent thunderstorms had brought some rainfall to east of the Cascades over the last two days.

Nick showed a graphic of model forecasts which are trending away from record El Niño toward La Niña conditions this summer through into the fall and winter. La Niña's are usually indicators of a cooler, wetter winter followed by below normal fire seasons. Consequently we may see low fire danger during next year's 2017 fire season.

Nick went through the weather elements of a severe fire season. The current snowpack is below normal due to an early snowmelt caused by a warm spring. Despite this, compared to the graphic from last year's June EFCC briefing, it is a better snowpack this year than last year. Likewise, this year's drought graphic showed only moderate drought in southeast Oregon while last year's graphic showed drought over almost the entire state, with extreme or severe drought in all of central and eastern Oregon. Forecasts for summer precipitation shows no clear signal – likely it will be a normal dry summer for the state. Summer temperature projections indicate another above average season. The state has not seen a significantly below normal temperature month since February of 2014 – well over two years.

The bottom line is that while the snowpack is below normal, drought has waned, so it's likely Oregon will see a near normal fire season, not an extreme fire season like the previous three years.

#### **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.

Jeff reported on several cost claims greater than \$5,000 that have received attention since the last EFCC meeting. Those claims include the following fires: Ferguson Disp., Peavine Creek, Bologna Canyon, Anderson Creek, and Fern Ridge. These fires have been billed, as well as the Lower Grave Creek and Star Farms fires.

Jeff reported that they have closed two cases over \$5,000 from last fire season. Ben More Lane in the amount of \$5,024.09 and N. Fork Trask in the amount of \$17,350.06 were both paid in full.

Jeff reported on fire investigations in progress: Stratton Creek, Owen, Two Bulls, Moccasin Hill, Lost Hubcap, Niagara, Stouts, Willamina Creek, Cove, Dry Gulch, and Krauss Lane. No responsible parties have been identified on the Jerry's Draw and August fires; these will likely be closed. Concluding, Jeff reported that the arson task force is in place in Oakridge again this summer with the objective of preventing fires there again this season.

Lee Fledderjohann noted that trainees are being used on investigations. He asked for an update on using the small claims process to settle fires. Jeff reported that only a couple of fires had been worked through the process; it has been difficult to get districts to take advantage of it. It's hard to coordinate claim settlement with seasonal employees that investigated fires when they may or may not be available when needed. Jeff answered that they will continue to pursue this option.

Chair Cummings asked whether Jeff's presence in large fire cost collection cases is an incentive for cost negotiations to commence. Jeff responded that it doesn't seem to be that way – most people don't realize what their responsibility is and often do not have the assets or insurance coverage adequate to meet the cost collection demand. Doug Grafe asked about 2015 arson fires, the sheet mentioned only 2014. Jeff reported that there were only three fires last year, all in South Cascades in the Oakridge area.

Steve Cafferata asked Doug Grafe whether there was a role for leadership to encourage districts to use the small claims' court process. Doug agreed there was a role for the division to encourage districts to use this alternative available to them. Capacity is an issue for districts, and training will be a key. Steve asked for a copy of the process; which Jeff agreed to provide. Jeff noted that it's a big document because it is specific to each individual county in Oregon – each county is different. Steve said that when districts get involved in these smaller cases, it sends a fire prevention message to constituents in that district. Chair Cummings suggested that association presidents could be contacted, asking them to take up the topic of small claims' cost collection in each respective district. He used the example of his company working with the district attorney's office to pursue resource damage caused by recreationists. This in turn sent a strong signal to the community about the inappropriateness of such behavior.

#### **ITEM 6: REVIEW AND APPROVAL OF RECOMMENDED CHANGES TO THE DIRECTIVE "GUIDELINES FOR ELIGIBILITY OF FIREFIGHTING COSTS FOR THE OREGON FOREST LAND PROTECTION FUND" [Decision Item]**

Tim Keith reported that each year at the June EFCC meeting, he and Colleen bring to the committee changes they believe are needed in the directive for the upcoming fiscal year. This year, clarification is needed to clearly articulate the eligibility of communication unit leaders used on eligible type 3 and larger fires.

He explained that communication unit leaders on the ODF incident management teams, despite being rostered for the teams separately, are fully eligible for emergency fire funding, regardless whether they are working in their area of responsibility or not. Chair Cummings asked what happens on a type 3 fire if a local radio technician works on the fire as a communications unit leader. Tim Keith responded that base costs are not eligible, but overtime and support are. Had the fire been assigned an ODF incident management team, all costs of that unit leader including base salary would be eligible. During the audits this year, costs were reversed for base funding of a communications unit leader working on a type 3 fire in his area of responsibility – it was the radio engineer assigned to eastern Oregon. The language in the directive needs clarity to avoid this kind of mistake in the future.

Tim summarized that the proposed changes do not cost any additional money, they are simply designed to clarify what is happening in practice now. Colleen currently gets a lot of questions on this topic. The committee unanimously approved the proposed changes to the directive, effective July 1, 2016.

#### **ITEM 7: PARAMETRIC INSURANCE POLICY UPDATE [Informational Item]**

Chair Cummings introduced Todd Scharff, asking him for an update on parametric insurance. Todd noted that the current policy was renewed once again, but that there is a gap between \$20 and the \$50 million deductible. Willis informed the Oregon contingent while in London last winter that an alternative product such as parametric insurance may be an answer to fill that gap. Willis representatives, selected ODF employees, and DAS Risk Management have been working on potential metrics for this type of policy for several months. Initially the US Drought Monitor Index was proposed and analyzed, but its correlation to problematic expensive fire seasons was poor. One of the carriers suggested that we look at acres burned, which proved to be a good decision. There is 26 years of data available for acres burned, allowing carriers to do statistical analyses in order to develop a bid for coverage. Although the product is new to Oregon, Todd reported that it is not a new product in the marketplace. Agriculture has used these products

across the world for many years, providing financial protection for possible crop losses due to adverse weather conditions. Hawaii and Florida are using policies of this nature to help with unplanned costs associated with hurricanes.

The product is designed to provide coverage for enough acres burned to put us into the \$20 to \$50 million gap, but shut-off once the full \$30 million gap is filled. Once the threshold is crossed, the pay-out would be \$500/acre burned on the eastside and \$1,000/acre burned on the westside. At least six insurance carriers expressed interest in this type of policy; four non-binding quotes were received. Each of these quotes were for one-year policies; the prices were more than we had hoped, but they provide a starting point. Todd reported that we do not yet have pricing on a promising alternative five-year policy concept. It is intriguing because of built-in policy premium rebates which could limit the State's overall cost exposure. There are statutory issues on how to pay for a policy with a five-year commitment, but we are looking at alternative approaches to meet that challenge. The five-year program results in a smoothing of costs and pay-outs. Premium payments could be as much as \$10 million per year, but at the end of the five-year period, Oregon could be eligible for up to a 90% rebate of premium if there are no claims – resulting in a potential net cost of only \$5 million over five years. That would be very affordable -- \$1 million per year for up to \$30 million of coverage annually.

The concept has been presented to Legislative Fiscal Office (LFO), DAS Budget and Management (CFO), and Legislative leadership. The hope was to initiate the conversation and build consensus whether this may be a product that the State is interested in. The concept will be worked through carefully, the issues addressed and clarified, with the goal of having something ready for review by all parties this fall.

Doug Grafe asked if Todd could share the initial report with the committee. Doug reported that it had been hoped the concept would have been available earlier this spring. With the limited time left available, it's clear that the concept first needs to be studied closely with LFO and CFO, and then return in the fall to the Legislature with a recommendation on how to proceed with a potential parametric policy. There simply wasn't time to do due diligence this spring/early summer. Doug also clarified that parties were briefed that this would be a General Fund product and would protect the General Fund obligation in the gap between \$20 and \$50 million.

Chair Cummings asked if FEMA's contribution was clarified in setting the price. Todd said that net costs were used, which vary in cost/acre depending on whether or not FEMA was invoked on a fire. This is one of the things that needs work as well as other potential costs that are not currently being considered for reimbursement from policy pay-outs. Chair Cummings stated that the parametric policy provides an ideal mechanism to help buffer the state's costs in the gap. He also noted that the EFCC no longer has 'skin in the game' regarding the parametric policy, and would not be heavily engaged in the upcoming work. Chair Cummings concluded by saying that the heavy lifting will be done by the agency working with the Legislature and Governor's office going forward. He pointed out that Tim Keith and Colleen Conlee would not be as heavily involved in the future. Doug committed to keep the EFCC informed as the process moves forward, but that the work would heavily involve LFO and CFO. Mike Haaske asked if the parametric was a replacement for the Lloyd's policy. Chair Cummings answered no, it is an entirely separate product that insures a different portion of Oregon's firefighting suppression costs. Tim Keith pointed out that Jeff Friesen and Todd Scharff conceived the idea of using a parametric policy to fill the \$20 to \$50 million gap. Bob Young asked about the data that went into the proposals. Jeff stated that a detailed 30 page report had much of that statistical analysis. Tim said that Dustin Gustaveson and Boone Zimmerlee would soon be publishing a brief report that explains their statistical analysis that resulted in the acreage thresholds that are being used. He stated that the EFCC funded their travel costs while working on the project.

Jeff Friesen told the audience that the Canopus underwriters will be coming to Oregon during the week of October 6. He recommended that they be given a tour of Oregon's firefighting system. Tim Keith said that we would do something similar to what was done last time when the Willis of London representative visited.

## **ITEM 8: PROTECTION DIVISION REPORT:**

### **a. FIRE PROGRAM REVIEW UPDATE *[Informational Item]***

Doug Grafe reported that the public policy development associated with the Fire Program Review over the last six months, while not easy, has been worth it. It culminated in the final Fire Program Review committee meeting yesterday, where they approved the recommendations of the three work groups. It was definitely a 'rodeo' at times, but productive. He thanked those in the room that participated for the energy and commitment they gave to the Review.

He stated that the Review included Legislators, landowners, EFCC members, forest protective associations, federal agencies and other interested stakeholders. He summarized the large fire funding working group recommendations:

- Creation of a Trust Fund: There are four components: 1) a Legislative ballot referral to the electorate to amend the Oregon Constitution and create the Trust Fund; 2) dedication of 2% of Oregon Lottery proceeds to the Trust Fund; 3) Trust Funds would be dedicated to the General Fund portion of large wildfire suppression costs, including the \$20 to \$50 million gap; and 4) funds would be available to reduce wildland fire risk once fund balance thresholds were met. The Trust Fund concept is the big recommendation and meets the expectations of Legislative leadership when the Review was organized. The large fire funding work group will be extended with interested parties to completely flesh out the concept and ready it for referral to the Oregon Legislature, hopefully with support from the Governor's office.
- Catastrophic insurance: maintain the current policy and continue to explore the parametric policy that was earlier discussed.
- BLM Study: the next agenda topic (Item 9)

Doug stated that when the recommendations from the Review are finalized – they need adjustment after yesterday's committee meeting – he will ensure that the committee receives a copy.

The sustainable organization work group's key recommendation is to increase fire severity funding by \$1.5 million/year, investing \$500,000 increments into SEAT's, expansion of the helitack program, and call-when-needed ground resources respectively. Steve Cafferata asked Doug if he sees this proposal as a big help. Doug responded yes – that there has been shortage of funds to do all the things that they would like to do in severe fire weather situations. There is recognition of the law of diminishing returns, and that this needs to be studied before making additional severity investments. The recommendation is that this additional \$1.5 million be funded entirely from the General Fund.

The wildland fire policy work group was the third group. They had two key recommendations: 1) study further landscape resiliency – the transfer of risk from one landowner group to another; and 2) study the actual cost of firefighting in the wildland urban interface, and determine the role of the Department in fighting fire there.

Doug reported that these recommendations may take a good deal of time to implement. They will be incorporated into the agency's plan-of-work. Steve stated that he was surprised that Legislators didn't think rural residents weren't paying their fair share of firefighting costs. He hopes that this misconception is corrected. Mike Haaske stated that his impression of the discussion was that Legislators aren't sure what the true costs of fighting wildfire in the interface are, and that this question needs further study.

**b. PROTECTION DIVISION CHIEF COMMENTS/UPDATE [Information Item]**

Doug Grafe had no additional comments or reports for the committee.

**ITEM 9: PROPOSED WESTERN OREGON BLM STUDY [Decision Item]**

Chair Cummings referred to recommendation #3 of the large fire funding work group which reads as follows:

*Recommend ODF, EFCC and the BLM initiate a study examining the equity of BLM contributions to large fire funding compared to large fire costs expended on BLM lands, and present alternatives for reconciling any identified issues to agency leaders.*

- *EFCC and ODF will initiate this work on June 7, 2016 by developing a draft charter to define the scope and intent of the study*
- *EFCC and ODF are to include BLM leadership early and throughout the process*
- *EFCC will provide study results and alternatives to the State Forester and the Board of Forestry by June 1, 2017*
- *The Department will utilize the results to inform the 2018 BLM Protection Contract process.*

He stated that the Study's clock began ticking today. The first task is to draft a charter. Chair Cummings asked Mike Haaske if he would be the BLM contact. Mike responded that he would not be, but that he would follow-up with a name. Chair Cummings said that Tim Keith will be point for the committee, helping facilitate the process and get it initiated during the upcoming fire season so that momentum is not lost before September/October. Doug Grafe noted that this recommendation is a priority – the work needs to be completed in order to help inform the 2018 BLM contract. Mike Haaske proposed that the wildfire risk study could help inform this study. He encouraged the committee be kept informed of this risk study.

Chair Cummings asked for a decision to move forward on the joint study. Pete Sikora moved that the full recommendation of the large fire funding work group (see above) be pursued by the committee, and Tim Keith be tasked to draft the proposed charter. The motion passed unanimously.

**ITEM 10: ADMINISTRATOR REPORT [*Informational Item*]**

Tim Keith stated that he did not have anything to report, but that Toni Chambers has updated FEMA information to share. Toni provided a hand-out, which on the front page had a high-level summary showing by fire estimated FEMA eligible costs and reimbursement, what has been received to date, and what is outstanding. The back page includes pre-positioning eligible costs, and administrative costs to prepare the claims (which are also eligible for reimbursement). She is preparing these reports on a quarterly basis. Chair Cummings asked about the two charges on Pacifica. She said that it was the original reimbursement, plus a new bill from California for aircraft that will be added to the initial claim. Doug Grafe noted that the agency was in new territory, having received a partial payment from FEMA – a 75% cash advance. Pete Sikora asked about the 2013 and 2014 outstanding fire costs – what is the status of those claims? Toni reported that some of the issues were understanding the expectations FEMA has of the claims we submit. The remaining issues are federal costs that have not yet been billed to DFPA or ODF. Steve Cafferata asked if FEMA fires prior to 2013 were still open. Toni reported that no, all of the FEMA-eligible fires prior to 2013 have been completed.

**ITEM 11: PUBLIC COMMENT/ GOOD OF THE ORDER**

There being no further business before the committee, Chair Cummings adjourned the meeting at 11:54 a.m. The next regular meeting of the committee will be held at 10:00 a.m. on Tuesday, September 6, 2016 in the Santiam Room of the State Forester's Headquarters in Salem.