

DF Distribution

EMERGENCY FIRE COST COMMITTEE March 5, 2019

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
Jake Gibbs
Chris Johnson (via telephone)

Others Present:

Nancy Hirsch, EFCC Administrator
Tina Meyers, EFCC Finance Coordinator
Peter Daugherty, State Forester
Travis Medema, Interim Deputy State Forester
Doug Grafe, Chief, Fire Protection
Ron Graham, Deputy Chief, Fire Protection
Chrystal Bader, Executive Support, ODF
Mike Shaw, Acting EOA Director
Dave Lorenz, SOA Director
Dave Larson, SWO District Forester
Jeff Bonebrake, Fire Investigator, ODF
Nick Yonker, Smoke Management Program Manager
Jeff Friesen, Willis Towers Watson
Marie Hansen-Wargnier, DAS Risk Management
Ali Webb, Chief Financial Officer, DAS
Bill Herber, Deputy Director for Administration, ODF
Neal Laugle, Aviation Unit Manager, ODF
Sarah Lathrop, Aviation Coordinator, ODF
Dan McCarron, Chief Pilot, ODF
Adam Meyer, Policy Analyst, Fire Protection
James Short, Finance Director, ODF
Pete Parsons, Meteorologist, ODF
Christina Clemons, Field Coordinator, Smoke Management, ODF
Kyle Williams, Director of Forest Protection, OFIC
Randy Hereford, Starker Forests
Jim Carnegie, Retired

ITEM 1: CALL TO ORDER

Chair Cummings called the meeting to order at 10:00 a.m. Introductions were made around the table and the room.

Chair Cummings adjusted the agenda to allow State Forester Peter Daugherty to provide comments prior to departing for another meeting. He thanked the committee for their work and support of the fire protection program.

Peter provided a Legislative Update to the committee noting the following key highlights:

- Ways and Means - Subcommittee on Natural Resources
 - Hearing last week on Fire Protection Program
 - Continued interest at the Capitol around the Oregon Department of Forestry's (ODF) fire protection system.
 - The Subcommittee, especially Co-Chair Reardon, had many questions for the agency around funding and structure of the program, which Peter noted the agency will be following up on.
 - Overall, the hearing went well and there was good support of the agency through public testimony.
- Governor's Wildfire Council update
 - Working closely with the Governor's office (Jason Miner and Heidi Moawad)
 - Matt Donegan is serving as Chair of the council with a wide variety of other members including MODA Health, Pacific Power, representing different interests in wildfire including before fire (mitigation), during fire (suppression), and after fire (community recovery for impacted communities).
 - First meeting of the Wildfire Council is scheduled for March 18th at the World Forestry Center in Portland from 9:00 am to 3:00 pm. This meeting will be an orientation to the Council of issues we currently face.
 - Ken Cummings will be serving as Chair of the Funding subcommittee.

- Chair Donegan recognizes the 2016 Secretary of State Performance Audit as well as the ODF Agency Initiative which could shed light on how to move the agency forward.
- Chair Cummings asked who the Co-Chairs of the Full Ways & Means Committee were to which Peter replied Senator Betsy Johnson and Senator Steiner-Hayward. He added the Co-Chairs of the Natural Resources Subcommittee on Ways and Means, Representative Reardon and Senator Kathleen Taylor, who is also on the Wildfire Response Committee and was a member of the Fire Program Review Committee.

Peter closed by noting that he will be meeting with the Co-Chair of the Joint Committee on Ways and Means, Senator Betsy Johnson, this evening to discuss fire insurance and other decisions from the outcome of the EFCC meeting today.

ITEM 2: APPROVAL OF THE MINUTES OF THE JANUARY 8, 2019 COMMITTEE MEETING [Decision Item]

Nancy Hirsch reviewed the minutes, noting Chair Cummings' review and edits. A few minor changes were made, nothing substantive. No comments made by the committee members or attendees. A motion for approval was made by Steve Cafferata and seconded by Jake Gibbs. All in favor and none opposed. The minutes of the January 8, 2019 Emergency Fire Cost Committee meeting were unanimously approved.

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

Chair Cummings noted the new team and asked for patience. Tina Meyers provided the update on the financial status of the OFLPP noting estimated revenue, the January Harvest Tax turnover was about \$58,000 less than what was estimated for harvest tax. Interest earned for December was \$23,000 and for January was \$23,300 which is \$28,000 over the estimates on the last report of the financial status of the OFLPP.

Fund transfers were \$120,385 to cover FY18 payroll and operating expenses, and \$3,836 for the BLM Protection Study update for payroll and operating expenses. The estimated FY19 payroll and operating expenses changed from \$105,000 to \$110,000. The 2019 insurance policy year premium payment also transferred out for \$410,164 and the estimated insurance premium payment for the 2020 policy year is \$559,956 to maintain FY19 estimated expenditures at \$13.5 million.

Fire Season 2018 Severity costs are estimated at \$2,830,044 and there was a \$3,000,000 transfer previously made so it is showing a revenue back to the fund of \$169,956.

Under Fire Season claims, for 2012 fire season, there was \$558,769 transferred out to finalize a FY13 claim and for FY17, the claim information reflect a cost recovery of about \$80,000 and \$5.8M was transferred previously. The FY17 OFLPP obligation was \$5,000,000 of \$10,000,000 spent (shared equally with the General Fund) and then the \$249,000 over the \$10,000,000 (exposure up to \$15,000,000 to the OFLPP then GF). The total net claim for FY17 shows an estimated transfer back to the fund in the amount of \$550,061.

Audits of Southwest Oregon District FEMA eligible fires were held in February (Garner Complex, Ramsey Canyon & Hugo Road).

Chair Cummings asked about the status of the audit completions from prior years to which Nancy replied that she will provide a status of the audit reports in June.

Below is a summary of the financial status report of the OFLPP.

<u>Balance as of 07/01/2018</u>	\$ 9,472,790
<u>Estimated revenue (including Balance)</u>	\$ 31,146,230
<u>Less estimated expenditures</u>	\$ (13,864,137)
Projected Fund Ending Balance for 06/30/19	\$ 17,282,092

ITEM 4: WEATHER UPDATE *[Information Item]*

Nick Yonker provided the weather update:

https://www.oregon.gov/ODF/Board/Documents/EFCC/4_Agenda%20Item_Weather%20EFCC%20Mar%202019.pdf

In summary, a weak El Nino pattern will continue with little change as well as a good amount of snowpack. However, the drought also continues with the potential for a warmer and drier spring into summer. In closing, Nick expects a normal to above-normal 2019 fire season.

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

Jeff Bonebrake provided the status update on large fire cost collections to date pointing out highlights from the handout.

- Claims greater than \$5,000
 - 2500 Road Fire – billing has gone out and Jeff anticipates a positive resolution in a fairly timely manner.
- Claims less than \$5,000
 - Additional 20 claims
 - Additional \$16,000+ billed
 - Received a fair amount of money from the smaller cases
- Claims greater than \$5,000
 - Big Valley was settled at \$80,000
 - Lost Valley (COD) was paid in full
- New fire investigation
 - 2500 Road Fire
 - Bill Creek – first demands
 - Lampa Lane – first demands – no real feel yet
- Significant investigations in progress
 - Watson Creek
 - Small amount of collection for ODF (USFS has \$20 million)
 - Joint investigation with USFS moving along well. Jeff noted that ODF has more authorities on civil recoveries than USFS but can't anticipate potential collection as assets are not close to total claims.
 - Fall Creek
 - Finalizing now and anticipate collection in the \$300,000 range.
 - Lobster Creek is an active investigation
 - Potential negotiations to occur in the near future with insurance companies, however, the insurance settlement will not cover the full demand.
 - Memaloose
 - Finalizing currently.
 - South Valley
 - Few more forensics to be confirmed
 - Likely won't see collection of cost as the cause may result as undetermined.
 - West Cliff
 - May result in no-cause
 - Ramsey Canyon
 - Pacific Corps has accepted liability and currently in process of providing costs and back-up documentation
 - One complicating factor to consider is that under the new BLM Agreement, ODF cannot collect costs for BLM; Jeff has reached out to BLM's legal counsel to see if a workaround is available.
 - Grizzly & Cleveland Ridge
 - Demand to go out soon but not expecting much due to limited assets.
 - Niagra
 - Depositions and follow-up on liability.
 - Stouts & Moccasin
 - Costs will be certified and demands will go out soon.

Chair Cummings asked whether or not ODF could figure out where the breaks in the costs are and BLM could figure out the rest themselves. Jeff responded that the liable party wants a global settlement and there could be some trespass charges. Cost documents are being shared right now and on a positive note, this has brought up discussions around fire prevention with responsible party.

Ron noted there has been a lot of discussion on cost recoveries process during recent ODF/BLM negotiations.

Nancy thanked Jeff for his work and appreciates the updated information and keeping Nancy in the loop to increase her understanding of the process.

ITEM 6: 2019 INSURANCE POLICY [Decision Item]

Jeff Friesen reported on the 2019 insurance policy with Lloyd's of London noting the successful series of meetings with Lloyd's markets. The outcome of these meetings reinforces the value of face-to-face meetings given the expense of travel and folks time. Lloyd's came back to the table with a 5% increase in an environment where the average is 10-25%. The number before taxes and fees is approximately \$3.65 million. Quotes from three different markets (one Lloyd's, one Bermuda, and domestic) have all quoted and are officially over-subscribed so now need to go in and reduce capacity with some of those markets.

Doug Grafe commented on the interesting variety of both new and old investors in the market, the current underwriter, Conopios stayed steady. The team was Jeff, Marie, Jake and Doug. He thanked the group for their time and commitment in traveling to London.

Jake Gibbs offered that in a world where face to face seems less critical, Lloyd's of London puts value in relationships. Jake also appreciates this body's efforts in not looking at the insurance policy as a bank account and the work of this group is reflected in the rate received.

Steve Cafferata asked about the understanding of that group on the change in the contract with BLM.

Jake replied that he didn't feel it resonated as deeply as there was more discussion on the fires in California. He noted that the Oregon delegation continued to highlight that ODF is not California and described how Oregon spends money to prevent loss, however, it was unclear how deeply that resonated with London. The group also demonstrated that ODF looks at risk management on both sides, financial and prevention.

Jeff noted in conversations with his counterpart in London, the \$50,000,000 is the right place to be. The group continued to show how Oregon continues to be a good risk for the company.

A motion was made by Jake Gibbs to recommend pursuance of the 2020 year insurance policy purchase to the State Forester as laid out. The motion was seconded by Steve Cafferata. All were in favor, none opposed. The motion was unanimously approved. Chair Cummings noted he will follow up with an official letter to the State Forester.

Travis Medema mentioned that it would be helpful, if possible, to have an official letter from the committee on the recommendation to purchase the 2020 catastrophic wildfire insurance policy to take to a meeting with the Co-chairs of Ways & Means later this evening.

Nancy stated a draft letter was prepared for Chair Cumming's review/signature and will ensure Travis has the letter later today for the mentioned meeting.

ITEM 7: DETERMINE UNENCUMBERED BALANCE OF OREGON FOREST LAND PROTECTION FUND AS OF FEBRUARY 16, 2018 [Decision Item]

Chair Cummings opened this topic by reminding the committee members that EFCC is to annually certify the unencumbered fund balance as it determines what levels of revenues are actually collected; collections are reduced to 50% at \$22.5 million and are shut off at \$30 million.

Nancy reported that on February 16, 2019, the cash balance of the OFLPF was \$13,133,904.53. This reflects the estimated revenues that she and Tina are aware of, consistent with what Tina noted in her report today, of \$169,965 for estimated severity overpayment. Nancy added something that wasn't as transparent was the correction of the reversal of a transfer related to FY13 on a closed claim. This was a double transfer so money was returned to the fund. Lastly, the balance also reflects the Harvest Tax revenues that Tina also mentioned in her report today. This brings an increase of revenue to the OFLPF of about \$2.4 million. Payroll & operating expenses, an estimated cost of \$13,871. For FY2013 (2012 fire season) the **(\$338,513)** is the remaining portion that needed to be paid to close out that claim. Lastly, FY17, Tina walked through overpayment whereby the fund will see another \$550,061 returning to the fund. The certified balance of the Oregon Forest Land Protection Fund is \$15,774,435.54.

Steve Cafferata asked Nancy about the potential of someone inquiring as to why the fund has changed \$1.6M in the last two weeks, what would the answer be? Nancy replied that her response would explain the double transfer on a closed claim to EFCC.

A motion to certify the estimated unencumbered balance of the OFLPF as of February 16, 2019 in the amount of \$15,774,435 was made by Steve Cafferata and seconded by Jake Gibbs. All were in favor and none opposed.

ITEM 8: FIRE PROTECTION DIVISION REPORT *[Information and possible Decision Item]*

- **Strategic Investments *[Information Item]***

Nancy opened this topic by noting the strategic investment project expenditures to date (see handout) and reminded the committee that there was a request for a status update at this meeting. Nancy provided a brief history noting the past approval for these along with the understanding that any remaining balance would go back to the Co-op fund for future EFCC consideration whereby a project came in under cost or has been withdrawn.

The expenditures to date reflects either actuals or invoices expected from districts. The status of those strategic investment projects are as follows:

- three (3) of the approved projects have been 100% completed;
- two (2) have been withdrawn; and
- the remaining have had some progress to date but are still in process

Nancy noted the remaining balance in the Co-op fund for strategic (unencumbered) investments to be approximately \$692,344.

Chair Cummings commented that initially the EFCC had allocated \$1.5M for strategic investments. If there are extra funds in the future, the committee can add these projects if needed but it remains a top priority to maintain the capacity of the OFLPF unless something comes up that really makes sense.

Travis Medema and Doug Grafe co-presented a proposal for a new strategic investment project for infrared detection & mapping known as DRTI (Distributed Real Time Infrared) to improve the complete and coordinated fire protection system.

Travis opened the presentation reminding the committee that at the last EFCC meeting, there was a discussion around strategic investments and an ask to the committee at that time if a proposal could be brought forward for consideration. This proposal pertains to finding fires and keeping them small at initial attack. This lowers the risk of wildfires when done effectively in cooperation with landowners, state and federal partners, and others. Some of the benefits of real-time infrared technology are expressed in the following examples:

- Initial attack in real time
 - EOA was able to find 15 fires last fire season (2018), fires that started on terrain that made it difficult to get to and there was no air support due to heavy smoke in the air. No engines could get to the fires because there were no access roads.
 - DRTI can detect when air reconnaissance cannot.
- Large fire benefits include:
 - Increased firefighter safety in the ability of real-time detection of spot fires. For example, two spot fires were discovered on the Garner Complex using this technology.
 - Situational awareness which helps align knowledge on location of fires to better determine which resources are needed.
 - Ability to see the fire footprint in order to be efficient in making tactical decisions;
 - Better management of large fires by reducing footprint of landowner loss and state costs
 - Ability to fly DRTI on large fires if ODF is not prioritized in the national system.

Doug Grafe then explained the infrared platforms, aircraft and UAVs (unmanned aerial vehicles) used by ODF from 2015 through 2018. He referenced a proposal previously presented to the committee which contained details of this platform;

- This type of Infrared technology has been used by ODF (through fixed wing aircraft and UAV) with approximately \$1.5M spent to date. The agency pioneered this technology on the front end and worked through integration of technologies and is comfortable using these resources as needed.
- Total investment cost of this proposal is \$750,000 and has a target date for completion during the 2019 fire season.

Travis presented on the phases of implementation of the proposal if approved. He thanked the ODF aviation team; Sarah Lathrop, Neal Laugle, and Dan McCarron, and then went on to describe the timeline;

- Draft project charter has been accepted and signed with a detailed project plan to follow and the group is very comfortable with this project plan.
- Touch points have already been made with key players (vendors, ODF GIS, and other contractors).
- Because there is only one company in Oregon that makes this technology, ODF has a sole-source contract which means implementation can begin quickly once approved.
- Still need to bid out installation of the DRTI but goal is to have this completed by July 1 through 31, 2019
- The project team, consisting of Sarah, Neal and Dan, will meet weekly to discuss the status as well as risk management with a close date of July 1st, but have built in a 30-day window so it is operationally in place for the upcoming fire season.
- The known risks of the project include:
 - an aggressive timeline,
 - various procurement processes, and
 - dependency on contractors to get the work done.

Doug added that outreach to the Fire Protective Associations has already been made and most districts/areas have provided comments of support for the proposal.

Steve Cafferata asked about the potential to loan out the vehicle for revenue - if the ability was there and could be used, where would it go? Neal Laugle replied that neither an individual nor private/public agency can profit from government-owned aircraft (FAA rule). There can be a flight rate to cover cost for other agency use, however.

Steve then asked how it would be different if access to this technology was made available. Dave Larson responded that it would be very helpful, especially in his district (SWO).

Chris Johnson cautioned the committee on employing additional aircraft for the state of Oregon through General Fund dollars and advised it should be paid for with Other Funds.

- **2019 Severity Plan [Information Item]**

Neal Laugle provided an update on the plan for the 2019 fire season with regard to Severity funds (handout of map provided) noting changes in aircraft going into 2019. These changes includes two (2) contracts out of John Day (one helicopter retired and the Fossil Unit let one vendor go). The hope is to have this position filled by the end of March or first week of April.

Also, as of August 2, 2019, ODF celebrates 100 years of aviation. The Aviation Unit is looking to host some events and recognize vendors.

- **BLM Contract Update [Information Item]**

Ron Graham provided a brief summary of the current BLM contract status noting the continuation of a weekly status meeting with core districts/field. The last meeting was on February 21 where revisions were made to the current operating plan. To date, the group has reviewed and made minor revisions to 90% of the current contract, however some pieces remain which need to be reviewed: finance, coordination of fire investigations and recoveries, and safety (accident investigations). The next meetings are currently scheduled for March 7 and 14. Ron is hopeful for a wrap-up and to have a draft plan submitted to the agency by the end of March, which will leave enough time for field communication/implementation/discussion. Key takeaways:

- Yet to be determined whether the contract will be a one (1) year or a five (5) year contract.
- Continued challenges with finances and bridging the gap between an adequate funding level and services provided.
- Stakeholder engagement remains strong and supportive and there continues to be weekly calls with OFIC. Per Kyle Williams, there is good support among the landowners.
- Travis noted that he and Peter are meeting with the new BLM Director today as a decision needs to be made on the duration of the new agreement (one year or 5 years). This meeting is to seek clarity of BLM's term "off-ramp" as well as discussion of BLM's proposal to remove some lands (in Klamath-Lake District) from the agreement. Travis added that it should be a good discussion.

- **2019 Legislative Session and Wildfire Council update [Information Item]**

See State Forester comments above.

Chair Cummings closed this discussion (Specific to the strategic investment topic) commenting on the money piece of the proposal, which is minor. He informed the committee that conversations will occur as quickly as possible to schedule this item for decision. The next step is to work with Nancy to distribute the scoring criteria consistent with the process, which will be done independently of one another. The committee's decision making will be scheduled with a conference call, open to the public, hopefully to occur in by April.

Chair Cummings noted that he cannot see any issues with the proposal put forward and it all makes sense but the committee needs to affirm that it meets the criteria to be fair.

Doug Grafe reminded the committee of the federal component for the funding of the proposal.

ITEM 9: EFCC ADMINISTRATOR REPORT *[Information Item]*

Nancy Hirsch provided the EFCC Administrator report noting:
A proposal for reviewing the directive on *Guidelines for Eligibility of Firefighting Costs for the Oregon Forestland Protection Land* would likely be brought back to the committee in June.

Nancy and Tina have begun audits, however, almost all are scheduled for April and May. Contact remains with Tim Keith and Diana Jarman as they are still in transition.

Work continues to work through the 2015 insurance policy year close-out and the hope is to get back to it within the next couple of weeks.

Nancy then updated the committee on both her and Tina's recent joining and participation in the Protection Finance Collaborative meetings to review, evaluate, and affirm EFCC processes as well as to look for business improvement process opportunities.

ITEM 10: PUBLIC COMMENT / GOOD OF THE ORDER

There being no further business before the committee, Chair Cummings adjourned the meeting at 12:14 p.m. The next regular meeting of the committee will be held at 10:00 a.m. on Tuesday, June 4, 2019 in the Santiam Room of the State Forester's Headquarters in Salem.

Minutes drafted by: Chrystal Bader
Minutes reviewed by: Nancy Hirsch