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
Ron Graham, Deputy Chief, Fire Protection Program
Nancy Hirsch, Deputy State Forester
Travis Medema, Area Director, Eastern Oregon Area
Nick Yonker, Meteorology Manager, Fire Protection Program
Neal Laugle, Acting Operations Manager, Fire Protection Program
Dan McCarron, Chief Pilot & Acting Aviation Manager, Fire Protection Program
Mark Hubbard, Finance Director, Administrative Services
Matt Thomas, Unit Forester, West Oregon District
Tracy Guenther, Administrative Support, Fire Protection Program
Mike Dykzeul, EFCC, Fire Protection Program
Nancy Ashlock, EFCC, Fire Protection Program
Mike Totey, Acting Division Chief, State Forest Program; West Oregon District Forester
Jeff Bonebrake, ODF Investigation and Cost Recovery Coordinator
Jacqueline Sewart, Internal Auditor, ODF
Jim Gersbach, Public Affairs, ODF
Jeff Friesen, Willis of Oregon
Todd Scharff, DAS Risk Management
Cathy Connally, Policy & Budget Analyst, Chief Financial Office, DAS
Marie Hansen-Wargnier, DAS Risk Management
Amy Patrick, Oregon Forest & Industries Council

ITEM 1: CALL TO ORDER
Chair Cummings called the meeting to order at 10:01 a.m. Introductions were made around the table.

ITEM 2: APPROVAL OF THE MINUTES OF THE January 03, 2017 COMMITTEE MEETING [Decision Item]
The minutes of the January 3, 2017 EFCC meeting were approved anticipating minor edits and changes that Steve Cafferata proposed on page four. Tim Keith stated he would make the edits and email the committee the revised minutes for their approval. [Administrator's Note: the committee unanimously approved the emailed edited minutes.]

ITEM 3: FINANCIAL STATUS OF THE OREGON FOREST LAND PROTECTION FUND [Informational Item]
Tim Keith presented the Oregon Forest Land Protection Fund (OFLPF) financial status in Colleen Conlee’s absence. He noted that Colleen Conlee was unable to be here, but she had prepared this statement with the assistance of Dianna Sandoval Jarman. Below is an updated summary of the OFLPF financial status:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance as of end of FY16</td>
<td>$23,546,081</td>
</tr>
<tr>
<td>Estimated revenue (including Balance)</td>
<td>$34,917,959</td>
</tr>
<tr>
<td>Less estimated expenditures</td>
<td>$(14,422,147)</td>
</tr>
<tr>
<td>Projected Fund Ending Balance for FY17</td>
<td>$20,495,812</td>
</tr>
</tbody>
</table>

Tim pointed out that harvest taxes have been trending lower than initially projected, but they plunged significantly this past quarter. Some large timber companies paid their taxes on the last day of the quarter and these large payments were not deposited in time to be included in the quarterly turn-over. Because of this, there should be a significant bump in revenue at the June meeting when the latest quarter is reported and these additional harvest taxes included.
Tim pointed out that the 2005 fire season cost collection entry for Deer Creek (SWO) is new to the balance sheet this fiscal year. This money had been miscoded; Colleen discovered this error late last fall and ensured that the money was properly credited to the OFLPF. Tim had not caught this correction when he built the January balance sheet.

Payroll and operating expenses for the BLM Protection Study is an estimated final cost – today is Mike Dykzeul and Nancy Ashlock’s final day working on the project for the EFCC. 2015 fire season severity cost was paid this fiscal year (in September); the 2016 severity cost has yet to be paid as it is still an estimate.

Finally, the $605,476 unpaid claim balance is the remaining estimated cost the OFLPF owes for the 2016 season, in addition to the $5.8 million already advanced to Southwest Oregon and Western Lane districts. The first $10 million of cost last season was split 50-50 between the OFLPF and the General Fund; the next $5 million is the responsibility of the OFLPF. This money reflects the remainder of the fire season suppression expenses that the OFLPF owes.

Chair Cummings asked for clarification on the amount of money spent to-date this fiscal year. Tim Keith pointed out that it would be approximately $6.4 million in suppression, $1.76 million in insurance, $2.8 million in severity, and nearly $130K in administration, for an estimated total of $11,124,703 (the number at the bottom of the page under ‘FY17 Estimated Expenditures’). Steve Cafferata asked for clarification of the beginning balance on July 1, 2016. Tim stated that the $8.5 million plus the $15 million loaned to ODF comprised the beginning balance. He went on to point out that there were still encumbrances against that $23.5 million, consequently the net fund balance July 1st was well under the $22.5 million balance threshold at which point revenues would be reduced by 50%.

ITEM 4: WEATHER UPDATE

Nick Yonker presented a PowerPoint presentation summarizing recent weather and the projections for the 2017 fire season. He reported that weather models are split between El Niño and neutral conditions this summer. This past winter’s weather didn’t follow past models well; consequently he will also include some of Pete Parsons’ work with statistical models that compare similar statistical analog years to this past winter. The dynamic (computer) models predict a lot of warming leading to the potential of going back into El Niño. Statistical models keep predicted conditions closer to neutral. He asked that the audience keep this dichotomy in mind as he works through the slides.

Snowpack is 120-150 percent of normal and not likely to melt early based on statistical model predictions for a wet spring and temperatures near normal. Drought is essentially gone – the whole state is out of drought. Summer predictions are for temperatures to be above normal and precipitation below normal. This may indicate a trend to less monsoonal moisture and reduced thunderstorms this summer. The statistical model however indicates below normal temperatures and above normal precipitation for the season.

The bottom line is that models – computer and analog (statistical) – are split. With these factors in mind, Nick said that he leans towards a below average fire season.

Nancy Hirsch asked what those statistical analog fire seasons were. Pete Parsons, who had joined the meeting during Nick’s presentation, said that they were 1984, 1993 and 1999. Nick noted that those were cooler, quieter fire seasons. Tim Keith pointed out that there were no incident management team deployments in 1984 and 1993, and only a late deployment in 1999.

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 the Lost Hubcap fire was settled – an additional $60,000 payment was negotiated, in addition to the initial full policy limits’ $1,000,000 that was settled and paid earlier. He credited Tim Smith, Department of Justice, for his work in reaching both settlements. Tim Keith added that both Willis’ claims adjuster as well as David Logan, policy adjuster for Lloyds of London, felt that the state had virtually no chance of recovering additional monies beyond the initial $1 million policy. Although ODF was not able to collect what was initially hoped, the $60,000 that was recovered will cover all of the fire’s investigation and legal costs. He said this is a credit to the investigation and Tim Smith’s excellent work.

Jeff reported on new activity on the following fires greater than $5,000: Stratton Creek, Ferguson Disp. #319, Nugget Butte and Bologna Canyon.

Jeff stated that they have a total of 154 claims with less than $5,000 in suppression cost each. This includes three additional claims since the previous EFCC meeting, for a total amount billed of $200,239.53. The three new fires resulted in additional billing of $13,176.14.
He reported that four fires greater than $5,000 have been closed and paid in full since the January 3rd EFCC meeting: Service Creek, Horse Mountain, Fall Creek and Swamp Creek in the amount of $133,079.50. Mt. Tom fire was closed at 75% of cost: $13,105.44. This category does not yet include the Lost Hubcap fire, as the additional settlement funds have not yet been received.

There are three new fire cost collection claims greater than $5,000 since January 3, 2017: Dad’s Creek, Thompson Creek, and I-5 163 NB. First billing has gone out on these fires totaling $24,642.68.

Pete Sikora asked for an update on the Two Bulls fire. Jeff reported that they deposed another party – that party took the fifth rather than answer the questions asked. A decision will need to be made as to how much further the investigation can go given the lack of new information.

**ITEM 6: INSURANCE POLICY FOR 2017 FIRE SEASON**

Jeff Friesen reported that the proposed policy was taken out to market with two objectives: seek a reduced premium on the existing policy terms of a $50 million attachment point [deductible], and determine what the premium would be if the attachment were reduced to $40 million. They were successful on the first objective – receiving a 4% reduction in premium. The second objective resulted in a bid increase of $600,000 which was very expensive in his opinion. Jeff believes that the markets aren’t ready yet to reduce the attachment point [deductible], consequently they are proposing a large premium increase to do that.

The good news is that $4% is a nice reduction on the existing policy terms. Marie Hansen-Wargnier polled the policy participants and the decision was made to pursue purchasing a policy with the current terms. Jeff said that this proposed policy is actually over-subscribed which is a glowing testimony to the work that everyone has done to build underwriters' confidence in Oregon’s firefighting system. He reported that those underwriters that have stayed with the program through the recent years will be rewarded with participation in this year’s policy.

Jeff asked if the committee and the State Forester is willing to move forward and purchase a policy of $25 million with a $50 million retention [deductible]. Chair Cummings asked if Canopus was still the lead underwriter. Jeff responded that yes they were, he believes they will participate at 7.5%, the same level as last year. Chair Cummings asked that a list of policy participants be developed once the policy is secured, and that new participants, if any, be identified. Jeff said that the actual participation won’t be determined until the policy is bound, and that consolidation in London may result in new participating partners. Pete Sikora agreed that it was great to see the additional interest in participating in the policy, and that loyal underwriters should be rewarded.

The committee voted unanimously to recommend that the State Forester purchase a catastrophic fire insurance policy for the 2017-18 policy year as presented. The cost will be $3.3 million plus taxes and fees – 50% of which will be the responsibility of the EFCC and the OFLPF. [Administrator note: the total cost is $3,372,879.] Chair Cummings pointed out that the policy now starts on April 15 due to timing challenges the past three years.

**ITEM 7: DETERMINE UNENCUMBERED BALANCE OF OFLPF AS OF FEBRUARY 16, 2017**

Tim Keith handed out a one-page document identifying the balance of the OFLPF on February 16, 2017.

He stated that by statute, the committee is to certify the unencumbered balance of the fund on or before February 16th of each year. The purpose for this is to determine whether the fund balance limits will be reached by fiscal year end, necessitating a reduction in revenue that the OFLPF collects. If the OFLPF reaches a balance of $22.5 million but less than $30 million, revenue sources are reduced 50%. At a balance of $30 million or more, revenue is completely shut-off for the succeeding fiscal/calendar year until such time that the unencumbered balance falls below $22.5 million.

The balance of the fund on February 17, 2017 was $24,504,779. This is increased by FEMA pre-positioning revenue ($1,280,374) that is in a separate account. No FEMA pre-positioning revenue will be available to the OFLPF from the 2015 fire season – that revenue will be returned to the General Fund since the OFLPF was capped that fiscal year at $13.5 million. Additional costs that fiscal year were borne by the General Fund.

Encumbrances include payroll and operating costs thru February 16, 2017 – including both administration and BLM study costs. There will be additional BLM study costs after February 16 as Mike Dykzeul and Nancy Ashlock were wrapping up the study. Lost Hubcap fire cost collection revenue was deposited in the OFLPF account this past fall. This revenue will be distributed back to the General Fund once the $60,000 secondary cost collection revenue is received, and investigation and legal fees have been calculated and deducted from total receipts. $10,000,000 has already been paid each season for the 2013, 2014, and 2015 fire seasons through advances; final claims will account for the $10 million annual advances across the districts that received these funds.
Total net 2016 fire season costs are estimated at $11,405,476. The first $10 million in cost is split 50-50 between the OFLPF and the General Fund, the OFLPF is responsible for 100% of the next $5,000,000. Consequently OFLPF's share is $6,405,476 for the 2016 fire season: $5,000,000 plus $1,405,476 over and above $10,000,000. The OFLPF has already advanced $5,800,000, leaving $605,476 in cost left to be paid by the fund.

The final balance of the OFLPF as of February 16, 2017 is $20,960,344. This total reflects a February 17, 2017 balance of the fund of $24,504,779, reduced by anticipated demands upon the fund due to unpaid emergency firefighting and severity expenditures.

Nancy Hirsch suggested that projections be made of fund balances in the future once full 50-50 sharing of the first $20 million of suppression cost is reached on July 1, 2017 – the Wildfire Protection Act will be completely phased in then. This could help determine whether or not the $22.5 and $30.0 million revenue cut-off thresholds still make sense in light of the Legislative changes. Chair Cummings concurred; Tim Keith stated that this was done five years ago – this work will need to be dusted off and redone.

The committee unanimously approved the OFLPF unencumbered balance of $20,960,344 and directed Tim Keith to notify the Oregon Department of Revenue as required to continue collecting harvest taxes in 2017 at the full OFLPF rate of 62.5 cents per MBF.

**ITEM 8: FINAL BLM STUDY REPORT [Informational Item]**

Tim Keith handed out copies of the published BLM Study entitled *BLM Western Oregon Protection Study 2006-15*. He said that the report does not include the appendices, they are available on-line.

Doug Grafe stated that there is a plan to communicate the study to interested parties. Since the EFCC was a sponsor of the study, he is reporting initially to the committee. Tomorrow he will inform the Board of Forestry during lunch. BLM leadership has been provided a courtesy email and electronic copy of the final report. State Forester Peter Daugherty will brief the Governor's Office.

A key recommendation of the Fire Program Review was to conduct a study of the cost of providing emergency fire suppression to western Oregon BLM lands. He thanked the EFCC for their leadership and funding the study team: Mike Dykzeul and Nancy Whitlock. They were important added capacity for the agency. Doug also recognized the good work of the steering committee that was assembled to guide the study.

He noted that the study results will inform the BLM contract solicitation process. The current contract is valid through June of 2018. The solicitation process for the new contract will likely start next fall – the study will be used to help position the Department on the large fire suppression funding component. ODF will use the report to mitigate BLM large fire funding cost exposure to the OFLPF and the General Fund. Recognizing that the data is striking, an important objective will be to maintain one protection system throughout Oregon's checkerboard ownership. This is key to maintaining efficient and effective initial attack while minimizing costs and loss.

Doug asked Chair Cummings for any comments he might have as co-chair of the study. Chair Cummings thanked Nancy and Mike for their hard work which resulted in an objective, complete analysis. He believes that this report will be an important benchmark for the future and needed changes in the contract. The EFCC, representing landowners in Oregon, recognizes there needs to be change – a fundamental shift in how western Oregon BLM lands' fire suppression cost is funded.

Doug pointed out that there is an abstract and graphics on the first page of the study which summarize the results. The base data and graphics on pages 2-11 provide the detail. He reminded the audience that the study focused on large fire suppression cost and the funding sources that pay these costs, not on the entire fire protection system. Page 12 provides recommendations for moving forward, and the last page provides the appendices list – these are available on-line. Chair Cummings concluded by stating the importance of fully understanding the funding structure, and the intricacies and interagency relationships that are fundamental to Oregon's fire protection system before recommending significant changes. Steve Cafferata asked Doug about next steps – is it a formal presentation to the Board of Forestry? Doug responded no – it will be a brief discussion with them tomorrow. In April he will deliver a full presentation on results of the Fire Program Review, including this study which is a component of the Review's recommendations. He does expect that the study's results will result in broad interest among constituents including Legislative leadership. Nancy Hirsch added that there is significant interest among a few Board members, and she expects to spend time with them on the results of the study.

Pete Sikora expanded on the recommendation of maintaining the complete and coordinated system. Fragmenting the system will likely result in higher costs due to duplication of effort, yet not result in improvements. It is a great system – illustrated by Oregon's success in recent challenging fire seasons when compared to neighboring state's losses. It is a very successful system. Nancy endorsed Doug Grafe's thanks to the EFCC for their leadership. She
pointed out that much has been asked of the committee and staff during the Fire Program Review and the subsequent BLM study. She thanked the committee for their leadership and hands-on engagement in these important processes.

ITEM 9: PROTECTION DIVISION REPORT:

Ron Graham stated that the Division will tag-team the reports by topic:

a. Strategic Investment Update [Decision Item]
Ron handed out a summary of strategic investment proposals. He noted that they were challenged by limited capacity and the on-going Legislative session. The result are the proposals that are summarized and prioritized by area in the summary table. The detailed proposals can be sent to the committee if desired. Chair Cummings asked if any projects had a ‘time stamp’ – a limited window of opportunity. Ron responded that the 414 replacement is the only time-limited need. The AVL system development will continue in Coos District, but it has statewide value as proposed here. Lee Flederjohann asked what the priorities would be if ranked statewide. Ron responded that this had not been done yet, but that air attack/IR support would be his top priority, AVL and communications #2, and detection cameras and support #3 – these projects total approximately $2.1 million.

Chair Cummings asked why the agency would want to own aircraft. Doug Grafe pointed out that there are other program needs for aircraft including the insect survey. They are still weighing the need for replacing the 414. The Colorado aircraft provided significant value during the 2013, 2014 and 2015 fire seasons.

Doug suggested that a subcommittee of the EFCC working with the agency could help define the process and set priorities. Areas have done their work to prioritize the projects – it would help to have the committee weigh in to finalize priorities. Chair Cummings agreed the process is important this first time around. Travis Medema said there may be opportunities for the agency to refine the projects statewide, and extend the value of a concept across each area. Tim Keith agreed that working with a committee would be valuable as Doug suggests.

Steve Cafferata asked to see the individual project proposals; he is interested in seeing how a project will provide payback as well as value to the system. Ron committed to providing the project proposal details. Chair Cummings said that one EFCC member and Tim Keith will work with the agency to refine projects before the June EFCC meeting.

b. 2017 Severity Plan [Informational Item]
Neal Laugle handed out a one-page summary of severity funded resources -- comparing the 2016 budget to proposed 2017 components and their cost. He said that there is the same number of aircraft planned, but that the USFS is cancelling 21 type 1 exclusive use type 1 firefighting helicopters which will diminish capacity in Oregon and nationwide. All of the ODF aircraft contracts other than the air tanker are tied to CPI, which increased 2.6% this year. Projects in the right column – area funds, hand crew and engine/overhead move-up – bring total costs above $5 million. The latter items will be allocated depending on the ability to fly down base contract costs on fires. Chair Cummings asked if there is recourse for contractors if fuel costs spike upwards – Neal responded that they are held to the conditions of the contract. Nancy Hirsch asked if there is flexibility in when aircraft are brought on board. Neal answered that contractors are guaranteed a 75-day contract which can have staggered starting dates. Contractors are to be given a five-day notice before their 75-day contract is to begin. Travis Medema pointed out that these contracts can be renewed up to 10 years, and these 10-year contracts are staggered over several years to avoid all of the contracts coming up for bid at one time. Neal said that in quiet years, aircraft can be loaned to neighboring states to give contractors additional opportunities to fly and to save on contract costs for ODF. Steve Cafferata asked if there had been consideration for placing a helicopter in the northwest area – the highest forest values are there as well as significant harvest tax contributions to the OFLPF come from this area. Ron Graham said that a contract was considered for northwest Oregon last season but due to the quiet year and the high 75-day contract cost, the decision was made not to issue it. Neal pointed out that the Washington Department of Natural Resources helitack ship in The Dalles is available to the agency to respond to fires in northwest Oregon, as well as Prineville’s SEAT’s which can be moved up. Ron Graham pointed out that a short-term call-when-needed (CWN) ship was instead hired, which saved the severity program approximately $300,000. Doug stated he felt that the CWN-hired ship has proven to have more value for the cost in northwest OR.

c. FEMA Status [Informational Item]
Doug Grafe reported that the FEMA effort is moving forward, yet quite a bit of work remains. $75 million in claims came from the 2013, 2014, 2015 and 2016 fire seasons; $50 million of that exposure has been collected. The bottleneck has turned to the FEMA side. Of the 17 FEMA fires over these four seasons which have four claims per fire, all of the sub-grantee claims have been completed and FEMA severity pre-positioning has been completed for all but one fire. FEMA is sitting on seven of these claims, simply unable to get to them because of limited staffing capacity. Suppression claims are the majority of the costs left to be paid; 2013 and 2014 initial claims have been completed. Deadlines on the 2013 and 2014 fires required that the agency spend the majority
of time finishing those initially. Regarding 2015 and 2016 fires, Stouts Creek is nearly ready to be submitted which will bring in a substantial amount of revenue: $8 to $9 million. The final claim is an administrative claim – it isn’t filed until all of the other claims are done. In summary, there are 68 claims on the 17 fires – the agency has finished well over one-half of these. He said that overall FEMA has been a good partner despite their capacity challenges.

d. Division Update [Informational Item]
Ron Graham provided a brief division update. Their number one priority is preparing for the upcoming fire season. An abbreviated one-day incident management team training session will be held in May. The division is severely short-staffed; they are proceeding to fill seven vacancies after meeting and exceeding the Governor’s 60-day hold direction on filling positions. Ron said he hopes to be at or near 100% capacity by the start of the new fiscal year July 1st.

ITEM 10: EFCC Administrator Report [Informational Item]
Tim Keith had nothing to report at this time.

Nancy Hirsch offered comments regarding agency readiness in light of the Governor’s and co-chairs’ budgets. Peter Daugherty and the other division chiefs have been very busy visiting Ways and Means sub-committee members, and doing meet and greets with other Legislators which is important to maintaining and building relationships with the Legislature. Hopefully the agency budget will be up sometime in the next couple of months. Nancy said she appreciates everyone’s work supporting them and wanted the committee to know that ODF is completely focused on that – there is obviously a lot of uncertainty as to where the agency will land.

ITEM 11: PUBLIC COMMENT/ GOOD OF THE ORDER

There being no further business before the committee, Chair Cummings adjourned the meeting at 11:51 a.m. The next regular meeting of the committee will be held at 10:00 a.m. on Tuesday, June 06, 2017 in the Santiam Room of the State Forester’s Headquarters in Salem.