

DF Distribution

EMERGENCY FIRE COST COMMITTEE – FINAL MINUTES January 8, 2018

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

Others Present:

Nancy Hirsch, EFCC Administrator
Tina Meyers, EFCC Finance Coordinator
Peter Daugherty, State Forester
Travis Medema, Interim Deputy State Forester
Jeff Friesen, Willis Tower Watson
Nick Yonker, Meteorologist, Fire Protection
Chrystal Bader, Executive Support
Ron Graham, Deputy Chief, Fire Protection
Doug Grafe, Chief, Fire Protection
Adam Meyer, Operations and Policy Analyst, Fire Protection
Jamie Paul, Assistant to the Area Director, Eastern Oregon Area
Mike Totey, West Oregon District Forester
Matt Thomas, Unit Forester, Toledo Unit
Mike Robison, Director, CFPA
Marie Hansen-Wargnier, DAS Risk Management
Matt Stayner, LFO
Kyle Williams, OF&IC
Ali Webb, DAS CFO
James Short, Budget Director, ODF
Tim Keith, Retired
Randy Hereford, Starker Forests
Cindy Robert, Hancock Products
Rex Storm, AOL
Stacy Miller, Fire Finance Manager, Fire Protection Div.
Sharrol Pyle, Fire Finance, Fire Protection Div.
Dana Tenold, Fire Finance, Fire Protection Div.
Jacqueline Carter, Internal Auditor, ODF
Tim Holschbach, Policy & Prevention Manager, Fire Protection Div.
Cassie Marshall, Interim National Fire Plan Coordinator, ODF
Shauna Morris, Administrative Support, Fire Protection Div.
Curran Kleen-Brown, Administrative Support, Fire Protection

ITEM 1: CALL TO ORDER

Chair Cummings called the meeting to order at 10:06 a.m. Introductions were made around the table and the room. Chair Cummings noted two new faces to the committee – Nancy Hirsch, EFCC Administrator, and Tina Meyers, EFCC Finance Coordinator and thanked them for their commitment.

ITEM 2: APPROVAL OF THE MINUTES OF THE SEPTEMBER 4, 2018 COMMITTEE MEETING [*Decision Item*]

Tim Keith reviewed the minutes, noting Steve Cafferata's assistance, and no additional changes were recommended and no other comments were made. Motion was made and all approved, none opposed.

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

Tim Keith provided an update on the financial status of the OFLPF noting through end of FY noting today is Tina Meyer's first work day and the committee is excited to have her here. Tina replaces Colleen Conley who resigned effective the end of September 2018 but has been helping with the transition. This report is Colleen's last product as she has officially retired now.

At the end of this FY, the fund balance is projected to be around \$17.8M, which is up \$170k from September. This is due primarily to a jump in private and public landowner surcharges and improved lots from reclassification of districts – significant jumps, nearly \$300k. Harvest Tax revenues slowed a little, smaller than September, but are maintaining.

Expenditures this quarter included the BLM Western Oregon Protection Study update, payroll and operating expenses, and the insurance premium from last year (2018).

Severity may come in under \$5M, of which OFLPF is 60% of this amount. If this happens, severity will be less than \$3M meaning more money can be put towards the insurance premium for this year. However, not all severity bills have been paid. For instance, last year, EFC allocated and advanced \$10M to the agency (\$4.16M to CFPA for Lobster Creek and Klondike, and the remaining to SWO). This brings our net total costs for FY19 to \$40.3M and the agency's cost of \$80M.

Steve Cafferata asked if any additional interest was received. Tim replied he expects it to be higher but as of the time this report was created, no additional interest was projected through June 30, 2019. The committee will need to discuss the fund balance in March.

The projected fund balance, as of June 30, 2019 is \$17,842,732 which is up a little more than \$120,000 from the amount projected at the September 2018 EFCC meeting.

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

<i>Balance as of 07/01/2018</i>	<i>\$ 9,472,790</i>
<i>Estimated revenue (including Balance)</i>	<i>\$ 31,175,346</i>
<i>Less estimated expenditures</i>	<i>\$ (13,332,614)</i>
<i>Projected Fund Ending Balance for 06/30/19</i>	<i>\$ 17,842,732</i>

ITEM 4: WEATHER UPDATE [Information Item]

Nick Yonker provided the weather update noting a modest El Nino continuing through the summer, which is similar to what we saw in 2015.

Most areas in Oregon will see a below-normal snow pack and generally warmer through late fall and winter with likely more rain, however not all storms that come through will produce rain and/or snow.

There will likely be early snowmelt due to below-normal precipitation and above-normal temperatures, especially in NW Oregon. These above-normal temperatures will continue into spring.

The long-term drought outlook for Oregon shows mostly severe or extreme drought conditions with summer having above-normal temperatures and near or below-normal precipitation. Below-normal June rainfall is also possible.

Bottom line: warm and dry winter and spring – current forecast for fire season likely above-normal.

State Forester Daugherty provided comments before he had to depart for another meeting

ITEM 4a: STATE FORESTER UPDATES / COMMENTS [Information Item]

State Forester Peter Daugherty attended the first part of the meeting to thank the group for their service on this committee, and recognized Tim Keith and Nancy Hirsch.

Governor's Recommended Budget (GRB) update – maintains current agency staff capacity of FTE with a 5% reduction, mostly in Service and Supplies (S&S) and vacancy savings. Per Deputy Director of Operations, Bill Herber, the agency can handle these cuts. There is no funding for the \$26M Policy Option Package (POP) for the Agency Initiative in the Governor's budget however there is some eluding to an Executive Order for the Governor's Wildfire Council to review some of the issues in the agency initiative. During the December Legislative Days, some legislators asked about modeling our fire program after Cal Fire and Peter agreed to maintain the current militia concept/model. To explain, there was not 100% buy-in on the Agency Initiative from both the landowners and stakeholders.

The Governor's Wildfire Council will look at under-protected lands (wheat mainly) as well as recovery, largely outside ODF protection, and lessons learned from the Chetco Bar and Eagle Creek fires with regard to unemployment, insurance, and the economy. The Governor is looking to institutionalize a state response to impacts of wildfire on communities, which will also include smoke. ODF has had some input to help the Governor's Office shape the Wildfire Council and Peter noted this committee (EFCC) should have a key role in the Wildfire Council in terms of gaining legislative support.

The GRB also proposes two fund shifts in the base fire protection (50/50 split) for all large fire costs, not just the first \$20M, which is a concern to landowners as well as the agency. The budget also proposes a 50/50 split for forest practice administration (FPA) – ODF submitted a 60/40 split for FPA. Peter also noted that the Governor's Office will engage in discussion on large fire funding as ODF is continuously having to ask the Emergency Board for more money and it is being noticed. This also brings up the issue of self-insurance for large fire cost, stemming from the Fire Program Review. Steve Cafferata asked about unlimited liability above the insurance policy, to which Peter responded that he has not been asked about that yet. There's been discussion of the first \$20M 50/50 split and the remaining \$30M to be funded by the State which could be interpreted either way right now. This would also require a statutory change in ORS 477, specifically to the limitation cap, which ODF did not file a pre-legislative session bill for. The only pre-session legislative concept filed was Harvest Tax.

Jake Gibbs asked if the Governor's Office has added any staff capacity for these projects. Peter noted that the Governor's Office proposed additional money into the fire protection budget for funding of the Wildfire Council and ODF is discussing the possibility of hiring someone to run that council to add capacity. Jake asked what the timeline of the council is to which Peter replied that he was originally told December but nothing has happened yet due to certain circumstances. Peter also commented that the agency is doing what it can to provide additional information on qualifications needed to manage the council and are waiting to hear back on that.

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

Nancy Hirsch provided the status update on large fire cost collections to date as Jeff Bonebrake was unable to attend today's meeting. Jeff provided Nancy with a report to present the highlights of fire cost collections from the 2018 fire season.

New significant investigations report shows fire costs of \$18M, which is substantial.

- Watson (Klamath-Lake District) - joint investigation with USFS as the fire was mainly on grazing/ranch landscape. Depositions continue.
- Allen Creek – no cause; all leads exhausted; no responsible parties – recommend closure.
- Fall Creek – caused by logging operation; investigator finalizing the report.
- Lobster Creek (CFPA) – depositions with minors in California; high potential for negligence by non-profit groups.
- Memaloose (COD) – investigation report being finalized; appears human caused.
- Memaloose 2 (COD) – no responsible party – recommend closure.
- South Valley (COD) – structure investigator hired as fire started in structure, however origin cannot be determined; scheduling joint inspection of electrical components.
- Westfield (WO) – joint investigation; no cause determined but continue to follow-up.
- Ramsey – caused by power lines
- Hugo – caused by power lines; ongoing investigation.

Tim Keith commented that sometimes power line fires are not always due to negligence. Nancy said she will continue to work with Jeff in the future on these.

Chair Cummings noted the need to close the investigations on the ones that no cost recovery will be obtained.

Jake asked how the Camp fire in California being caused by a utility company affects Oregon, if it does at all. Tim reported that Michael Grant (DOJ) and Jeff Bonebrake are currently discussing the need to have a conversation with public utility groups in general as it is not only a problem for Oregon. More to come on this in the future.

ITEM 6: INSURANCE POLICY FOR 2019 FIRE SEASON [Decision Item]

Jeff Friesen provided an update on the insurance policy with Lloyd's of London for the 2019 fire season noting current preparation of submittal and presentation to Lloyd's of London (to be finalized prior to travel to London) which will include two days of meetings with current as well as new syndicates. The primary focus of the London syndicates will be on

California and what makes Oregon a better risk. Jeff said the markets are looking for increases this year, much like last year, and there will likely be a 5 – 10% increase again this year. He also mentioned that Willis will be meeting with Swiss Re to see what their position is on the Camp fire in California. He doesn't expect adverse news but it has been an interesting year.

Chair Cummings commented that since BLM doesn't have access to the OFLPF now, the fund is in a good space, however, there continues to be the need to express that Oregon is a good risk. With that, Chair Cummings provided recommendation to the State Forester to pursue the Lloyd's of London catastrophic wildfire insurance policy for the 2019 fire season. Steve Cafferata seconded the motion and all approved, none opposed.

ITEM 7: SET DISTRICT DEDUCTIBLE RATES FOR 2019-20 FISCAL YEAR [Decision Item]

Tim Keith opened this agenda item noting the annual requirement (by rule) to set deductible rates. There being no planned increases in ODF's budget, Tim recommended maintaining the current rate of \$.10 per acre of forest land and \$.05 per acre of grazing land for FY19 & FY20.

Jake Gibbs motioned, Steve Cafferata seconded – all approved, none opposed.

ITEM 8: FIRE PROTECTION DIVISION REPORT [Information Item]

a. Governor's Council on Wildfire [Information Item]

See above agenda Item 4a – State Forester Updates / Comments.

Protection Division updates:

- Two field staff filling in Fire Finance of Fire Protection – Dana Tenold and Sharrol Pyle.
- Hired two new Administrative Specialist 2's – Shauna Morris (Admin.) and Curran Kleen-Brown (SCC).
- Cassie Marshall is on rotation as the National Fire Plan Coordinator while Jenna Nelson in on leave.

b. BLM Western Oregon Protection Agreement Update [Information Item]

ODF began discussions with BLM prior to the Federal government shutdown. Ron added that there is a positive note towards continuing the partnership/relationship between ODF and BLM with the agreement. Travis Medema and State Forester Daugherty also met with the new Acting BLM State Director and State Deputy Director which was also positive. The scheduled January 2nd meeting with BLM did not occur due to the shutdown but there were sideboards on further discussion of key priorities. Ultimately, ODF is looking for a five year agreement with BLM and this will be a high priority for the agency to pick back up when the government shutdown ends. Discussions with BLM still need to happen with regard to the tentative, more aggressive timeline to ensure time for implementation.

There will be a joint After Action Review (AAR) with BLM on Thursday this week (January 10th) and ODF will continue discussions at the district level, however the basic framework is laid out through the Master Agreement therefore the changes are minor and operational but not sweeping.

With regard to billing of BLM, initial billing was sent out in early October in the amount of \$4.4M. Consensus was finally reached on the data right before the federal government shutdown with BLM agreeing to payment. There is potential that ODF could receive payment from BLM within days of the government shutdown ending.

Ongoing key principles of the BLM agreement are as follows:

- Rising costs of fire protection
- Industrial fire protection levels and public use restrictions
- Communication
- Stagnant decline of federal budgets
- Likely to be an "out" in final agreement
- BLM to receive majority of funding from preparedness side

Last week, ODF initiated a conference call with stakeholders to provide an update on the BLM agreement and will continue to do so on a weekly basis to ensure movement forward and effective communication throughout the process.

Chief Grafe noted a new line item on Tim's financial report showing BLM is paying their costs directly. Doug is concerned with transparency pertaining to ODF not listed as the fiscal agent on BLM lands protected by ODF – BLM bills USFs or Cal Fire (approximately an additional \$22M in billings that ODF is not accountable for). Doug commented that in the prior agreement, billing and payment would have gone through ODF for large fire cost reimbursement, however, large fire cost isn't the issue with BLM, it's the base funding.

Jake asked what happens if there's pushback from the federal agencies? Will ODF be notified in advance so as to potentially prevent this?

c. Closing out 2018 Fire Season Finances [Information Item]

Ron Graham provided an update on the close-out of the 2018 fire season finances noting that the December E Board letter has been submitted. The topic of this E Board letter is district deductibles. There is great support for severity/large fire costs/deductibles. The only item which was not supported was the insurance premium as General Fund already allocated to ODF. This was tied back to estimated versus actual fire costs.

Doug Grafe recommended closing out the 2013 and 2014 fire season finances before asking for more General Fund dollars which would be a recommendation from the Legislative Fiscal Office (LFO).

ODF will look to the field/districts to close out cost shares and billings. Fire Finance has done an outstanding job to help catch up. Ideally, would like to see good/solid estimates for closing out fire seasons within a three year timeframe in the future.

d. 2019 Strategic Investment Process [Information Item]

Ron Graham provided an update on the 2019 strategic investment process and that given the Protection Division's return to the one Deputy Chief model, Ron will be taking back the duties relating to strategic investments. Unfortunately, there has been no time for a thorough AAR to date, however, EFCC is tracking the financial allocation for strategic investments at \$1.5M as follows:

- 2017 – EFCC approved \$17,000 allocation to strategic investments
- 2018 – EFCC approved \$400,000 for strategic investments
- Balance of \$630,000

Given this number, the current proposed strategic investment projects are unlikely to move forward which adds \$130k back and leaves a balance of \$760k in the fund. Tim Keith noted an incorrect amount was provided on the report. The correct fund balance is \$577,480.

EFCC recommendation made to gain the support of the Associations on the proposed strategic investments for 2019 to which Ron responded this to happen prior to the March EFCC meeting.

Chair Cummings also requested a more definitive status of the current projects by the next EFCC meeting (March) so that in September, the Division can come back with two or three projects across the state that fit into the category to move forward into March 2020 or early spring 2020.

Steve Cafferata noted the critical need to involve the districts and associations and that a special meeting of the EFCC could be called if necessary.

Travis Medema also commented that a statewide strategic investment is also a possibility given alignment across all three geographical areas. Committee remained open to proposals.

Ron closed out this topic by stating that the Fire Protection Division and three Area Directors will meet soon to discuss whether or not there is a viable project to bring to EFCC for evaluation/approval. Steve Cafferata reminded the Division to include the Associations in those discussions.

Ron added that within the Protection Division, key vacancies have been filled adding capacity. There remain one or two vacancies which will be filled ahead of the 2019 fire season which will be filled as developmental opportunities for key projects to integrate field staff with Salem Protection staff.

ITEM 9: ADMINISTRATOR REPORT / UPDATE [Information Item]

Nancy Hirsch provided the EFCC Administrator report/update and noted appreciation of the appointment to this position on the committee and is looking forward to the future. Nancy personally recognized Tim Keith as a long-standing mentor for everyone.

Extraordinary fire costs update: Discussion to review criteria for extraordinary fire costs requests began at the June EFCC meeting when CFPA made request to EFCC for costs associated with the Chetco Bar fire which then led to the June 28th Special Meeting of EFCC for approval of the request (granted). The meeting ended noting the need to update the criteria for eligibility of extraordinary fire cost requests in the directive.

Jamie Paul came to EFCC administrator in December 2018 with a discussion paper / proposal for consideration with a long-term view around extraordinary fire cost, referring to the 2018 Watson fire in Klamath-Lake District (KLD). Nancy stated that she is not ready yet to commit to timing on a refresh of the directive but when it is on her work plan, she will include EOA's proposal.

Chair Cummings requested a copy of the final decision on criteria and other documentation. If another proposal request comes in, there needs to be alignment among EFCC members as it is new information. Also include a copy of CFPA's request as well as Jamie Paul's discussion paper/proposal. Chair Cummings also mentioned the importance of timing in getting the bottom line of overall cost estimates.

Nancy will email out to this group following this meeting; 1. Jamie Paul's discussion paper/proposal, 2. Final eligibility criteria, 3. Directive.

Doug Grafe commented that it would be important to have this all packaged up by the end of this year (2019) in order to have the best/most accurate estimates for the December E Board request.

Nancy closed by noting her goals for this committee in 2019 which can be narrowed to three areas of focus:

1. Relationships – building/strengthening in order to understand how to best support this committee as well as Landowners.
2. Continued learning – will review current EFCC statutes and policy framework.
3. Deeper dive where necessary (with Tina Meyers) for enhanced understanding of business processes.

ITEM 10: PUBLIC COMMENT / GOOD OF THE ORDER

There being no further business before the committee, Chair Cummings adjourned the meeting at 11:40 a.m. The next regular meeting of the committee will be held at 10:00 a.m. on Tuesday, March 5, 2019 in the Santiam Room of the State Forester's Headquarters in Salem.

Minutes drafted by: Chrystal Bader

Draft Minutes reviewed by: Nancy Hirsch and Ken Cummings

EFCC Committee review and approval at March 5, 2019 meeting