In accordance with the provisions of ORS 477.455, a meeting of the Emergency Fire Cost Committee (EFCC) was held via Zoom Video Conferencing on Thursday, August 6, 2020.

Committee Members Present (via Zoom)
Ken Cummings, Chair
Steve Cafferata
Chris Johnson
Brennan Garrelts

Others Present (via Zoom)
Nancy Hirsch, EFCC Administrator
Tina Meyers, EFCC Finance Coordinator
Lena Tucker, Deputy Director for Operations, ODF
Bill Herber, Deputy Director for Administration, ODF
Doug Grafe, Chief of Fire Protection, ODF
Blake Ellis, Fire Operations Manager, ODF
Jamie Paul, Assistant to the EOA Director, ODF
Dennis Lee, Klamath-Lake District Forester, ODF
Matt Thomas, Toledo Unit Forester, ODF
Joy Krawczyk, Public Affairs Program Director, ODF
Jeff Bonebrake, Fire Investigator, ODF
Tim Holschbach, Fire Prevention & Policy Manager, ODF
Todd Scharff, Risk Manager, DAS Risk
Marie Hansen-Wargnier, DAS Risk
Beth Kennedy, Willis Towers Watson
Lorna Hobbs, Fire Finance, ODF
Kathy Wells, Fire Finance, ODF
James Short, Deputy Director for Administration, ODF
Chyrystal Bader, Executive Support, ODF
Shauna Morris, Administrative Support, ODF
Kyle Williams, Director of Forest Protection, Oregon Forests & Industries Council (OFIC)
Cindy Robert, Hancock Forest Management
Kylie Grunow, Lobbyist
Betsy Earls, Weyerhaeuser
Jay Morey, Stewardship Forester, ODF Roseburg
Randy Hereford, Starker Forests

ITEM 1: CALL TO ORDER
Chair Cummings called the meeting to order at 1:00 p.m. on Thursday, August 6, 2020. All Committee members were present via Zoom video and there was a quorum.

ITEM 2: FY20 STRATEGIC INVESTMENT ALLOCATION UPDATE [Information Item]
Nancy provided the Fiscal Year 20 Close Summary noting the cap, and a best estimate of $150,000 on actuals for administration costs. There was an adjustment on the insurance premium from the original bill, which was been corrected and paid in the amount of $2,005,201.48. In FY20, $3M was moved for severity obligation. Large fire costs have been adjusted as a result of MP97 DFPA audit which reflects actuals and also reflects changes from the Southwest District audit. There are two outstanding audits remaining. The large fire cost estimate adjusted down to $5,334,878.65 which left total estimated expenditures of $10,490,080.13 with an unencumbered balance of $3,009,920 which resulted in, as directed at the June EFCC meeting, authorizing the move of 50% into ODF’s account to consider strategic investment proposals moving forward in the amount of $1,504,960 based on FY20 allocation.

ITEM 3: STRATEGIC INVESTMENTS PROPOSALS SUMMARY [Information Item]
Doug Grafe provided an update on the strategic investments investment update from 2017 noting not much has changed from the June EFCC meeting and ODF anticipates spending the remaining dollars on these projects. There is a high appreciation for partnership and this fire season is showing real results from completed strategic investments. Doug noted 120 fires ignited in EOA from the lightning event last night. New detection cameras funded by EFCC are in use and finding fires and immediately getting resources to them is absolutely making a difference.

Doug also provided a look at the FY20 Strategic Investment Proposals Summary. A total allocation of $1.5M was transferred. The agency worked through the protective associations this spring on new strategic investment proposals. More details will be provided in September. Detection cameras remain on the list as well as some new concepts in Type 3 organization support for initial attack.
Steve asked about the approved projects, if there is a figure for how much money has been allocated but not expended at this point? Doug responded that accounting was unable to pull the actual numbers prior to this meeting. He noted that there will be more detail to share at the September EFCC meeting.

Nancy replied that there is approximately $300,000 dollars that have not been spent. Doug and others are hearing from districts that they are anticipating fully expending the remaining dollars to complete them and have them functional.

Chair Cummings noted that not all committee members have had the opportunity to review strategic investment proposals in detail and vote on them.

**ITEM 4: ODF FINANCIAL UPDATE**

Deputy State Forester Lena Tucker provided an update on the current financial status noting a request from the Governor’s Office for agencies to complete an exercise on 8% and 12% budget reductions. There was a special legislative session in June in which SB 1602 (landowner/conservation MOU) passed. The Governor and Legislative leadership are waiting on the funding from the second CARES act before rebalancing the state budget so hearings have been postponed to the August special session. The total reduction of all funds is $5.2M from Fire Protection, $1.24M from Private Forests and the FFR program, and $1.8M from Administration. The proposed land purchase in Santiam will be returned to the General Fund. A rebalance plan directed by the legislature informed by reductions has been produced for the Governor. Legislators proposed a one-time 45/55 landowner split for the remainder of this biennium. The agency is accepting cuts as it is a Legislative decision and there has been no mention of any ad back decisions from the legislature. After the rebalance plan was released, legislative policy committees met for public testimony; ODF was not asked to testify. The Governor and Legislative leadership agreed to a special second session which starts next Monday, August 10 with a primary objective of balancing the state budget, however it is unknown if any policy changes will be heard at that time.

Doug added more detail to the Fire Protection reduction (10% of FY21 budget) noting a total reduction of $6.3M including a $1.3M reduction of the private landowner share. If these reductions occur, ODF will be able to execute them equitably across all districts in the following categories: position vacancies, equipment replacement (engines, etc.), facilities and management, statewide service and supply with the intent to minimize any setbacks to initial attack.

Lena added that after next week, the reductions will affect the remainder of this biennium. The Department is also in the process of working through the Agency Request Budget for the 2021-23 biennium and will submit it at the end of August. At this time, there has not been a request for additional reductions beyond the 10% but the agency is looking into what that would look like.

Bill provided an update on fire season resources noting that the $55M Treasury loan (not a line of credit as in the past) has been secured. ODF is sitting in a pretty good spot with regard to resources. On average, the agency has $25M in cash available. Previously, ODF worked with DAS to cover payroll but the Department is now caught up. However in the event ODF gets in another bind, DAS is still available to cover 3 months of payroll. The Treasury loan amount was based on the amount of Accounts Receivable (mainly fire cost recoveries) on the books currently. Because this is a loan and not a line of credit, the agency can only draw a lump sum, not as needed. As with most loans, this loan accrues interest at the rate of 2% and is payable in one year (by June 30, 2021), with no pre-payment penalty, however, negotiation is available if an extension is needed. ODF is being very strategic on when the loan amount is requested. Bill noted that this is good short-term help but not a long-term solution.

Chair Cummings asked if the original ODF budget had ever been passed during the 2020 legislative session. Lena replied that the Legislative Adopted Budget (LAB) for the current biennium (2019-21) was approved last full session (2019). She also explained that the current reductions are not affecting the agency’s underlying budget authority. The 10% and 25% reductions are for the next biennium (2021-23).

Brennan Garrelts asked where ODF is in the process of large fire cost reimbursement. Doug replied that LFO is continually apprised of the latest estimate. Fall funding requests are based on the current large fire estimate. Just this week, the estimate provided by Nancy is $8.1M of General Fund request, which dropped from last fall ($9.6M) due to EFCC auditing.

Chair Cummings asked about the status of the MGO work on the Treasury review/audit. Bill noted that the contract was extended to December due to the current situation, however it is not anticipated to take that long. MGO recently produced a new set of recommendations which are more refined and are currently working on crunching data and scheduling the next engagement with the agency. The MGO final report should be completed within the next few months.

**ITEM 5: PUBLIC COMMENT**

None.

**ITEM 6: COMMITTEE DISCUSSION**

Chair Cummings led the committee discussion noting there would be no need for an official motion or vote from the committee; this discussion will be committee membership comments regarding the budget shortfall. Chair Cummings provided background on the need for this discussion explaining that the Oregon Forest & Industries Council (OFIC) recently presented to the Legislative Ways &
Means Committee on the potential to help with the budget shortfall by using money allocated for strategic investments of the OFLPF. Ken noted that we are in unprecedented times. The EFCC has been a long term partner in the complete and coordinated fire protection system and for over 50 years it has been committed to participation at every level. The Wildfire Protection Act (WPA) speaks volumes to this, most recently in investments made in technology. The WPA is also one of the reasons we have the policy with Lloyd’s of London. The EFCC has a statutory fiduciary responsibility strictly driven to focus on large fire costs. Under statute, financial responsibility is related to large fire costs and cannot be allocated otherwise to anything other than strategic investments if under the $13.5 million cap.

Steve Cafferata commented that attempting to stop the current strategic investments projects mid-stream would be a terrible thing to do. The EFCC has faced unprecedented situations in the past and in every case, the OFLPF was carried through for the functions it was supposed to. It doesn’t seem right to try to use the money for the purposes it is not allowed for by law. Since the early 80’s there have been other unprecedented times, like going broke and increasing assessments and taxes or reducing assessments when the fund balance met that threshold.

Chris Johnson asked two questions; is the transfer legal and if it is, has it ever been done before? Ken replied that the current statutes would not allow that; it would not be legal without some statutory change. Nothing has ever been spent out of this fund that was not tied to the five categories listed in statute. Ken would not want people changing statutory authorities without having the opportunity to have a long term conversation on unintended consequences, one being that there would be an unraveling of the structure of the fund.

Chris then asked about changing the split from 50/50 to 55/45 and whether that can be done with no legislative or any other kind of input. Ken replied that would take statutory changes and legislative action.

Brennan Garrelts added that he appreciates the history shared by Steve and Chair Cummings and is concerned too. He continued, noting the slippery slope of the issue during drastic budget times and extenuating circumstances. Strategic funds have demonstrated over time how useful and vital they are and a great return on investment in preventing and suppressing fires in this state. Oregon can show that. If the dollars were taken from the fund without a robust discussion it would be unsettling at the very least.

Steve also noted that it would be a funding shift to small woodland owners and asked if that would be desirable or fair to those who pay into the fund. Brennan added that this is tied to a much larger issue. Ken commented that it would be important to understand that a large part of the income to the fund is from small landowners and to have it go to ODF for operating costs would be disingenuous without asking taxpayers for their support.

Ken noted the EFCC does not have authority to move the money, and that it is an unsettling concept that would be crosswise with the integrity of the fund. At this point, the EFCC is aware and if asked to testify in front of the legislature, we could do so on the legal pieces. The Legislative Fiscal Office (LFO) is aware of the statutes also. It would be a good educational opportunity on the funding and statutory requirements. He also noted the importance of the tax study (Representative Holvey Bill) that could be instrumental to informing how and what money comes in/out of the fund and to inform the long-term conversation around funding policy.

Brennan added that if there was an ask or opportunity to use these funds to support or stand up for maintaining the ODF base budget, he would want to know exactly where those dollars were going. There could be some places where this could be used but it needs to be a discussion with this committee, not handed down to the committee.

ITEM 7: ADMINISTRATOR REPORT [Information Item]

Nancy Hirsch will follow up with draft notes so that all perspectives are accurately noted in the official record. Regarding emergency fire costs for this fire season, ODF has done extremely well in these challenging times. It's likely no one has seen at this point in time in August, at least for quite some time, the current gross and net costs where they are currently. Nancy thanked the Division for its high level of engagement and the districts for operating efficiently and effectively.

Steve added the good work being done is great but great work is done every year. Just because there was a bad year, doesn’t mean the crews did a bad job. He is always impressed with district initial attack.

There being no further business before the committee, Chair Cummings adjourned the meeting at 2:02 p.m. The next regular meeting of the committee will be held at 10:00 a.m. on Tuesday, September 8, 2020 via Zoom Video Conference.

Minutes drafted by: Chrystal Bader
Minutes reviewed by: Nancy Hirsch and Steve Cafferata