

EMERGENCY FIRE COST COMMITTEE

March 2, 2021

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 Tuesday, March 2, 2021.

Committee Members Present

Ken Cummings, Chair
Steve Cafferata
Chris Johnson
Brennan Garrelts

Others Present

Nancy Hirsch, EFCC Administrator
Tina Meyers, EFCC Finance Coordinator
Lorna Hobbs, EFCC staff
Peter Daugherty, State Forester, ODF
Lena Tucker, Deputy Director for Operations, ODF
Doug Grafe, Chief of Fire Protection, ODF
Ron Graham, Deputy Chief of Fire Protection, ODF
Neal Laugle, Aviation Manager, ODF
Dan McCarron, Pilot, ODF
Dave Lorenz, SOA Director
Jamie Paul, Assistant to the EOA Director, ODF
Dave Larson, SWO District Forester
Joe Hessel, Acting EOA Director, ODF
Mike Robison, CFPA Manager
Dennis Lee, Klamath-Lake District Forester, ODF
Michael Curran, West Oregon District Forester, ODF
Joy Krawczyk, Public Affairs Program Director, ODF
Todd Scharff, DAS Risk
Lindsay Cunningham, Willis Towers Watson
Lee Lockrem, Willis Towers Watson
Nick Yonker, Smoke Management Program Manager, ODF
Stacy Miller, Fire Finance, ODF
Sherry Rose, Fire Finance, ODF
Kathy Wells, Fire Finance, ODF
Mark Hubbard, Finance Director, ODF
Chrystal Bader, Executive Support, ODF
Shauna Morris, Administrative Support, ODF
Adam Meyer, Policy Analyst, ODF
Matt Stayner, LFO
Renee Klein, CFO
Kyle Williams, Director of Forest Protection, Oregon Forests & Industries Council (OFIC)
Cindy Robert, Hancock Forest Management
Randy Hereford, Starker Forests
Tim Keith, retired EFCC Administrator, ODF
Mike Dykzeul, retired OFIC Forest Protection
Al de Vos, Partnership & Planning Program, ODF
Travis Medema, Deputy State Fire Marshal, OSFM
Gordon McCraw, Tillamook Emergency Management

ITEM 1: CALL TO ORDER

Chair Cummings called the meeting to order at 10:08 a.m. on Tuesday, March 2, 2021. All Committee members were present via Zoom video conference and there was a quorum.

ITEM 2: APPROVAL OF THE MINUTES OF THE JANUARY 5, 2021 EFCC MEETING [Decision Item]

No comments were made by committee members or attendees on the January 5, 2021 Emergency Fire Cost Committee meeting minutes. A motion for approval was made by Brennan Garrelts and seconded by Chris Johnson. All were in favor and none opposed. The minutes of the Emergency Fire Cost Committee January 5, 2021 meeting were unanimously approved.

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

The committee reviewed the Financial Status of the Oregon Forest Land Protection Fund (OFLPF) for FY21. The last report to the committee was in January 2021. This report is based on January 31, 2021 financial reports.

Estimated Revenue/Transfers in for FY21 as of January 31, 2021:

- Board of Forestry assessment: \$39,027
- Private and Public acreage assessments: \$509,531
- Minimum Lot assessments: \$474,412
- Improved Lot assessments: \$4,945,864
- Harvest Tax (1st and 2nd quarter) received is \$991,606
- Estimated interest revenue is \$80,173

Total estimated revenue/Transfers in for FY21 to date is \$7,083,270.

Estimated Expenditures/Transfers out for FY21, as of January 31, 2021:

- Actual expenditures: \$2,796,281 from 2020 fire season Severity
- Operating & Payroll expenses are estimated at \$185,000
- Fire season 2021 catastrophic insurance premium is estimated at \$315,000
- Remaining balance available for reconciled Fire Season 2020 Severity expenses or Fire Season 2021 Insurance premium: \$203,719
- Large fire advances are estimated at \$10,000,000:
 - CFPA: \$980,000
 - DFPA: \$8,000,000
 - SWO: \$1,020,000

Total OFLPF estimated expenditures for FY21: \$13,500,000

Estimated Fund Balance on 1/31/21: \$9,394,201

ITEM 4: INSURANCE MARKET UPDATE [Decision Item]

Todd Scharff introduced Lee Lockrem from Willis Towers Watson. Lee provided an update on how the meetings in mid-February with underwriters went noting that there was good feedback. Indications from London are that Canopious will retain capacity at up to 10% with a premium of \$1,450,000, a 5.58% premium increase over the expiring program. The policy is still in the review process but hope to have it done by next Friday. Swiss Re (3%) will not be offering renewal; neither will Hamilton (3%) out of Bermuda, however, no formal determinations on this yet. New capacity for 6% has been identified in a new market – Acceptance Casualty (US), who has authorized up to 15% with a premium of \$4M (\$150k less than London) but have to respect and honor syndicates who have paid losses over the years. Acceptance has agreed to 6% and there is no concern with capacity. The 5.58% premium increase will hold, which is lower than the indication in the policy renewal. Currently, the policy is overlined in capacity and will be able to keep a good chunk in London. Lee recommended to not invest 100% in London to provide a safety net in the future.

Chair Cummings asked why Swiss Re and Bermuda were not interested. Lee replied that it doesn't fit their current profile. She added that the terms of the policy will be firmly settling in by the end of this week and, by the end of next week, there will be something to be presented for binding. Todd noted the continued excellent partnership with EFCC and ODF in bringing together the presentation and the meetings that Chair Cummings and Doug Grafe held went a long way this year, especially after the 2020 fire season. There will be a meeting Friday morning to recap until the renewal is complete.

Brennan Garrelts asked about some underwriters wanting a higher premium or a lower stake. If Acceptance is willing to pick up a higher percentage, acknowledging the long-term relationship, would they pick up more than 6% to cover any additional investments into the policy? Lee replied yes, but there needs to be caution with removing those who have paid losses in the past as there is no way to get them back into the program. The primary underwriter has more influence.

Chair Cummings noted how much energy and effort is going on in the background - there has been a lot of work going all the way back to October 2020. He thanked all for working on behalf of ODF and EFCC.

Chair Cummings asked the committee whether they would like to go ahead with a recommendation to purchase the new insurance policy for 2021. Brennan asked for a follow-up comparison as to what the premium increase last year was (7-7.5%) with the understanding of the pressure on the system.

Doug Grafe noted that this is a shared cost with the General Fund so it is typical to work closely with CFO and LFO and both are in this meeting and tracking the General Fund closely. Peter Daugherty and Doug Grafe plan to meet with the Tri-Chairs of Ways and Means in advance of the purchase of the policy to assure understanding of the financial exposure.

Peter added that the Governor's Recommended Budget includes funding for the insurance policy so she understands the importance of that in protecting the General Fund. Currently, ODF is not currently scheduled for Ways & Means and is the last natural resources agency listed on the Joint Ways and Means Natural Resources Subcommittee schedule. Peter added that he and Doug will meet again with the Tri-Chairs after the numbers on the policy are confirmed.

Chair Cummings commented that ultimately, it is the decision of the State Forester to move forward with the purchase of the policy; EFCC only provides a recommendation to the State Forester on the purchase. The motion today, if made, is just an indication and letter of support to the State Forester regarding the purchase. Without knowing the exact numbers, they can be included later. If the committee waits to make a motion of recommendation, there will need to be a special public meeting in the future.

Peter added that the EFCC recommendation carries a lot of weight. To be able to say that EFCC recommends the purchase is always a powerful message. Chair Cummings expressed his appreciation and willingness to attend, with ODF, those meetings if value is added.

A motion was made by Chair Cummings to recommend the purchase of the insurance policy for 2021, not to exceed the percentage increase in premiums from the prior year, and exclusive of fees and taxes. Chris Johnson seconded the motion. All were in favor and none opposed; the motion passed. Nancy will prepare a letter to the State Forester for Chair Cummings to sign that reflects the EFCC's support.

Chair Cummings thanked Lee and Todd for their exceptional work with the insurance policy.

ITEM 5: WEATHER UPDATE [Information Item]

Nick Yonker provided the weather update for March 2, 2021. Nick noted that this will be his last EFCC weather briefing as he will be retiring at the end of April. Pete Parsons will likely be taking over these briefings in the future. Bottom line: Oregon will be shifting from a La Nina weather pattern to a neutral weather pattern. A cool and moist spring should provide more drought relief but probably will not end the drought. Nick continues to lean toward a normal fire season for most of the state for 2021.

Chair Cummings thanked Nick for his service and his reports to this committee over the years.

ITEM 6: UPDATE ON STATUS OF LARGE FIRE COST COLLECTION EFFORTS [Information Item]

Ron Graham provided the report on the status of Large Fire Cost Collections to date noting 60 fires greater than \$5k in cost going back over the years. Of those 60 fires, the total cost billed is \$2.74M. Since the last report to this committee, ODF has received \$733,869.68. The Turtle Lane fire cost collection is closed and settled at \$10k. There are 25 more fires greater than \$5k going back to 2014 through the 2020 fire season that have significant fire investigations in process. There are 18 fires currently moving through various stages in the legal process and several have been closed in the last couple of weeks. ODF continues to make progress. Ron noted the great work of all staff involved in this heavy lift. Many 2020 fires involved multiple jurisdictions including federal agencies that have the majority of the investigation and cost share which complicates cost recoveries.

Chair Cummings commented that the energy and focus on this project has really taken off. This does not go unnoticed, especially with regard to insurance. He thanked the team for their work.

ITEM 7: DETERMINE UNENCUMBERED BALANCE OF THE OFLPF AS OF FEBRUARY 16, 2021 [Decision Item]

Nancy opened this agenda item by reminding the committee members and attendees that the EFCC is required by statute to determine if the unencumbered balance of the OFLPF exceeds the reserve base of \$22.5M. With an unencumbered balance of \$9,809,825.22 on February 16, 2021, it is well below the \$22.5M reserve base which means OFLPF assessments will continue. Nancy recommended that the committee certify this unencumbered balance amount.

A motion to certify at \$9,809,825.22 as of February 16, 2021 was made by Steve Cafferata and seconded by Chair Cummings. All were in favor, none opposed, and the motion passed.

ITEM 8: AGENCY / FIRE DIVISION REPORT [Information Items]

- **ODF Financial Report and Status of MGO Recommendations**

Doug Grafe provided the financial report noting that ODF continues at \$40M cash in hand. There were good cost recoveries from large fire costs for the past fire seasons with FEMA. BLM invoices closing out past years have also come in. Overall, ODF finances are solid, as noted in the report. FEMA and Other Agency Billings continue to progress well.

Doug also noted that the MGO final report/recommendations should be coming out soon from DAS. ODF has reviewed the implementation plans. HB 4034 requires a study to be done regarding large fire costs paid in Oregon. This workgroup is being headed up by a third party contractor and both Chair Cummings and Doug are on the workgroup. All parties of this workgroup are interested in financing fire costs and fire readiness in the state of Oregon. There is a tight timeline to report by the end of March.

Chair Cummings noted that the study is a direct readout of one of the recommendations from the Governor's Wildfire Council. Conversations have been going on since last August and are finally being worked through now. This is a big foundational piece moving forward with concerns on current legislation related to fire funding.

- **Legislative Session, E-Board, Wildfire Council**

Doug Grafe also provided an update on the 2021 Legislative Session and E-Board. ODF was allocated \$13M for preparation for the 2021 fire season. A breakdown of this is as follows: \$5M additional for severity to sustain the large air tanker program. Without this funding, ODF would not be able to sustain the large tanker out of Medford. A contract is out for bid this month. The funding also includes investment in a Type 1 helicopter for initial attack. Doug commented that this will be a game changer as we do not have a Type 1 helicopter on contract. That contract is also out for bid early next month. The final allocation for Severity is for two SEATS. Another \$5M was allocated for mitigation of catastrophic wildfire. There is a huge appetite for this and if given more time, ODF could have serviced more effort but will still use the dollars for WUI wildfire risk mitigation. The final \$3M was allocated to personnel. There are a total of 32 staff to hire and ODF is well on the way in that effort with half identified and going into place. All positions will be filled by the end of the month. Some of this funding is also going toward seasonal hiring.

The remaining work with the legislature is overwhelming. There is tremendous interest from all legislators and it is welcomed. This means there are many opportunities for a full range of policy changes. For example, there are around 100 bills relating to wildfire. ODF continues to work closely with the Governor's office on priorities and in supporting the legislature as they deliberate on potential policy changes for the long term.

- **BLM Western Oregon Agreement**

Ron Graham provided an update on the BLM Western Oregon Agreement noting that 2018 and 2019 claims with BLM have been paid in full for both the original Western Oregon Operating Plan (WOOP) and the first year of the current WOOP. Fire Finance is moving forward with a second invoicing for FY20. Ron recognized field and Salem staff in continuing to work internally as well as with stakeholders and BLM at the national level. For the future, ODF is looking to restructure the BLM agreement to identify short term goals to address prior issues.

- **ODF Geoboard / IMTs**

Ron Graham also provided an update on the ODF Geoboard / IMTs. The ODF Geoboard is meeting monthly, and work is ongoing. There continues to be a large workload in sharing sustainability in the IMTs. The team positions are now fully rostered, which left ODF with a few holes; still working on filling those this year. Some additional staff have been found but they are also looking at reaching out to fellow state agencies for leveraging capacity to help.

- **FEMA Update**

Stacy Miller provided the FEMA update noting completed audit documents for some fires have recently been turned in to FEMA. Fire Finance is working on 2016 administrative claims. All 2020 cost shares (\$58M) are to be settled within the next 14 weeks. \$7.5M in FEMA money was recently received with another \$4M to be received in the next week or so. \$9.7M in claims were recently submitted. There is one fire left for audit (2015) and then that year will be closed out. There is still \$18.6M in outstanding claims.

Chair Cummings asked what happens after claims are submitted; what is the timeline / turnaround time in receiving funds from FEMA. Stacy responded that lately it has been very fast (within weeks).

Doug noted the tremendous effort working with FEMA; they have leaned in to add capacity to assist Oregon in reimbursements with weekly coordination between Fire Business and FEMA to make this happen.

- **Strategic Investments**

- **Financial and project status**

Ron Graham provided a financial and project status update of strategic investments. He is working with Nancy very closely to develop a timeline going forward. There is an opportunity to look at previously submitted strategic investments for reconsideration. The division will be sending out a call for new proposals or revisions to current projects. Ron will bring another list for review to the June EFCC meeting. He noted that this timeline takes extra work in ensuring coordination and communication with EFCC and the field. There is interest from the division leadership in a developmental opportunity to assist with the strategic investment process. This recruitment has already been sent out. Unfortunately, little interest was received, however, there are a few more days before the recruitment closes.

With regard to current projects, there is not much change. All projects are set to close and be finished as per the timeline. A previously removed project on a sign in the NWOA was accomplished with a cost split with the local rural fire district and the ODF district. This could be a model for other projects throughout the state. Ron will send pictures and the write up around to the committee.

o **2020 fire season aviation report: Successes and lessons learned on investments**

Neal Laugle and Dan McCarron provided an update on the Partenavia investment in infrared technology noting that training was done last April and May. Two additional seasonal pilots allowed for more fire flights. Three observers were also trained but capacity dwindled throughout the fire season as they were called to other projects/incidents. However, multiple fires were detected using this technology and it is considered a great success, especially with the new mapping technology. Neal showed some pictures of the technology in use and specific incidents where fires were detected early (small is acres) using this technology and successfully extinguished.

For next year, flight following will be performed so whatever is found can be communicated directly to SCC who can then contact the duty officer. Neal added that this is a very accurate system.

Chair Cummings commented that this is a good example where discussion of a concept with landowners led to implementation by the OFLPF sponsoring 100% of this important investment. This is one of those things that goes on behind the scenes and is integral to the insurance policy and the complete and coordinated system. He thanked all for their work.

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

Nancy provided the brief Administrator Report by verifying with the committee that all spring audits are scheduled for April 8 through May 25, including 11 different districts and associations. Most are scheduled virtually with a couple on site.

Nancy returned to Chair Cummings for recognition of service to Tina Meyers with a presentation and a plaque, card and gift cards. Additional comments were provided by attendees.

Nancy then facilitated a recognition of Chair Cummings for his service and commitment to the Emergency Fire Cost Committee. State Forester Daugherty presented him with a plaque. The EFCC presented him with a card and gift card. Others offered their comments and recognition.

ITEM 10: PUBLIC COMMENT / GOOD OF THE ORDER

There being no further business before the committee, Chair Cummings adjourned the meeting at 12:16 p.m. The next regular meeting of the committee will be held at **10:00 a.m. on Tuesday, June 8, 2021** via Zoom Video Conferencing.

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