

EMERGENCY FIRE COST COMMITTEE
September 3, 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 on Tuesday, September 3, 2019.

Committee Members Present

Ken Cummings, Chair
Steve Cafferata
Chris Johnson

Others Present

Nancy Hirsch, EFCC Administrator
Tina Meyers, EFCC Finance Coordinator
Stacy Miller, Fire Finance Manager, ODF
Travis Medema, Special Projects, ODF
Joy Krawczyk, Public Affairs Program Manager, ODF
Jim Carnegie, Retired
Brennan Garrelts, Lone Rock
Bill Herber, Deputy Director for Administration, ODF
Dave Lorenz, Southern Oregon Area Director, ODF
Dave Larson, SWO District Forester, ODF
Doug Grafe, Chief of Fire Protection, ODF
Ron Graham, Deputy Chief of Fire Protection, ODF
Chrystal Bader, Executive Support, ODF
Nick Yonker, Smoke Management Program Manager, ODF
Marie Hansen-Wargnier, DAS Risk
Neal Laugle, Aviation Unit Manager, ODF
Sarah Lathrop, Aviation Coordinator, ODF
Mark Hubbard, ODF Finance Manager
Sarah Longwell, Accountant, ODF
Kyle Williams, Director of Forest Protection, OFIC
Gary Springer, Starker Forests
Randy Herber, Starker Forests

ITEM 1: CALL TO ORDER

Chair Cummings called the meeting to order at 10:00 a.m. on Tuesday, September 3, 2019. Introductions were made around the table and the room. He stated that in 1969, the Oregon Legislature designated the Oregon Forest Land Protection Fund, 50 years ago.

Chair Cummings also noted that the committee is still missing one member and the plan is to have that seat filled by January 2020.

ITEM 2: APPROVAL OF THE MINUTES OF THE JUNE 4, 2019 COMMITTEE MEETING [Decision Item]

No comments were made by committee members or attendees on the June 4, 2019 EFCC meeting minutes. A motion for approval was made by Chris Johnson and seconded by Steve Cafferata. All were in favor and none opposed. The minutes of the June 4, 2019 Emergency Fire Cost Committee meeting were unanimously approved.

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

The committee reviewed the new format of the [Financial Status of the Oregon Forest Land Protection Fund \(OFLPF\) for FY20](#). Tina Meyers explained the differences between the [previous report](#) format and the new, highlighting the following:

- FY19 Revenue
 - Actual revenue was \$21.1M, about \$800K less in Assessments and Harvest Tax than was estimated.
- FY19 Expenditures
 - Payroll and Operating expense was \$173K, about \$900 more than estimated. \$118,494 encumbered on new report
 - Severity expense was about \$2.98M, credit of \$15K estimated on new report.
 - Catastrophic Insurance Premium \$342K estimated, encumbered on new report.
 - Fire Season Claims \$10M, advances to SWO and CFPA
 - Transfer of \$15M, loan to ODF

Tina continued by explaining the new FY20 report format, intended to track actual cash accounting provided by ODF Finance.

- The beginning balance (cash in account) as of July 1, 2019 was \$1.53M.
- The FY20 *estimated* revenues include:

- The \$15M loan to ODF, to be repaid with interest (see details at bottom of report).
- Assessments were approximately \$9M, which is down from previous years because of the removal of the BLM west side acreage removal. Assessments estimates are based on a standard 97% collection rate.
- Harvest tax \$2.28 M, quarterly payment was received in August \$558K
- Interest income is estimated at \$244K, currently based on 2.75% interest rate, with loan repayment amounts added to account per repayment schedule.
- For FY20, the *estimated* expenditures (capped at \$13.5M) include:
 - Payroll and operating expenses, \$120,000.
 - Severity expenses, \$3M
 - Catastrophic Insurance premium, \$380,000
 - Fire Season Claims, \$10M

The OFLPF current fund balance based on actual revenues received and expenditures through August 27, 2019:

Current Fund Balance **\$ 1,086,491**

Nancy explained that the change in format of this report was an attempt to represent the actual cash accounting. ...

Nancy added that the 2013 and 2014 fire seasons have been closed out. Nancy and Tina plan to bring a new report to the committee in January showing updates to the prior year claims.

Chair Cummings suggested separating the information into separate tabs by fiscal year to show more detail. Nancy and Tina will review and bring a new model to the EFCC meeting in January 2020.

Steve Cafferata mentioned that the remaining insurance reimbursement amount of \$3,232,661.01 soon to be received, totals less than originally projected, which was a full \$25 million insurance claim for FY15 (Fire season 14). He advised on ensuring this is made evident at the October visit from Lloyd's of London.

ITEM 4: WEATHER UPDATE [Information Item]

Nick Yonker provided the [weather update](#) for September 3, 2019 noting the significantly lower acres burned compared to the 10 year average, which shows good firefighting and good weather. Bottom line: Oregon will be in El Niño neutral throughout the winter and next year with persistent above normal temperatures through next summer but no clear signal on precipitation. Nick forecasts a near normal fire season in 2020.

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

Nancy provided this report on behalf of Jeff Bonebrake, noting the status of [Large Fire Cost Collections](#) to date, highlighting key items, ultimately showing the dollars coming in are fairly insignificant this quarter.

- For claims greater than \$5,000:
 - MP97 fire had no real lead; state and county law enforcement are following up but it's not looking like the responsible party has any assets.
 - East Evans fire is under further investigation.
 - Dowens Road fire (SCAS) was determined to have no liability from power lines.
 - Medco B fire – report in progress; it appears to be an operator fire liability.
 - Santiam Park fire – citation was issued; trial scheduled for October 23.
 - Lobster Creek fire – close to finalizing settlement on two insurance policies which will be allocated on a pro-rata basis between ODF, Coos FPA, DAS, and one other landowner. The county may have some liability with outcomes there TBD.
 - Memaloose fire - cost certification received; responsible party to be billed.
 - Ana fire (KLD) – responsible party charged with crime but county dropped charges; ODF and DOJ are reviewing asset portfolio on three responsible parties.

ITEM 6: FEMA FINANCIAL STATUS QUARTERLY REPORT [Information Item]

Stacy Miller provided the [FEMA Financial Status Quarterly Report](#) highlighting the following over the past 5 years:

- \$67M in actual FEMA-eligible costs to ODF with \$24.5M recouped to date. Pending receivables of \$17M (should be soon after October 1) which leaves approximately \$20M remaining to be processed.
- Only one fire was FEMA-eligible in 2019.
- 2013 fire season alone was \$39M of exposure which creates a bottleneck on the front end of this.

- FEMA is already taken from net OFLPP.
- ODF finance staff will be visiting the FEMA offices next week to discuss how to receive reimbursement more quickly.

ITEM 7: STRATEGIC INVESTMENTS QUARTERLY REPORT *[Information Item]*

Tina Meyers provided the [Quarterly Financial Report on Strategic Investments](#) highlighting the following:

- Outstanding projects
 - Guard station in La Pine is expected to be completed by November 1, 2019.
 - EOA detection cameras – 5 of 7 cameras were placed for fire season 2019; 2 remaining detection cameras will be functional this fall in Northeast Oregon and Walker Range.
 - Infrared technology expenditures to date are approximately \$600k, leaving a balance of approximately \$90k to complete. The project is approximately 51% complete (see [Strategic Investments Quarterly Project Status Report](#)).
 - South Cascade district communication project to be installed; \$9k in expenditures pending.

Chair Cummings suggested filling in the detection camera map for the Lloyd's of London visit in October in SWO.

ITEM 8: FIRE DIVISION REPORT

Travis Medema, filling in for State Forester Daugherty, who sends his regards, provided the State Forester comments as follows:

- Fire season 2019 was pretty good compared to previous years, proven by Dave Lorenz and Dave Larson's ability to be present in the room today.
 - Handful of large fires on the landscape (MP97 & Ward, specifically).
 - Phenomenal fire catches with significant potential which shows great initial and extended attack.
 - Fire season gross costs are approximately \$36M to date.
- Governor's Wildfire Council update
 - Suppression Committee
 - Ken Cummings, Chair; Travis is staffing for ODF.
 - Beginning to codify the recommendations from suppression committee at this afternoon's meeting.
 - Adaptation Committee
 - Focused on land use.
 - Tim Holschbach staffing for ODF.
 - Looking at the future of SB 360 (WUI) and what that looks like in Oregon with a theme around modernization.
 - Mitigation Committee
 - Chad Davis staffing for ODF.
 - Deliverables to be brought to the next Council meeting.
 - Beginning to codify the planning analysis as well as setting a pathway for future work in Oregon.
 - Next Wildfire Council meeting will be September 16 with a final meeting of the Council on September 26 (at the World Forestry Center). The Governor will be in attendance.
 - 2020 legislative session will have work for the land use and suppression committees.
- Shared Stewardship
 - Signed by the Undersecretary of Agriculture and the Governor.
 - Vision forward on partnering between USFS and the state to pick up the state objectives as priority on mitigation.
 - Key interest in using the shared stewardship agreement to determine outcomes for Oregon and direct connection with mitigation committee work.
- September Legislative Days (September 16-18) – likely appearing on three different topics:
 - Wildfire Prevention & Recovery Committee (new)
 - Co-Chairs are Senator Golden and Senator Baertschiger; other legislators on this committee include Senator Fredericks, Senator Prozanski and Senator Thatcher.
 - HB 2222 (Wildland-Urban Interface) report-out to the legislature on the implementation. Doug Grafe is on point for producing this report.
 - Financial status of the department and standard fire season update.
- BOF meeting tomorrow (Wednesday, September 4)
 - October retreat to plan for next year
 - Forest carbon
 - Climate change
 - Forest health
 - Forest employment sector

- **Finances**
 - Challenging last few months (from \$10M to \$72M in average fire costs).
 - System/structure/capacity isn't designed for the 2020 reality that we're living in now, creating challenges. It's really about the difference between net and gross costs. The agency carries the costs until reimbursements are received from other agencies, which also creates some significant issues from a cash perspective.
 - Travis thanked the committee, on Peter's behalf, for the loan to enable the department to continue business.
 - Looking toward short, mid and long-term solutions.
 - Accounts receivables reviewed (difference between gross and net costs).
 - Fire Finance and agency Finance put forth a lot of work, bringing in \$30.8M in the last couple months, and in turn helped the cash.
 - Anticipating another \$20M over the next few months from other agency reimbursements.
 - Mid-term solution options (now up through short session, possibility into 2021 legislative session).
 - Treasury lines of credit and loans as well as LFO and CFO to mitigate the cash issue.
 - Continued communication with legislature on what we ask for – net costs vs. gross. Historically, ODF has asked legislature for net costs; now may ask for gross costs to help alleviate gap between gross and net.
 - Long-term, looking at how to create a different financial structure to pay for large fires.
 - Wildfire Council Suppression Committee submitted a recommendation to ask for a new wildfire fund (OSFM & ODF) to carry until reimbursements received.

Chair Cummings noted, to update Peter, there's never been as many people in Oregon talking about wildfire, including the CEO of Pacific Power given their liability. The current system works 100%, but when fire protection is spread out across the state, it's a different model that's going to take more thinking and collaboration.

- **ODF Financial Report – Loan Update [Information Item]**

Doug Grafe noted the work done to-date between the agency and EFCC on the repayment plan for the loan.

- Anticipation of full execution in severity, meaning \$3 M.
- Interest at 2.7% puts it in the range of \$68k to-date; will continue to apply this interest daily until the loan is repaid in full. As soon as federal reimbursements are received, the priority is to repay the loan prior to December 2019.
- Doug will send his report by COB today so the committee can review the details.

Steve asked about the transfer to Klamath Lake District for the Ward fire.

- The agency asked BLM to be the fiscal agent (\$4M in exposure, which was a little less than expected in costs). In the meantime, the District covers their costs and BLM covers contracting costs and ODF covers severity. In all, the agency mitigated about \$2M in exposure. The department is attempting to not be the fiscal agent on record moving forward so as to mitigate the carrying of large fire costs.

- **2019 Fire Season [Information Item]**

- Ron Graham provided this update noting significantly less activity compared to last year. This allowed for adequate resources provided largely by landowners. Additionally, within the compact, there was no competition for resources since the region never went to a Preparedness Level 3, thus we were able to send ODF personnel to other states.

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

- Tracking very closely; anticipate full exposure of \$5,000,000. If things ended today, we'd be a little above the \$5M due to additional severity resources brought on.
 - Additional severity resources needed.
 - Lightning events delayed the installation of the infrared.
 - Instead, the agency used Colorado's MMR which has IR technology that picked up 7 fires with potential to become large fires.
 - Will recover \$2.1M additional recoveries from use on fires.
 - Additional \$360k in pre-positioning costs of severity resource recoveries in MP97, related to FEMA
 - Contracts starting to end soon for some SEATS and helicopters.
 - Working with Area Directors and the Division to carefully consider financial exposure with extension of contracts (by the day) this fire season.
 - Resource availability will also influence decisions. Doug added that extensions aren't anticipated on call-when-needed resources.

- **BLM Agreement Status Report [Information Item]**

Ron Graham provided a status report on the BLM agreement noting the reduction in financial exposure for the agency with the new agreement. Implementation of the new 5-year operating plan can be described as a continuation of learning the many aspects of engagement with BLM, which has been very positive so far.

After-action reviews were done on both ODF large fires that included BLM land where an ODF Incident Management Team was deployed. (Ward and MP97), which is a new process. Through these AAR's the agency was able to take lessons

learned from MP97 and apply them to the Ward fire in that on multi-jurisdiction fires the fiscal agent does not give up their jurisdictional responsibility.

Moving forward, Richard Parrish, BLM Fire Operations Manager, and Ron Graham are waiting to start discussions on a cost reduction plan and fire protection on BLM lands. Ron expects these discussions to begin in October.

Chair Cummings recommended noting what this all means to each agency, up and through the Undersecretary.

ITEM 9: EFCC ADMINISTRATOR REPORT [Information Item]

Nancy provided the EFCC Administrator report highlighting the OFLPP 50 year celebration and history of the fund.

- Fund designated in 1969 with multiple iterations.
- Large fire fund dates back to 1930.
- First fund established in 1910 by the Oregon Firefighting Association, which still meets annually.
- Foundational principals remain the same since inception:
 - Leadership and oversight from landowners, who were the first designers of the OFLPP;
 - Local landowners are still responsible first;
 - Rules for eligibility;
 - First catastrophic wildfire insurance policy purchased in 1936; took three years to close out the final claim;
 - Public partnership in the General Fund has been in place since 1867;
 - Continuous improvement in the complete and coordinated fire protection system of the state in the Wildfire Protection Act as well as investments in the system with the strategic investment component;
 - Engagement of committee members on policy work.

Nancy then recognized each committee member, thanking them for their commitment to the committee. She then continued with her report noting that the 2014 fire season insurance claim is now closed. Nancy thanked all involved for making it all happen.

Marie Hansen-Wargnier provided an update on Oregon's new Willis Towers Watson representative, Lindsay Cunningham, Vice President, out of the Willis Seattle headquarters office. All insurance details are the same, just receiving service from the Seattle branch rather than Portland.

Nancy reported back to the committee on the following topics:

- Lloyd's of London underwriter visit to Oregon.
 - Have confirmed with Lloyd's for October 17 and 18.
 - In attendance will be Lindsay Cunningham, Derick Hansen, Lead Syndicate with Canopus, which sets the terms and conditions of all policies that other underwriters sign on to. Also in attendance will be Matthew Bedwell, Broker from the Willis London office.
 - Will be looking at doing a tour of the Milepost 97 fire out of DFPA, visiting DFPA's detection camera center, and will be discussing severity contracted resource partnerships as well as the partnerships with landowners on the fire.
- Audit reports for 2016-17 coming soon. Tina and Nancy will send three audit reports out around December 15 for review by the committee at the January EFCC meeting.
- Included in committee member packets are the following:
 - 2020 EFCC meeting schedule
 - Large Fire Cost Estimates to date
 - Letter from the State Forester
 - ODF loan agreement with Treasury, which Nancy signed
 - One-page overview and basics of EFCC for the new committee member
 - Current make-up and terms of the committee

The committee members and other agency staff will be departing for a tour at the ODF hangar at Salem Airport to view the infrared technology following the meeting.

ITEM 10: PUBLIC COMMENT / GOOD OF THE ORDER

There being no further business before the committee, Chair Cummings adjourned the meeting at 12:03 p.m. The next regular meeting of the committee will be held at **10:00 a.m. on Tuesday, January 7, 2019** in the Santiam Room of the State Forester's Headquarters in Salem.

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