

Agenda Item No:	A
Work Plan:	Administrative
Topic:	Financial Dashboard
Presentation Title:	Department Financial Report for January and February 2023
Date of Presentation:	March 8, 2023
Contact Information:	James Short, Assistant Director for Administration (503) 945-7275, james.short@odf.oregon.gov

SUMMARY AND CONTEXT

An executive financial report and summary will be submitted monthly to ensure the Board of Forestry (Board) has up-to-date information for oversight of the Department's financial condition. This report will include the financial and budgetary status of the Department as well as other ancillary topics as appropriate.

BACKGROUND AND ANALYSIS

This consent item is transparent publishing of the Department's transmittal of monthly financial reports to the Board of Forestry. While executive-level in nature, the financial report provides information on various topics that are either germane, or have direct impacts on the financial status of the agency, or other administrative functions of the organization during any given month.

This financial report will continue to evolve over time. As the Department's reporting ability matures and insights into its operational and administrative work improve, this financial report will reflect those improvements. These improvements could include operational or process improvements or the introduction of new systems and technologies that enhance the Department's administrative capabilities. In addition, Board input will be factored in as the report evolves.

NEXT STEPS

The Board will receive the Department's Financial Report the third week of every month, whether a Board meeting is occurring or not. This will allow the Department to report on the previous month while allowing for the fiscal month closing process to conclude.

ATTACHMENTS

- 1) Department of Forestry Financial Report for January 2023
- 2) Department of Forestry Financial Report for February 2023 (available before the meeting)



February 1, 2023

Sen. Elizabeth Steiner Hayward, Co-Chair
Rep. Tawna Sanchez, Co-Chair
Joint Committee on Ways and Means
900 Court St. NE, H-178
Salem, OR 97301

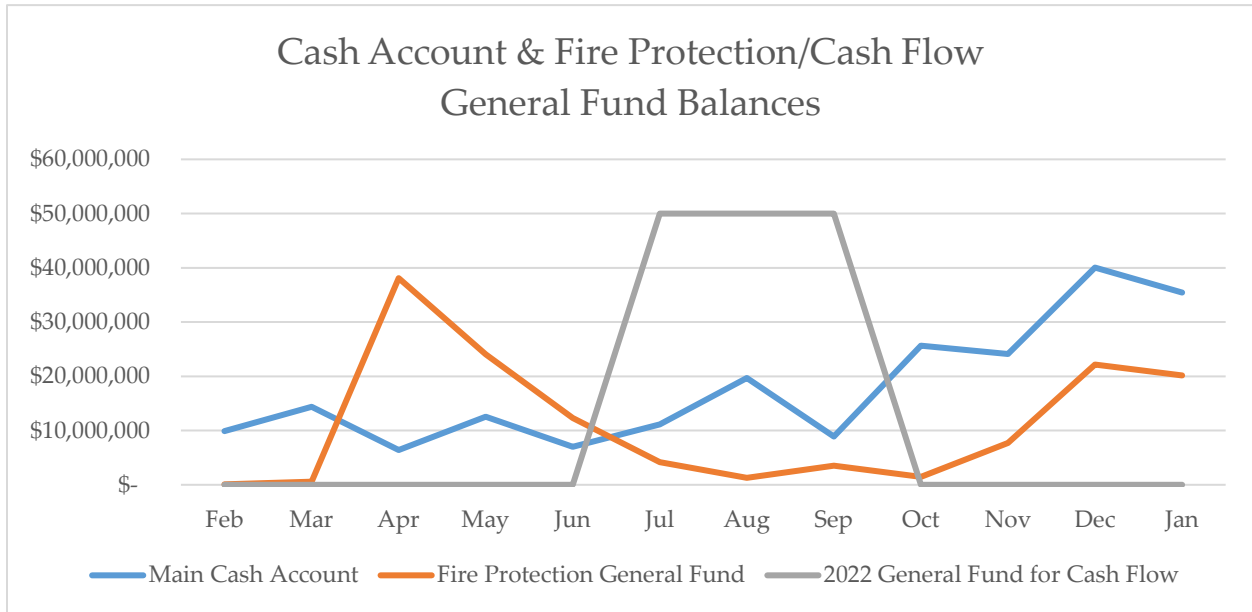
Re: Oregon Department of Forestry (ODF)—Monthly financial condition report

Dear Co-Chairs,

Cash and General Fund Balances

As of Jan. 23, ODF's main cash account balance was \$35.4 million and the Protection Division General Fund appropriation balance was \$20.2 million (Figure 1). Between November and January, the cash account balance increased \$11.3 million, and the Protection Division General Fund appropriation balance increased \$12.5 million.

Figure 1 - Cash Account and Fire Protection/Cash Flow General Fund Balances as of Jan. 23, 2023



The cash balance increase was primarily attributed to a \$10.4 million reimbursement from the Oregon Department of Emergency Management (ODEM) for a 2020 FEMA-Public Assistance (PA) grant. The increase in the Protection Division General Fund appropriation balance was due to December 2022 Emergency Board special purpose appropriation allocations for 2022 severity costs and the state’s portion of net 2022 fire season costs.

Financial Projections

Net financial activity for December 2022 resulted in an increase to the department’s end of month main cash balance (Table 1). Quarterly distributions to counties for their respective portion of timber sales revenue will occur by the end of January. These distributions will be offset by a cash reimbursement in transit from the FEMA-Fire Management Assistance Grant (FMAG) program for the 2021 Bootleg fire.

With a projected cash balance available to cover current financial obligations, the department can proceed with processing the last fire season 2021 cash flow reimbursement totaling \$10 million. This final reimbursement will result in an increase to the Federal Forest Restoration General Fund appropriation. Once processed, all department programs will be made whole from prior cash flow mitigation efforts.

Transfers related to FEMA-PA grant reimbursements continue to prove difficult to project due to variances in timeframes for grant review completion.

Table 1 - Financial Projections through Jan. 23, 2023 (in thousands)

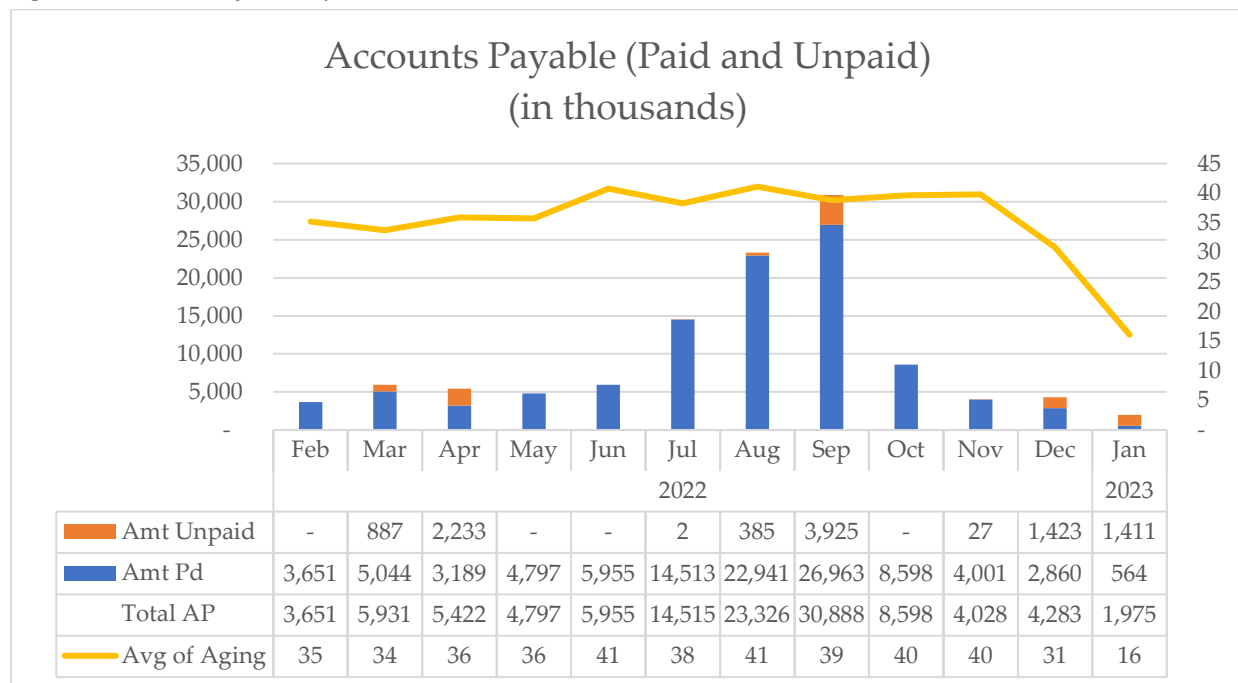
	22-Dec		23-Jan	23-Feb
	Projection	Actual	Projection	Projection
Total Revenue	\$36,100	\$28,579	\$25,498	\$36,549
Total Expenditures	(\$28,402)	(\$16,319)	(\$14,737)	(\$21,408)
Net Total Exp/Rev	\$7,698	\$12,260	\$10,762	\$15,141
Beginning Cash Balance	\$34,000	\$34,000	\$56,516	\$67,278
End of Month Cash Balance*	\$41,699	\$56,516	\$67,278	\$82,419
Less: Dedicated Funds	(\$11,502)	(\$16,328)	(\$17,037)	(\$17,970)
End of Month Main Cash Balance	\$30,197	\$40,189	\$50,241	\$64,450
Available GF Appr	\$52,677	\$53,082	\$58,731	\$54,379
Available Resources	\$82,874	\$93,271	\$108,971	\$118,829

* Includes reconciliation for non-cash revenue and expenditure transactions.

Accounts Payable

The total accounts payable balance decreased \$2.3 million between December and January (Figure 2). ODF’s Disbursements Unit continues to receive a high volume of accounts payable transactions potentially due to additional funding allocated to the agency over the last few legislative sessions. Analysis continues to assess whether the increased volume of off-season transactions is an anomaly or a new normal.

Figure 2 - Accounts Payable as of Jan. 23, 2023



Accounts Receivable

The total accounts receivable balance decreased by \$10.4 million between December and January due to the 2020 Archie Creek fire reimbursement (Figure 3). Amounts owed by FEMA and federal partners represent \$69.8 million, or 79.5%, of the total accounts receivable outstanding balance.

Accounts aged over 120 days equate to \$64.5 million, or 73.4%, of the total balances owed to ODF (Figure 4). Of these aged accounts, the majority are due from FEMA (\$50.1 million), federal partners (\$6.5 million), and private parties for cost recovery (\$5 million).

Figure 3 – Total Accounts Receivable as of Jan. 23, 2023

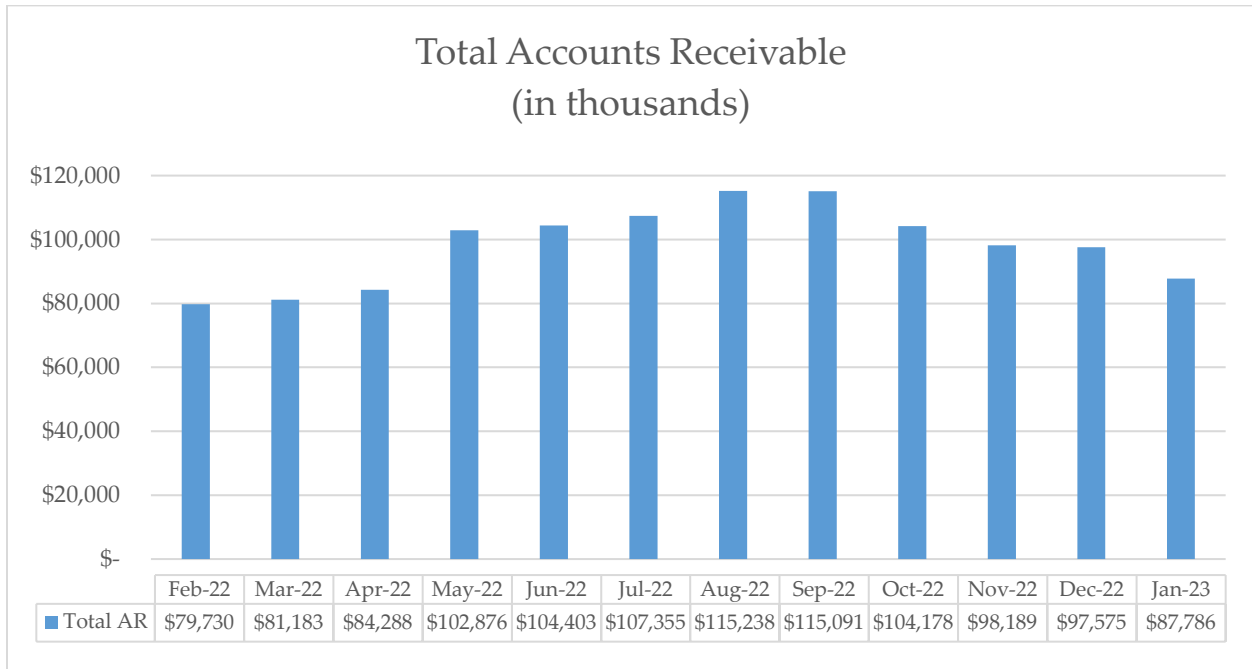
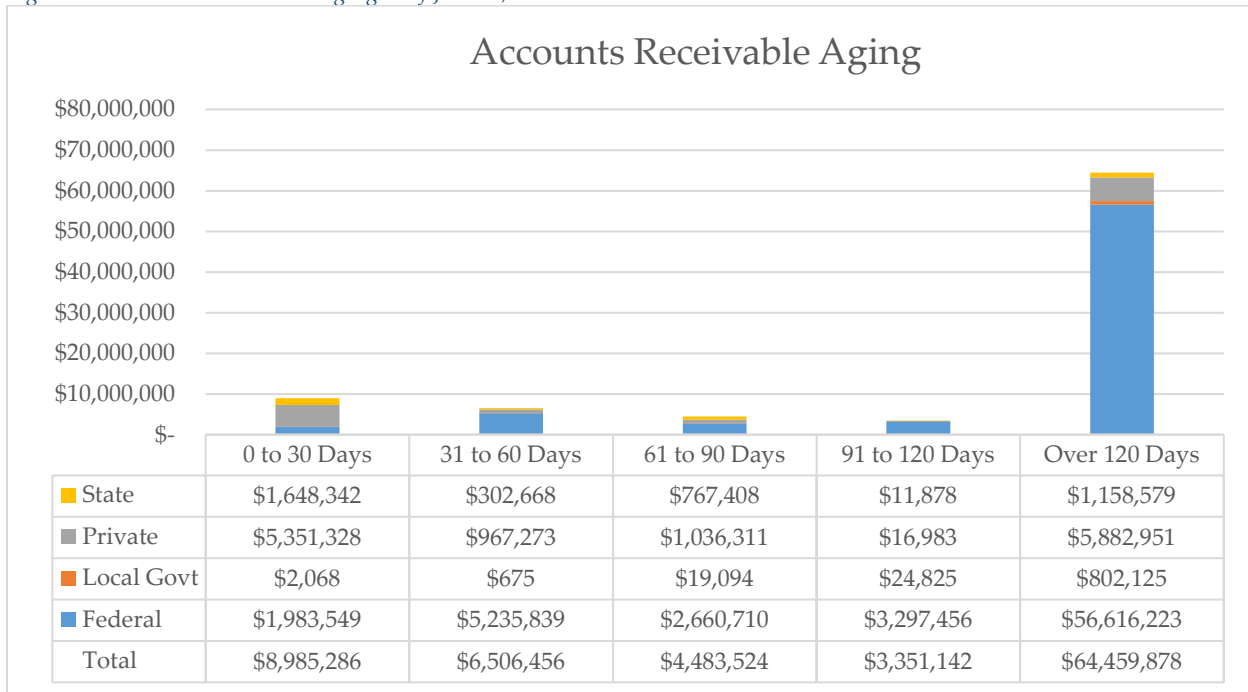


Figure 4 – Accounts Receivable Aging as of Jan. 23, 2023



Large Fire Costs

The department primarily recovers large fire costs through two FEMA programs. FEMA-PA grants are awarded to ODEM who, in turn, passes the funds through to ODF. FEMA-FMAG grants are awarded directly to ODF, and the department has immediate access to the funds once obligated.

As of Jan. 23, grant applications totaling \$56.9 million have been submitted to and are due from FEMA. Of that total, amounts associated with FEMA-PA grants equate to \$37.6 million and amounts associated with FEMA-FMAG grants equate to \$19.2 million.

The status of the department's 2020 PA grant applications is as follows (listed in the order applications are processed):

- Six grant amendments (\$1.1 million) are with ODEM pending initial grant application.
- One grant (\$864 thousand) is pending FEMA final review.
- Thirty-two grants (\$35.7 million) have been obligated by FEMA and are pending ODEM audit/review and distribution to ODF.

The status of the department's FMAG applications is as follows (listed in the order applications are processed):

- Twelve grants (\$860,000) are pending FEMA initial review.
- One grant (\$477,000) is pending Environmental and Historic Preservation Review.
- One grant (\$1.2 million) is pending assignment to the Large Project Notification Queue.
- Two grants (\$16.7 million) were obligated and the related funds are in transit to ODF.

An additional \$8.8 million in estimated grant applications have yet to be submitted to FEMA. The estimated costs for those applications are as follows:

- Six grants (\$427,000) are related to 2018 FMAG estimated administrative costs.
- One grant (\$180,000) is related to 2019 FMAG estimated administrative costs.
- Two grants (\$805,000) are related to supplemental 2020 FMAG estimated suppression costs.
- Five grants (\$698,000) are related to 2020 PA estimated supplemental suppression costs.
- Three grants (\$424,000) are related to 2020 FMAG estimated administrative costs.
- Two grants (\$5.3 million) are related to 2021 FMAG estimated supplemental suppression costs.
- Three grants (\$898,000) are related to 2022 FMAG estimated suppression and repositioning costs.

Applications associated with administrative costs cannot be submitted to FEMA until all ODF and subrecipient grants have been obligated by FEMA. Applications associated with estimated

suppression costs will be submitted to FEMA after all cost-share reconciliations have been completed.

Not all large fire costs are recovered through FEMA, reimbursement amounts may also be invoiced via cost share agreements, cooperative agreements, and/or private party cost recovery (Table 2).

Table 2 – Gross Large Fire Cost Summary (red indicates estimates – in millions) as of Jan. 19, 2023

Fire Protection Large Fire Cost Summary							
Fire Season	2017	2018	2019	2020	2021	2022	Total
Fire Costs	61.35	108.09	33.66	138.82	147.47	47.43	536.82
Currently Invoiced	(0.17)	(0.22)	(0.24)	(35.52)	(22.90)	(1.35)	(60.40)
Outstanding to Invoice	(0.08)	(0.38)	(0.43)	(2.74)	(33.05)	(27.03)	(63.71)

MGO Update

In January, the department began a technical collaboration effort with Macias, Gini & O’Connell (MGO) focused on building efficiencies into our cash flow projection tools. This effort builds upon incremental improvements occurring in our financial accounting practices and harnesses the value of having external professional expertise assessing our processes.

Sincerely,



Cal Mukumoto
 Oregon State Forester

- c:
- Legislative Fiscal Office
- Chief Financial Office
- Oregon State Treasury
- Board of Forestry
- Governor’s Office



March 1, 2023

Sen. Elizabeth Steiner Hayward, Co-Chair
Rep. Tawna Sanchez, Co-Chair
Joint Committee on Ways and Means
900 Court St. NE, H-178
Salem, OR 97301

Re: Oregon Department of Forestry (ODF)—Monthly financial condition report

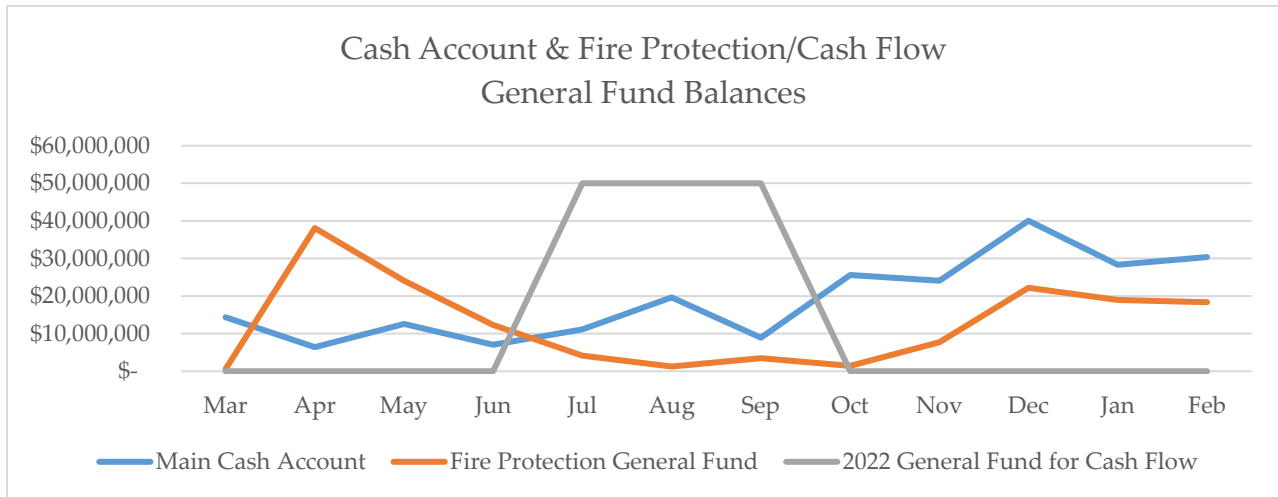
Dear Co-Chairs,

Cash and General Fund Balances

As of Feb. 21, ODF's main cash account balance was \$30.3 million, and the Protection Division General Fund appropriation balance was \$18.3 million (Figure 1).

Between January and February, the cash account balance had a net increase of \$2 million while the Protection Division General Fund balance had a net decrease of \$595,000.

Figure 1 - Cash Account and Fire Protection/Cash Flow General Fund Balances as of Feb. 21, 2023



Financial Projections

Net financial activity for January 2023 resulted in a decrease to the department’s end of month main cash balance (Table 1).

Table 1 - Financial Projections through Feb. 23, 2023 (in thousands)

	23-Jan		23-Feb	23-Mar
	Projection	Actual	Projection	Projection
Total Revenue	\$25,498	\$1,885	\$15,711	\$19,508
Total Expenditures	(\$14,737)	(\$12,056)	(\$13,182)	(\$14,188)
Net Total Exp/Rev	\$10,762	(\$10,171)	\$2,529	\$5,320
Beginning Cash Balance	\$56,516	\$56,516	\$46,983	\$49,512
End of Month Cash Balance*	\$67,278	\$46,983	\$49,512	\$54,832
Less: Dedicated Funds	(\$17,037)	(\$18,170)	(\$19,088)	(\$19,466)
End of Month Main Cash Balance	\$50,241	\$28,814	\$30,424	\$35,366
Available GF Appr	\$58,731	\$57,342	\$57,281	\$57,220
Available Resources	\$108,971	\$86,156	\$87,705	\$92,586

* Includes reconciliation for non-cash revenue and expenditure transactions.

Actual revenue was significantly less than projected revenue primarily due to two projection assumptions:

1. The final reimbursement to the Federal Forest Restoration General Fund appropriation was projected as an expenditure reclassification but was recorded as a reduction to revenue, and
2. Forest patrol assessment revenue for January was calculated based on an average of the prior three months, which resulted in an overstated revenue projection.

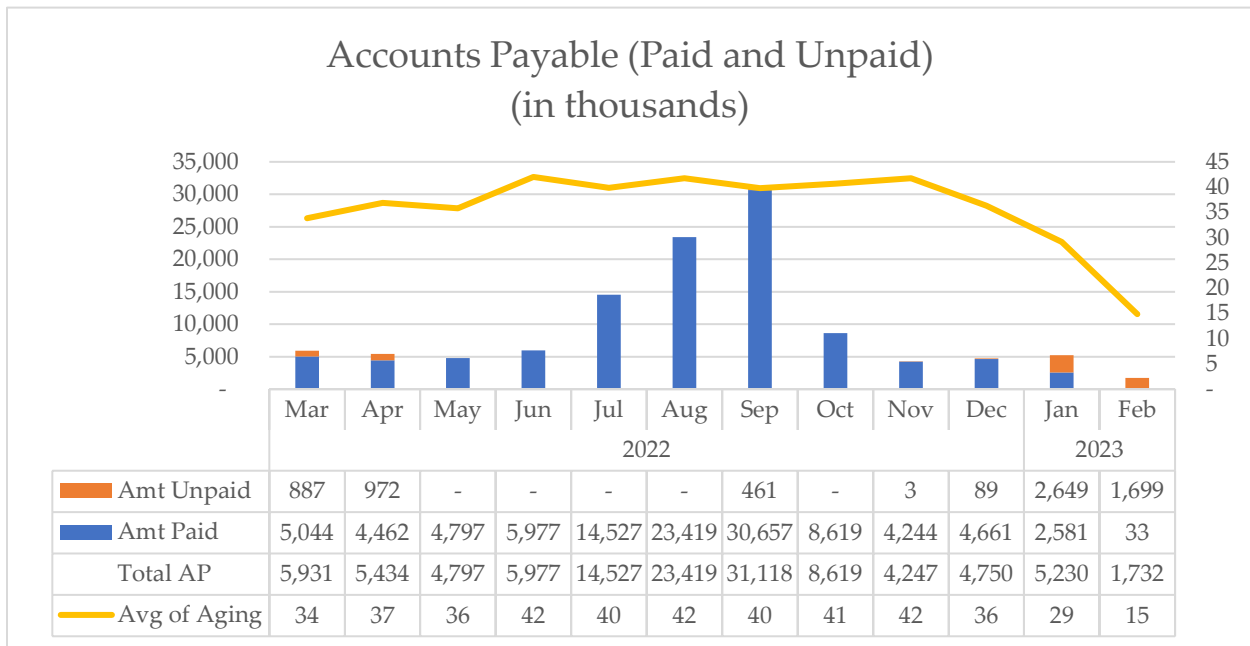
Due to the high-level projection model used by the department, challenges exist when trying to isolate financial activity related to correcting entries versus regular business operations. Though all General Fund appropriations have been reimbursed for previous fire season cash flow mitigation usage, ongoing financial reconciliations may result in additional entry corrections between programs and/or funding streams. This is a byproduct of improving internal business processes and enhancing oversight responsibilities to ensure accurate financial reporting, a critical element in reasonably projecting future activity.

In collaboration with Macias, Gini & O’Connell (MGO), redesigning the department’s projection model through automation and increased transparency is the next step to improving the department’s financial accountability and establishing a sustainable long-term financial planning tool.

Accounts Payable

The total accounts payable activity between November 2022 and January 2023 averaged \$4.7 million per month (Figure 2). This average is 11.3% less than the \$5.3 million monthly average reported one year prior.

Figure 2 - Accounts Payable as of Feb. 23, 2023

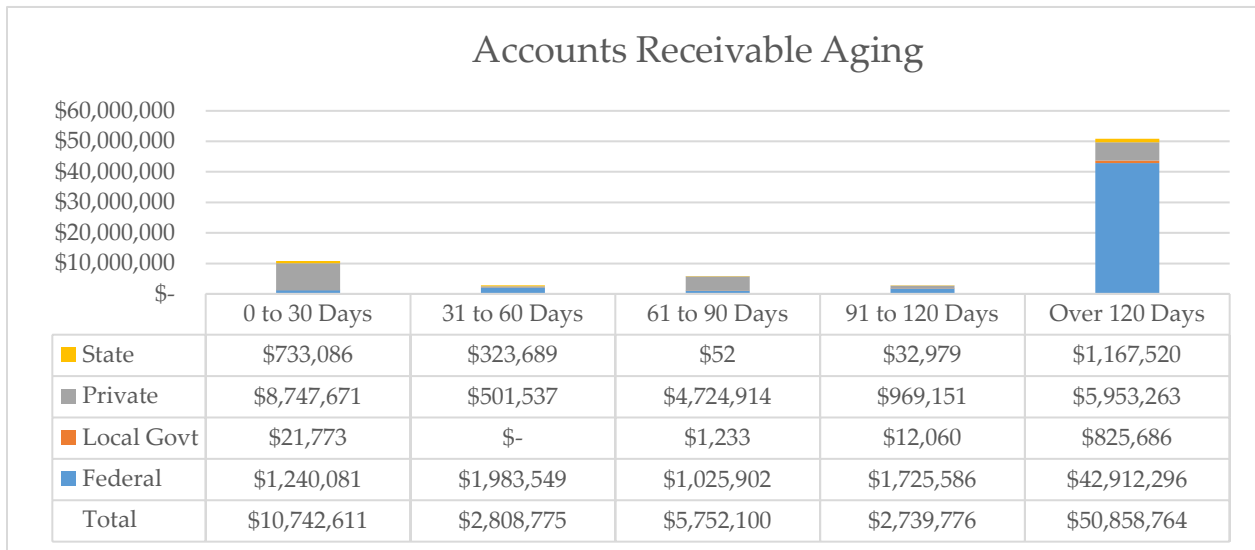


The department experienced a significant increase in travel expense reimbursement requests between November 2022 and February 2023 compared to the prior year. Between November 2021 and February 2022, the ODF Disbursements Unit processed 370 travel expense reimbursements. Between November 2022 and February 2023, the unit processed 865 travel expense reimbursements, an increase of 133.8%. This increase in travel claims are a result of more in person attendance at training and meetings compared with during the pandemic the same events were held virtually.

Accounts Receivable

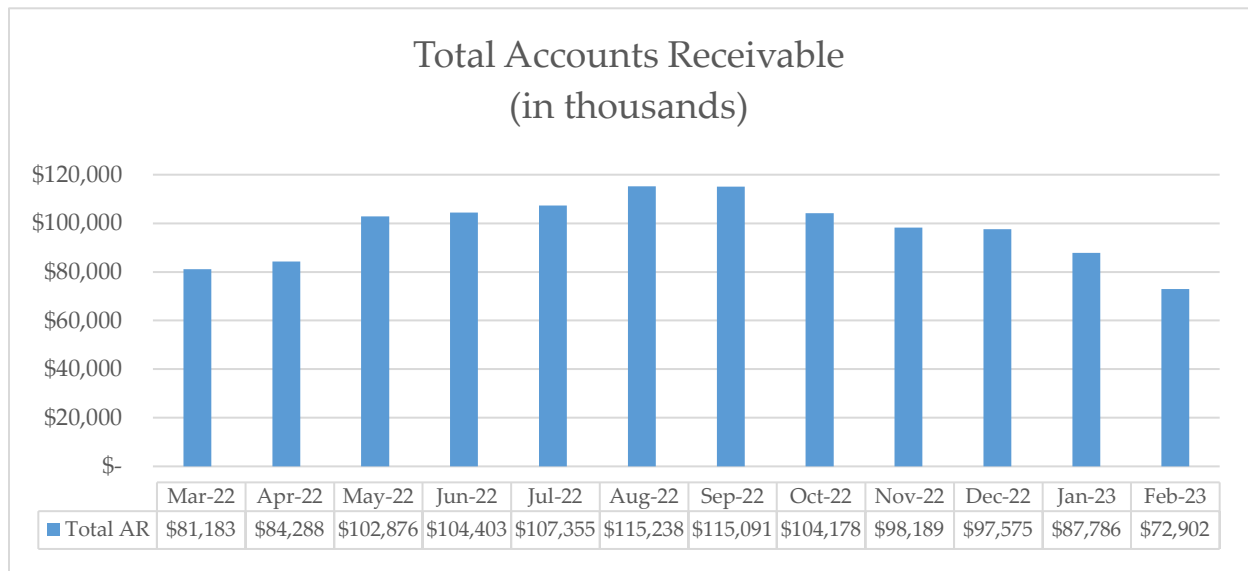
Between January and February, there was a net decrease of \$14.9 million in the total accounts receivable balance (Figure 3). Most notably, the department received a \$16.5 million reimbursement from the FEMA-Fire Management Assistance Grant (FMAG) Program for the 2021 Bootleg fire suppression claim; the account was aged 185 days.

Figure 3 – Total Accounts Receivable as of Feb. 21, 2023



Accounts aged over 120 days equate to \$50.9 million, or 69.8%, of the total balances owed to ODF (Figure 4). Of these aged accounts, the majority are due from FEMA (\$36.5 million), federal partners (\$6.4 million), and private parties for cost recovery (\$6 million).

Figure 4 – Accounts Receivable Aging as of Feb. 21, 2023



Large Fire Costs

The department primarily recovers large fire costs through two FEMA programs. FEMA-Public Assistance (PA) grants are awarded to ODEM who, in turn, passes the funds through to ODF. FEMA-FMAG grants are awarded directly to ODF, and the department has immediate access to the funds once obligated.

As of Feb. 23, grant applications totaling \$41.8 million have been submitted to and are due from FEMA. Of that total, amounts associated with FEMA-PA grants equate to \$37.7 million and amounts associated with FEMA-FMAG grants equate to \$4.1 million.

The status of the department's 2020 PA grant applications is as follows (listed in the order applications are processed):

- Four grant amendments (\$875,000) are with ODEM pending initial grant application.
- Two grants (\$198,000) are pending FEMA final review.
- Thirty-four grants (\$36.6 million) have been obligated by FEMA and are pending ODEM audit/review and distribution to ODF.

The status of the department's FMAG applications is as follows (listed in the order applications are processed):

- Twelve grants (\$2.2 million) are pending FEMA initial review.
- One grant (\$1.2 million) is pending assignment to the Large Project Notification Queue.
- Four grants (\$755,000) are pending FEMA final review.

An additional \$7.3 million in estimated grant applications have yet to be submitted to FEMA. The estimated costs for those applications are as follows:

- Six grants (\$427,000) are related to 2018 FMAG estimated administrative costs.
- One grant (\$180,000) is related to 2019 FMAG estimated administrative costs.
- One grant (\$180,000) is related to supplemental 2020 FMAG estimated suppression costs.
- Five grants (\$698,000) are related to 2020 PA estimated supplemental suppression costs.
- Three grants (\$424,000) are related to 2020 FMAG estimated administrative costs.
- Two grants (\$5.3 million) are related to 2021 FMAG estimated supplemental suppression costs.
- Three grants (\$33,000) are related to 2021 FMAG estimated administrative costs.
- One grant (\$53,000) is related to 2022 FMAG estimated suppression costs.

Applications associated with administrative costs cannot be submitted to FEMA until all ODF and subrecipient grants have been obligated by FEMA. Applications associated with estimated

suppression costs will be submitted to FEMA after all cost-share reconciliations have been completed.

Not all large fire costs are recovered through FEMA. Reimbursement amounts may also be invoiced via cost share agreements, cooperative agreements, and/or private party cost recovery. All cost recovery types are included in the numbers provided in Table 2.

Table 2 – Gross Large Fire Cost Summary (red indicates estimates – in millions) as of Feb. 21, 2023

Fire Protection Large Fire Cost Summary							
Fire Season	2017	2018	2019	2020	2021	2022	Total
Fire Costs	61.35	108.09	33.66	138.79	147.64	47.70	537.23
Currently Invoiced	(0.29)	(0.22)	(0.24)	(35.52)	(5.95)	(3.48)	(45.70)
Outstanding to Invoice	(0.00)	(0.38)	(0.43)	(2.74)	(33.06)	(24.48)	(61.09)

MGO Update

The department is continuing collaboration with MGO on building efficiencies into our cash flow projection tools. This recent effort builds upon incremental improvements occurring in our financial accounting practices and harnesses the value of having external professional expertise available.

Sincerely,



Cal Mukumoto
 Oregon State Forester

c:
 Legislative Fiscal Office
 Chief Financial Office
 Oregon State Treasury
 Board of Forestry
 Governor’s Office