

Agenda Item No:	A
Work Plan:	Administrative
Topic:	Financial Dashboard
Presentation Title:	Department Financial Report for September and October 2022
Date of Presentation:	November 16, 2022
Contact Information:	Bill Herber, Deputy Director for Administration (503) 945-7203, bill.herber@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 direct impacts to 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 September 2022
- 2) Department of Forestry Financial Report for October 2022



October 3, 2022

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

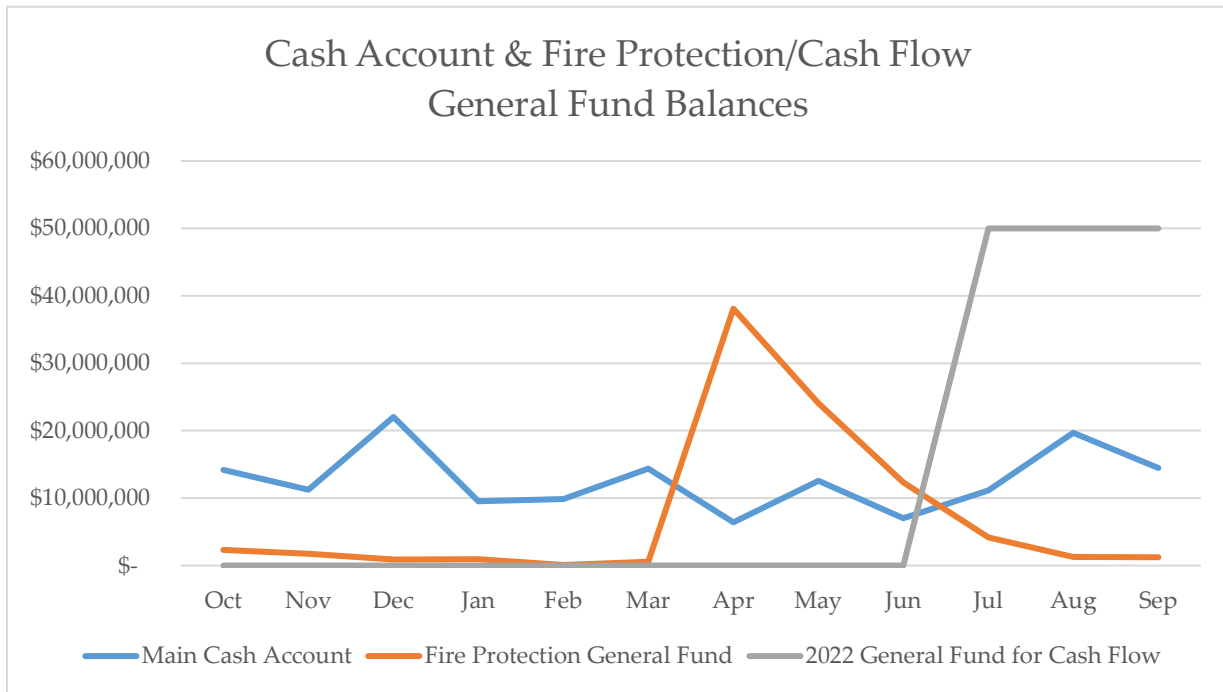
Re: Oregon Department of Forestry (ODF)—Monthly financial condition report

Dear Co-Chairs,

Cash and General Fund Balances

The department's main cash account balance decreased \$5.2 million (26.5%) between August and September, resulting in a balance of \$14.5 million (Figure 1). Though cash is down due to fire costs, the department has been able to manage payment of those costs internally due to consistent inflows of timber sales revenues and cost share reimbursements.

Figure 1 - Cash Account and Fire Protection/Cash Flow General Fund Balances as of September 19, 2022



Fortunately, the 2022 fire season has been moderate. Accordingly, the financial demands have not been as significant as in years past. As a result, the department has not drawn from the \$50 million of General Fund appropriated in June 2022 to assist with cash flow needs during fire season. Although the department has been very successful at managing using internal cash resources thus far, the bulk of fire costs typically come due in November, which means the department may yet need to use the \$50 million General Fund appropriation.

The Fire Protection General Fund balance decreased \$55 thousand between August and September, resulting in a balance of \$1.2 million (Figure 1). The department is reviewing Fire Protection General Fund expenditures to determine if cost reallocations are necessary. The Federal Emergency Management Agency (FEMA) reimbursements anticipated to arrive over the next several weeks will provide some relief to the Fire Protection General Fund shortage, though a significant portion of the proceeds will be used to pay outstanding invoices due to the U. S. Forest Service.

Financial Projections

Since July fiscal month data was unavailable until early September, the financial projections compared to actuals for both July and August are included herein (Table 1).

Table 1 - Financial Projections through September 19, 2022 (in thousands)

	22-Jul		22-Aug		22-Sep	22-Oct
	Projection	Actual	Projection	Actual	Projection	Projection
Total Revenue	\$24,201	\$32,359	\$39,651	\$36,416	\$39,324	\$46,783
Total Expenditures	(\$25,144)	(\$37,211)	(\$24,560)	(\$25,464)	(\$35,810)	(\$37,337)
Net Total Exp/Rev	(\$942)	(\$4,852)	\$15,091	\$10,952	\$3,513	\$9,446
Beginning Cash Balance	\$24,879	\$25,220	\$23,937	\$23,757	\$38,541	\$42,055
End of Month Cash Balance*	\$23,937	\$23,757	\$39,028	\$38,541	\$42,055	\$51,501
Less: Dedicated Funds	(\$18,105)	(\$18,087)	(\$7,769)	(\$18,426)	(\$18,500)	(\$18,677)
End of Month Main Cash Balance	\$5,832	\$5,670	\$31,259	\$20,116	\$23,554	\$32,824
Available GF Appr	\$114,262	\$108,749	\$113,420	\$101,788	\$97,105	\$84,542
Available Resources	\$120,094	\$114,419	\$144,679	\$121,904	\$120,660	\$117,366

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

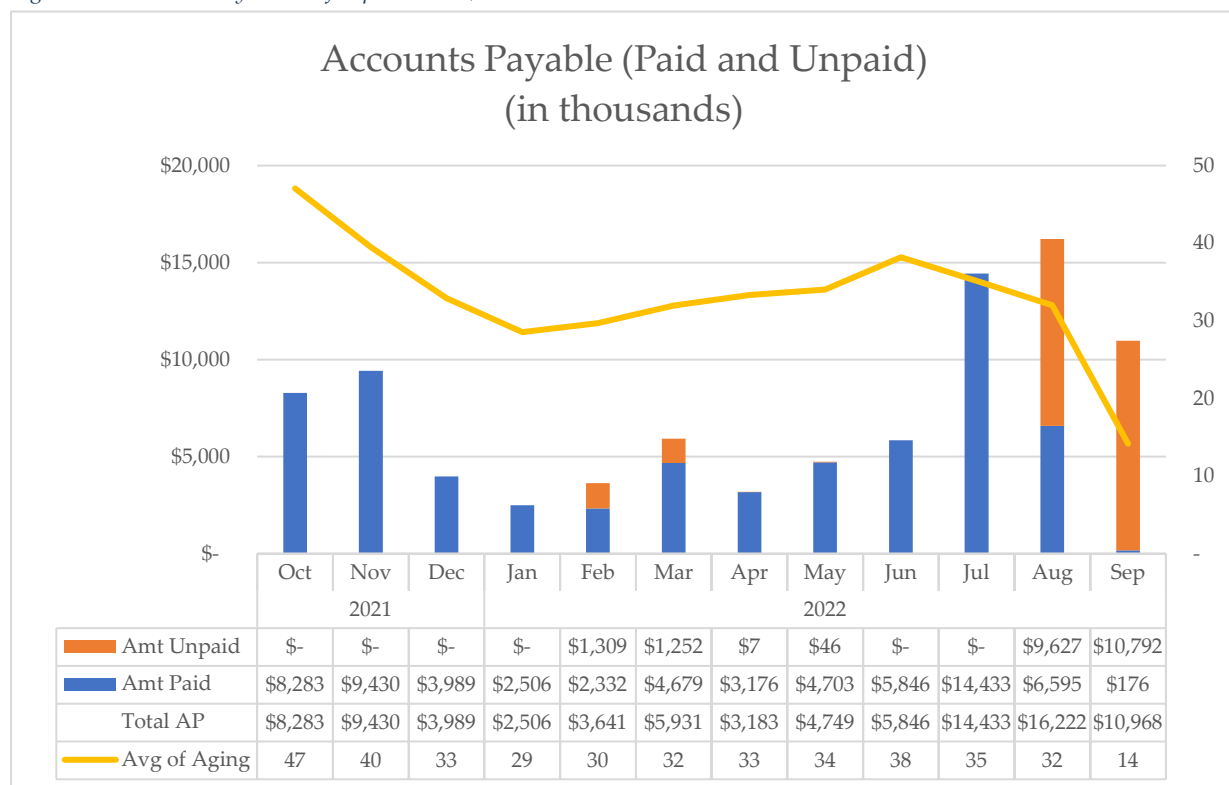
Efforts continue to improve the department’s methodology for projecting financial activity; however, the modifications made over the past few months seem to be moving this work in the right direction.

The projected end-of-month cash balance for October of \$51.5 million includes the 2020 FEMA reimbursement of \$24.6 million, net of projected 2022 fire costs, payments to the U. S. Forest Service, and quarterly county timber revenue distributions. The projected balance will be used to replenish General Fund resources previously used to assist with cash flow challenges and offset Fire Protection General Fund expenditures to ensure the division has the financial resources needed for the remainder of the 2021-23 biennium.

Accounts Payable

The seasonal increase in total accounts payable directly relates to the cost of protecting the landscape against wildfire (Figure 2). District staff and payment teams respond quickly after a fire to code and upload invoices into Oregon Buys, the department’s primary payment system, which enables the Disbursements Unit to process the payments. The influx in fire related invoices results in a disproportionate balance of unpaid accounts payable due to an increased number of people uploading invoices but no additional people processing the payments (Figure 2).

Figure 2 - Accounts Payable as of September 19, 2022



Accounts Receivable

Total accounts receivable decreased \$147,000 between August and September (Figure 4). Collections have primarily been related to current receivables (0-30 days), though some federal accounts over 120 days were collected during the past month (Figure 3).

Of the \$115.1 million balance of outstanding accounts receivable, amounts due from FEMA represent \$82 million. For more information about the status of FEMA reimbursements, refer to page 5.

Figure 3 - Accounts Receivable Aging as of September 19, 2022

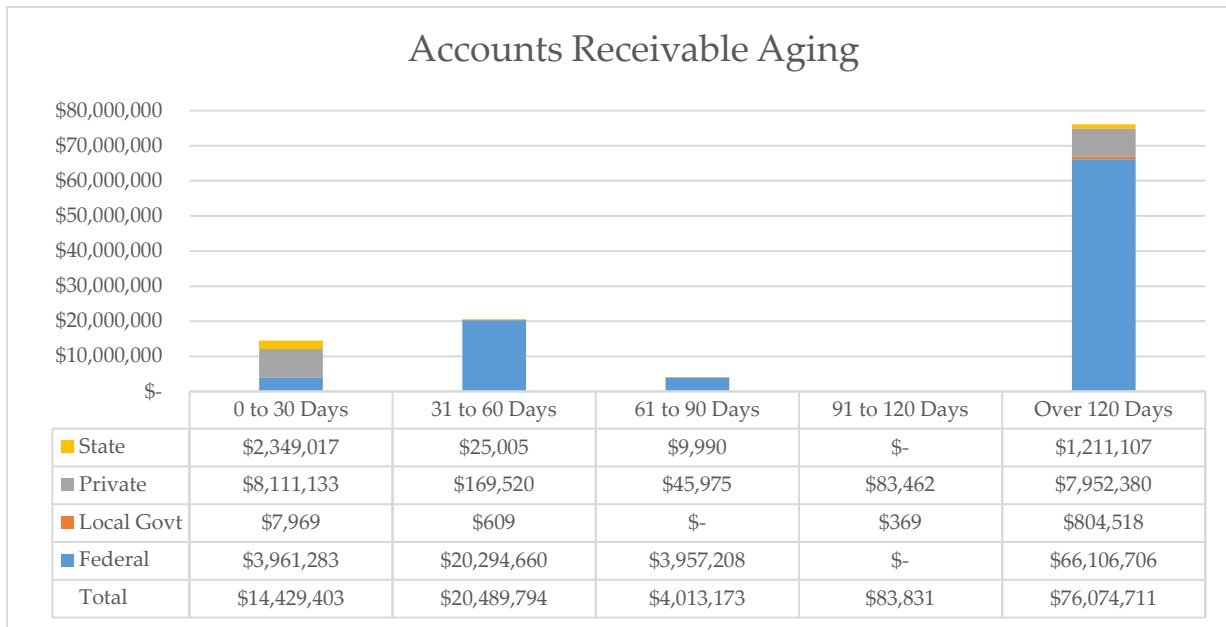
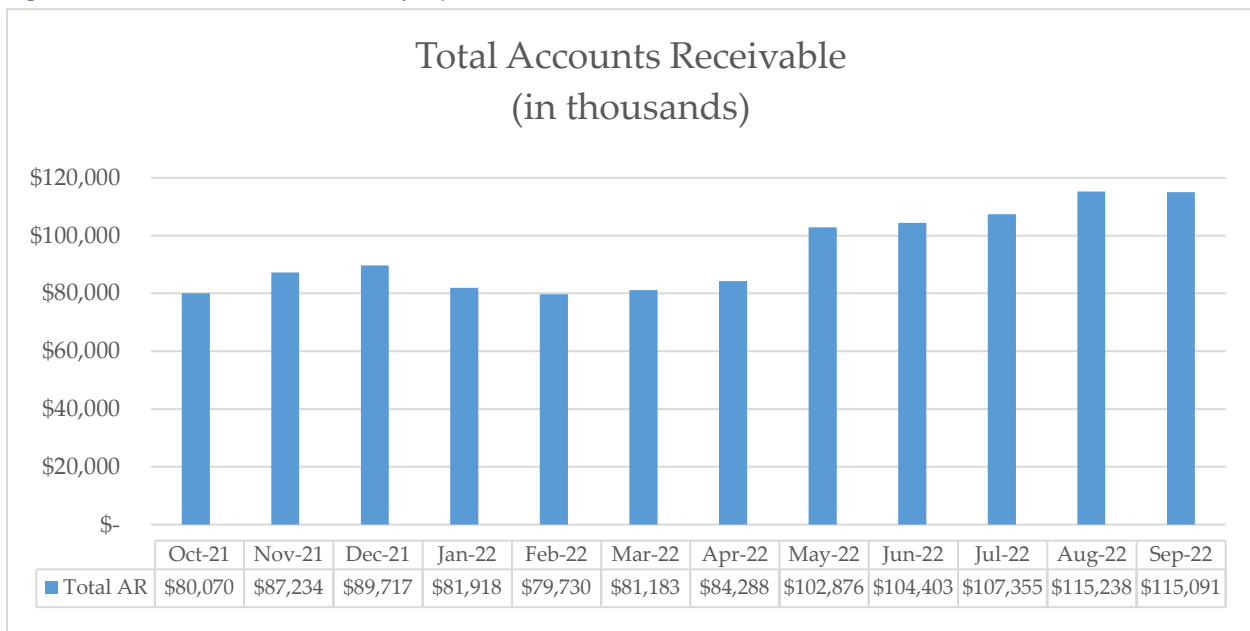


Figure 4 - Total Accounts Receivable as of September 19, 2022



Large Fire Costs

Public Assistance (PA) grant applications totaling \$26.7 million were obligated by FEMA and, of that amount, payment requests totaling \$25.5 million were submitted to the Oregon Department of Emergency Management (ODEM) for processing.

ODF has been working closely with ODEM to expedite the review and payment of obligated PA grant applications. Additionally, since the Department of Administrative Services (DAS) provides accounting support to the newly established ODEM, DAS-Shared Financial Services was contacted and asked to prioritize the payments upon receipt. Barring any unforeseen delays in ODEM’s review process, payments totaling \$24.6 million are expected to be transferred to ODF before the end of October.

As of September 22, nine grants (\$34.3 million) are pending the Environmental and Historic Preservation (EHP) review; one grant (\$3.2 million) is in the U.S. Congress Large Project queue; three grants (\$737,000) are pending FEMA final review; and eight grants (\$26.7 million) have been obligated and are pending ODEM review and payment distribution.

ODF submitted supplemental costs for the 2020 Clackamas County Complex (\$411,000) to ODEM and expects to send the supplemental costs for the 2020 Holiday Farm fire (\$3 million) in early October. The remaining \$2.7 million in estimated supplemental costs for the 2020 fire season will be submitted to ODEM shortly thereafter.

In addition to the 2020 PA grant application status changes, several outstanding Fire Management Assistance Grant (FMAG) applications were paid, including six 2015 admin claims (\$439,000), two 2016 admin claims (\$72,000), and one 2019 repositioning claim (\$308,000). Payment of the 2015 and 2016 admin claims allowed for the completion and closeout of both fire seasons, which will no longer be reported on in the fire cost summary. The estimated admin claims remaining for 2017 and 2018 are reflected in the outstanding to invoice amounts for the respective fire seasons (Table 2).

Table 2 – Gross Large Fire Cost Summary (red indicates estimates – in millions) as of September 19, 2022

Fire Protection Large Fire Cost Summary						
Fire Season	2017	2018	2019	2020	2021	Total
Fire Costs	61.35	108.09	33.79	138.78	146.06	488.07
Currently Invoiced	(0.17)	(0.22)	(0.26)	(66.67)	(26.47)	(93.79)
Outstanding to Invoice	(0.08)	(0.38)	(0.43)	(8.22)	(38.82)	(47.93)

MGO Update

September has been focused on internal work efforts, continuing our progress towards key deliverables within our [department's Implementation Management Plan v4](#), aligning priorities for mitigating risk with [Macias, Gini & O'Connell's \(MGO\) second assessment](#) of the department, and recruiting to staff the Administrative Modernization Program, which has a central role in implementing the recommendations. ODF has completed eight of MGO's recommendations and has made significant progress on nine additional recommendations. MGO will perform subsequent reviews through mid-2023 and our next report to the Board of Forestry is planned for November 2022.

Sincerely,



Cal Mukumoto
Oregon State Forester

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



Oregon

Kate Brown, Governor

Department of Forestry

State Forester's Office

2600 State Street

Salem, OR 97310

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www.oregon.gov/ODF

November 1, 2022

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,

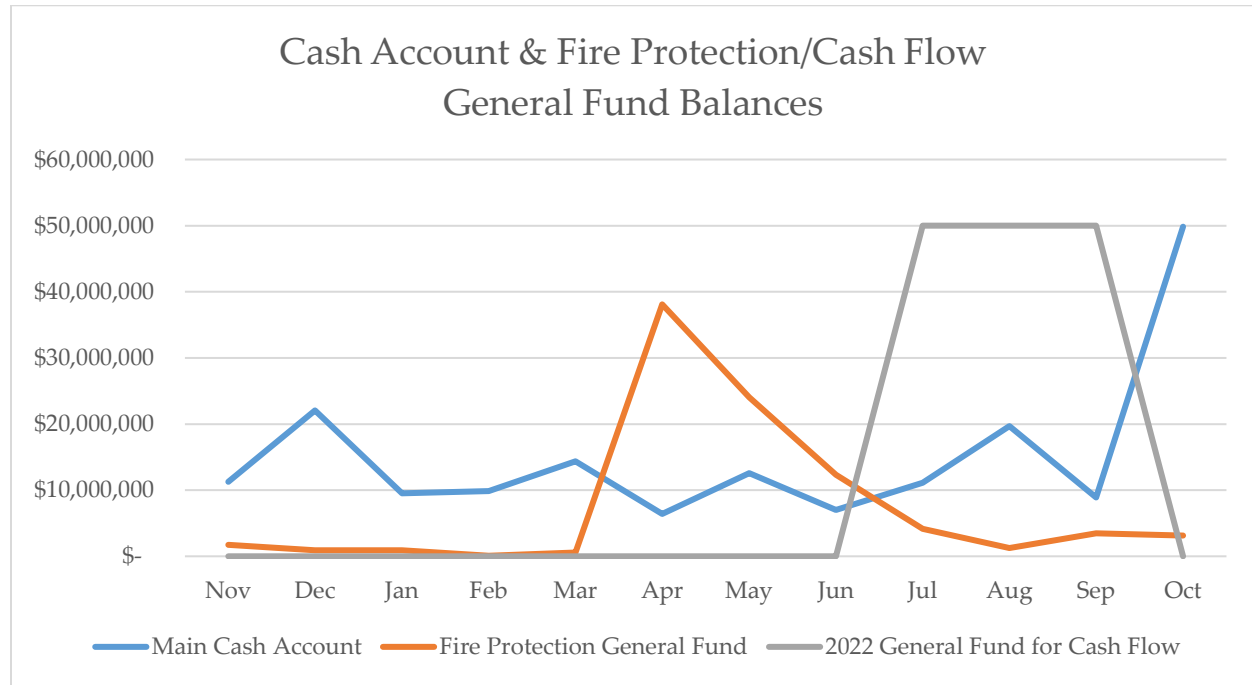
Cash and General Fund Balances

With the 2022 fire season officially at an end, it will be considered modest by most accounts especially in the context of the previous years. The department's initial attack success on fires emerging on the landscape was impressive, keeping most fires at ten acres or less over 96% of the time. This is a key metric as it has been shown to directly correspond to the complexity and therefore the cost of the fire season. With this success, the department was able to keep costs of emergency fire suppression to an estimated gross of \$35 million with net costs for the fire season running slightly above \$17 million.

Even with this good news on the operational front, the department still struggles to manage the unbudgeted liability of paying for fire season costs. Of course, the biggest driver for this is the cumulative effect of paying for back-to-back fire seasons along with the length of time it takes to recover costs for those expenditures. But every fire season is unique and brings its own challenges. This year even though direct costs were relatively low for the department, it did incur significant indirect costs by facilitating the acquisition of suppression resources for partners. This is part of being a complete and coordinated wildfire suppression system and allows the department to minimize the threat to ODF-protected lands but does put immediate pressure on cash reserves. These costs will be reimbursed, but they do represent how any wildfire within the state can have impacts on the department's financial situation.

Exacerbating the department's current cash situation was the unanticipated delays associated with the Oregon Department of Emergency Management (ODEM) transferring available Federal Emergency Management Agency (FEMA) grant funds to ODF. In order to facilitate the payment of incoming fire bills as well as ensure the day-to-day operation of the department, the \$50 million General Fund appropriated to alleviate cash flow challenges was transferred in full to the department's main cash account in early October (Figure 1).

Figure 1 - Cash Account and Fire Protection/Cash Flow General Fund Balances as of October 24, 2022



Having the pre-authorized access to use the \$50 million General Fund appropriation allowed the department to mitigate cash flow concerns related to paying end of season payroll costs, outstanding fire-related invoices, and the quarterly harvest tax distribution to counties. As of October 24, the department’s main cash account balance was \$49.8 million.

Cost reallocations between General Fund appropriations continue to occur to provide the Fire Protection Division financial resources needed to fund ongoing operations. The Fire Protection General Fund balance of \$3.1 million on October 24, represented 2.6% of the Legislatively Approved Budget for the division (Figure 1). With over 33% of the biennium remaining, additional cost reallocations will be required to fund the Fire Protection Division through June 30, 2023.

Financial Projections

Actual revenues for September were \$25.8 million less than projected (Table 1). This variance was attributed to fewer FEMA 2020 large fire reimbursements received from ODEM, fewer transfers in from other funding sources, and less timber sales revenue.

Using proceeds from the FEMA 2020 large fire reimbursements, the department expected to pay a portion of the outstanding invoices due to the United States Forest Service (USFS) for the corresponding fires. Since the FEMA reimbursements were not received from ODEM in September, the USFS invoices were not paid which contributed to actual September expenditures being less than projected (Table 1).

Table 1 - Financial Projections through October 24, 2022 (in thousands)

	22-Sep		22-Oct	22-Nov
	Projection	Actual	Projection	Projection
Total Revenue	\$39,324	\$13,478	\$74,765	\$52,269
Total Expenditures	(\$35,810)	(\$23,751)	(\$49,808)	(\$63,597)
Net Total Exp/Rev	\$3,513	(\$10,273)	\$24,956	(\$11,328)
Beginning Cash Balance	\$38,541	\$38,541	\$25,054	\$50,011
End of Month Cash Balance*	\$42,055	\$25,054	\$50,011	\$38,683
Less: Dedicated Funds	(\$18,500)	(\$16,233)	(\$16,402)	(\$19,227)
End of Month Main Cash Balance	\$23,554	\$8,822	\$33,608	\$19,456
Available GF Appr	\$97,105	\$97,971	\$38,648	\$63,317
Available Resources	\$120,660	\$106,793	\$72,257	\$82,774

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

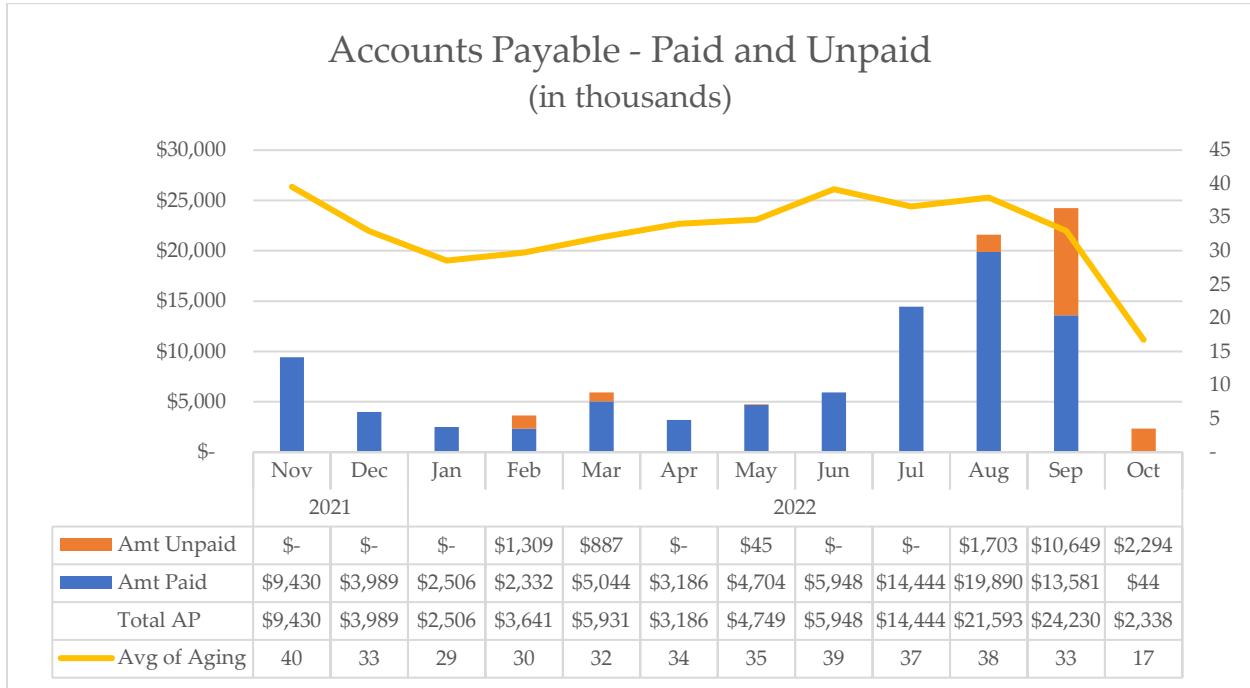
With less than projected revenue received in September, the department transferred the \$50 million General Fund appropriated during the June 2022 Emergency Board hearing to Other Funds to mitigate anticipated cash flow concerns. To support the General Fund transfer, the department used project application amounts submitted to FEMA for four 2020 large fires (Archie Creek, Beachie Creek, South Obenchain, and Two Four Two) and two 2021 large fires (Bootleg and Patton Meadow). Once the revenue from these projects is received from FEMA and the department determines that current cash flow needs are met, these moneys will be transferred to the State Forestry Department Cash Flow Repayment Fund for reversion to the General Fund as outlined in House Bill 4156.

The October revenue projection includes the \$50 million General Fund transfer and 2020 FEMA large fire reimbursements received from ODEM early in the month. Once all 2022 fire season invoices have been paid, the available cash balance will be used to reimburse the department's General Fund appropriations that were used during the biennium to resolve previous cash flow challenges. These reimbursements (previously referred to as cost reallocations) are projected to occur in November as illustrated by the above-average expenditures and increases in *Available GF Appr*.

Accounts Payable

As depicted by the significant decrease in total accounts payable activity between September and October, it appears most invoices associated with the 2022 fire season have been submitted for payment (Figure 2). Even with the influx in accounts payable activity during the months of July, August, and September, the Disbursements Unit maintained an average aging of less than 40 days (Figure 2). This was only possible due to the availability of cash the department had throughout the fire season. Typically, the increased workload in triaging and mitigating cash flow due to lack of financial resources results in increased payment times.

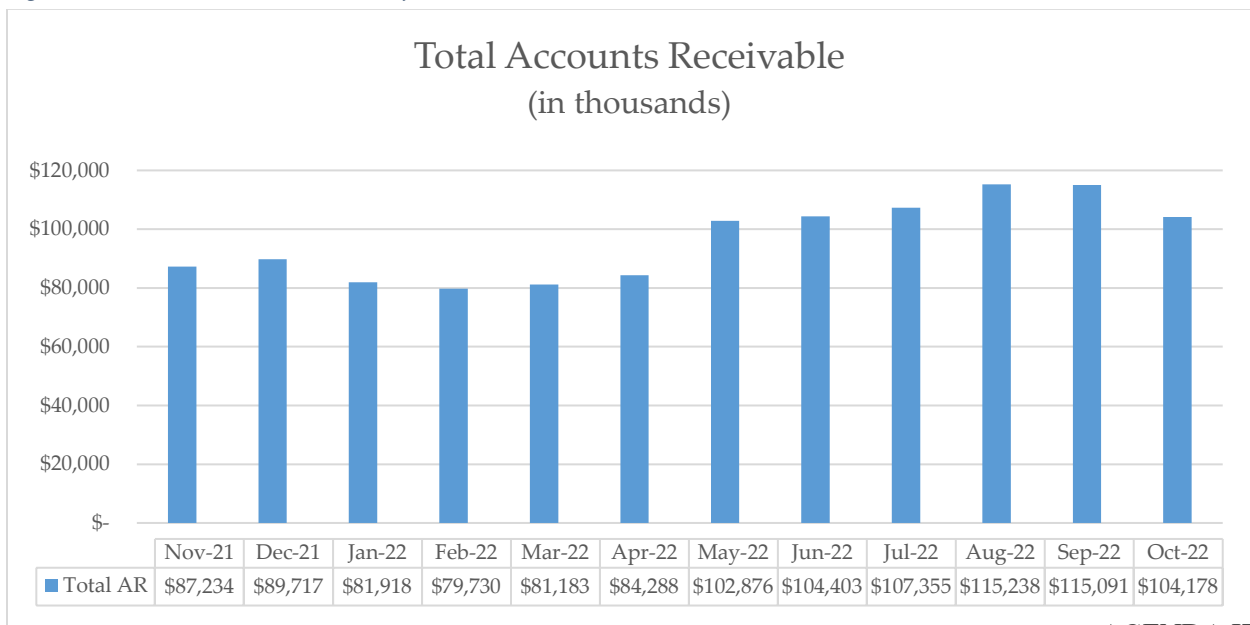
Figure 2 - Accounts Payable as of October 24, 2022



Accounts Receivable

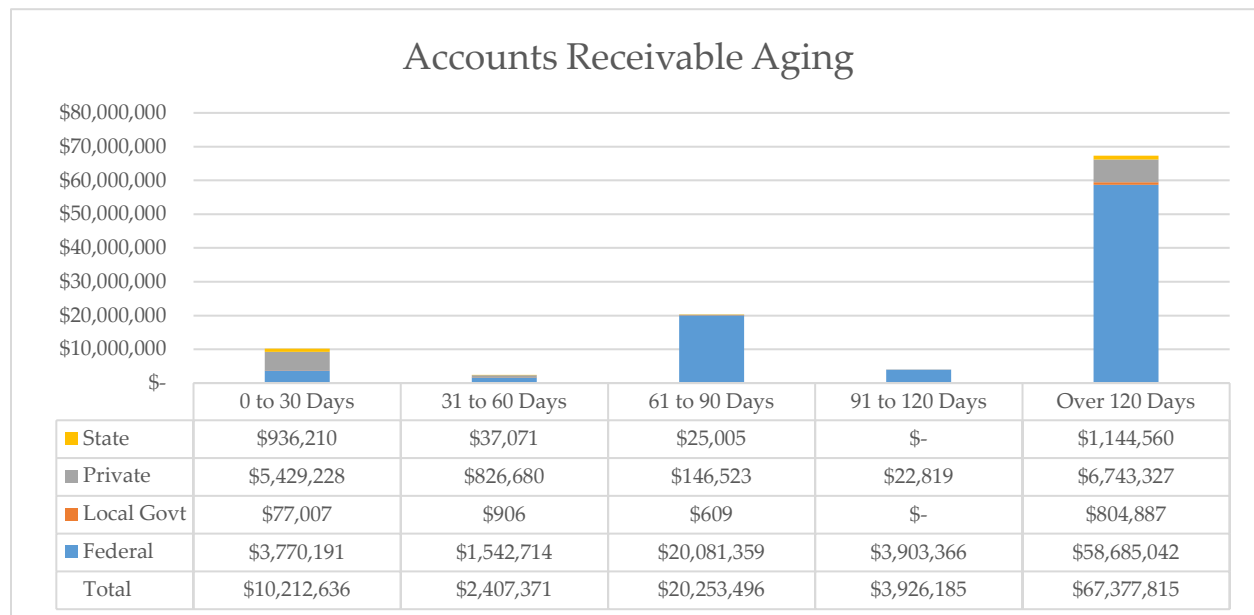
The total balance of outstanding accounts receivable decreased \$10.9 million between September and October (Figure 3). Most notably, payments totaling \$9.1 million were received from ODEM in early October for three 2020 FEMA Public Assistance (PA) grant large fires; all three accounts were aged over 120 days.

Figure 3 - Total Accounts Receivable as of October 24, 2022



Of the total \$104.2 million balance of outstanding accounts receivable, amounts due from federal partners, which includes FEMA, represent \$88 million, or 84.5% of all awaiting revenue (Figure 4).

Figure 4 - Accounts Receivable Aging as of October 24, 2022



Large Fire Costs

PA grant applications totaling \$32.9 million have been obligated by FEMA and are available for distribution to ODF. Since ODEM is the grantee for these 2020 PA grants, they are requiring all the applications to be re-audited before transferring the funds to ODF. Unfortunately, the timeline for ODEM to complete their review/audit process is unclear and fluctuates.

Using the 2020 Holiday Farm fire as an example, two grant applications were submitted to FEMA which included contract costs reimbursable at 90% and 100%. FEMA obligated both applications on September 14 totaling \$15.7 million; however, ODEM is processing the applications using costs reimbursable at 75% and 100%. This equates to an initial payment request totaling \$15.5 million; per ODEM, the remaining \$200 thousand will be processed separately later. After six weeks, ODEM is still reviewing the applications that were previously approved and obligated by FEMA. Once ODEM completes the reviews, it may take another 5-10 business days before transferring the funds to ODF.

ODF requested that ODEM modify their standard review processes to expedite the transfer of FEMA obligated funds to ODF; however, various ODEM challenges (e.g., staffing limitations, the need for policy updates related to small projects, office relocation) have delayed the review and transfer process. These delays contributed to ODF receiving only \$9.1 million of the \$24.6 million the department anticipated receiving by the end of October.

While FEMA Region 10 partners have honored the recent request to move the 2020 PA grant applications through the process as quickly as possible, the state of Oregon has not done the same. As a result, the \$32.9 million is available to be transferred to ODF, but not without first being subjected to ODEM’s additional review/audit processes.

As of October 24, within the PA grants, three grants (\$3.1 million) are with ODEM pending initial grant application; seven grants (\$23.1 million) are pending the Environmental and Historic Preservation (EHP) review by FEMA; with the remaining 17 grants (\$32.9 million) obligated and pending ODEM review. ODF expects to send the supplemental costs for the remaining 2020 fires (estimated at \$2.7 million) in November. As for the department’s FMAG grants, there have been no changes to report on the status of the \$19.1 million previously submitted to the FEMA Fire Management Assistance Grant (FMAG) Program (Table 2).

Table 2 – Gross Large Fire Cost Summary (red indicates estimates – in millions) as of October 20, 2022

Fire Protection Large Fire Cost Summary						
Fire Season	2017	2018	2019	2020	2021	Total
Fire Costs	61.35	108.09	33.79	138.78	146.57	488.58
Currently Invoiced	(0.17)	(0.22)	(0.23)	(60.42)	(23.91)	(84.95)
Outstanding to Invoice	(0.08)	(0.38)	(0.44)	(4.86)	(38.76)	(44.52)

MGO Update

October has been focused on internal work efforts, continuing progress towards key deliverables within the [department’s Implementation Management Plan v4](#), aligning priorities for mitigating risk with [Macias, Gini & O’Connell’s \(MGO\) second assessment](#) of the department, and progressively recruiting within the Administrative Modernization Program. ODF has completed eight of MGO’s recommendations and has made significant progress on nine additional recommendations. MGO will perform subsequent reviews through mid-2023 and the next report to the Board of Forestry is planned for November 2022.

Sincerely,



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- Legislative Fiscal Office
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