

Agenda Item No:	A
Work Plan:	Administrative
Topic:	Financial Dashboard
Presentation Title:	Department Financial Report for November and December 2022
Date of Presentation:	January 4, 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 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 November 2022
- (2) Department of Forestry Financial Report for December 2022



December 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

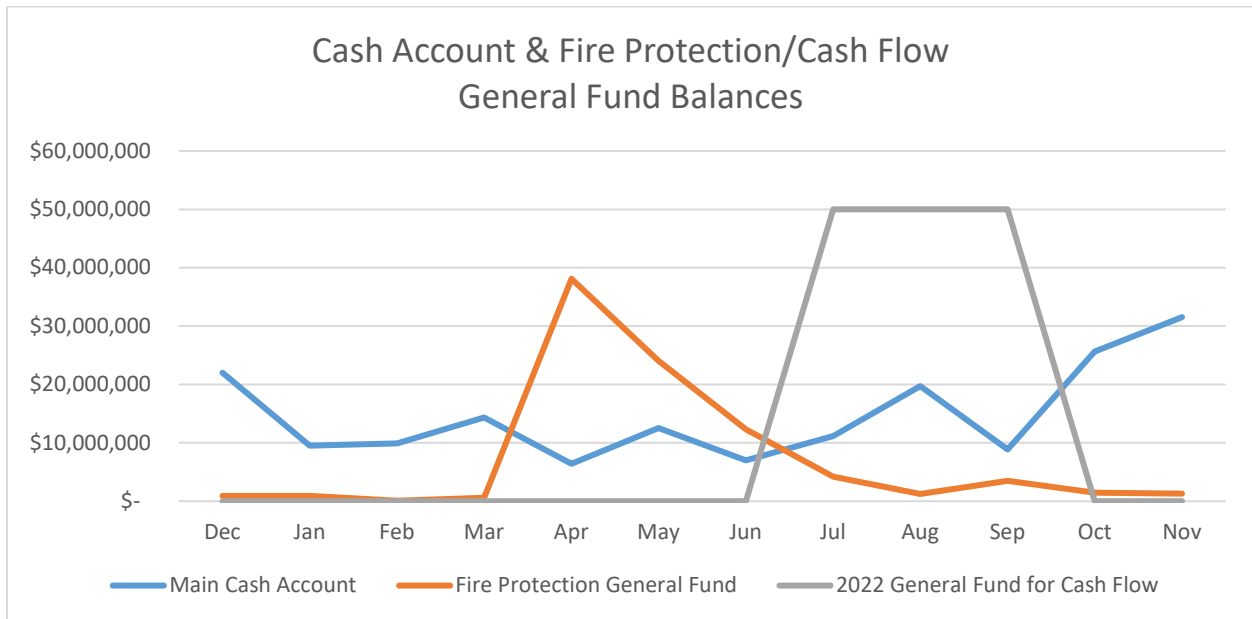
Re: Oregon Department of Forestry (ODF)—Monthly financial condition report

Dear Co-Chairs,

Cash and General Fund Balances

As of Nov. 21, ODF's main cash account balance was \$31.5 million (Figure 1). This balance will be used, in part, to reimburse program appropriations previously used to mitigate cash flow challenges due to firefighting costs. For example, \$7.5 million will be recoded as Other Fund to reimburse a portion of the Fire Protection General Fund appropriation used to pay suppression costs during the 2021 and 2022 fire seasons. The Fire Protection General Fund balance prior to reimbursement is \$1.3 million (Figure 1).

Figure 1 - Cash Account and Fire Protection/Cash Flow General Fund Balances as of Nov. 21, 2022



Additional recoding to Other Funds will occur as more federal reimbursements for firefighting costs are received. These actions will be coordinated to avoid additional adjustments to manage cash flow in the future.

Financial Projections

Actual revenues for October were \$10.5 million less than projected (Table 1). This variance is due primarily to timber sales revenue and large fire reimbursements being less than expected. Actual expenditures for October were \$1.5 million, or 3%, less than projected (Table 1).

Table 1 - Financial Projections through Nov. 21, 2022 (in thousands)

	22-Oct		22-Nov	22-Dec
	Projection	Actual	Projection	Projection
Total Revenue	\$74,765	\$64,312	\$61,147	\$60,047
Total Expenditures	(\$49,808)	(\$48,299)	(\$47,402)	(\$68,521)
Net Total Exp/Rev	\$24,956	\$16,013	\$13,745	(\$8,474)
Beginning Cash Balance	\$25,054	\$25,054	\$42,018	\$55,762
End of Month Cash Balance*	\$50,011	\$42,018	\$55,762	\$47,288
Less: Dedicated Funds	(\$16,402)	(\$16,896)	(\$19,712)	(\$21,553)
End of Month Main Cash Balance	\$33,608	\$25,121	\$36,050	\$25,735
Available GF Appropriation	\$38,648	\$41,672	\$19,759	\$19,771
Available Resources	\$72,257	\$66,793	\$55,809	\$45,505

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

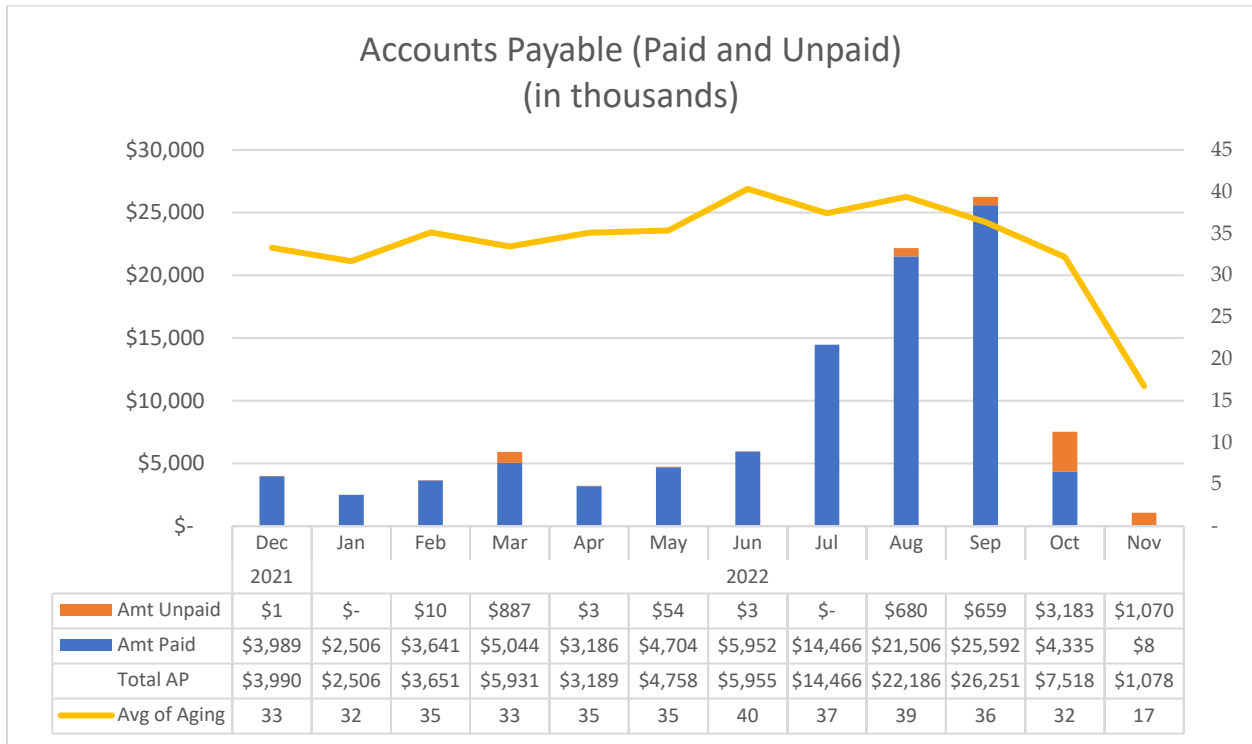
While significant progress has been made in refining financial projections, we acknowledge that further improvements to both the process and method of calculating these projections are needed. Representatives from Macias, Gini & O'Connell (MGO) have agreed to assist the department with this work. The first meeting on this topic is scheduled to occur after in mid-January.

Accounts Payable

The total accounts payable balance continues to decrease as the department transitions away from fire season (Figure 2). By using the \$50 million General Fund appropriation authorized during the June 2022 Emergency Board hearing, the department was able to process fire-related payments timely.

As of Nov. 23, accounts payable invoices totaling \$6.6 million remain unpaid, the majority of which are related to October and November invoices.

Figure 2 - Accounts Payable as of Nov. 23, 2022



Accounts Receivable

The total accounts receivable balance decreased \$6 million between October and November (Figure 3). The decrease was primarily due to a FEMA Public Assistance Program (PA) payment for the department’s claim related to fire suppression on the 2020 Holiday Farm fire, which was the account was aged over 120 days.

Amounts due from federal partners, which includes FEMA, represent \$75.3 million, or 76.7% of the total \$98.2 million balance of outstanding accounts receivable (Figure 4).

Figure 3 - Total Accounts Receivable as of Nov. 21, 2022

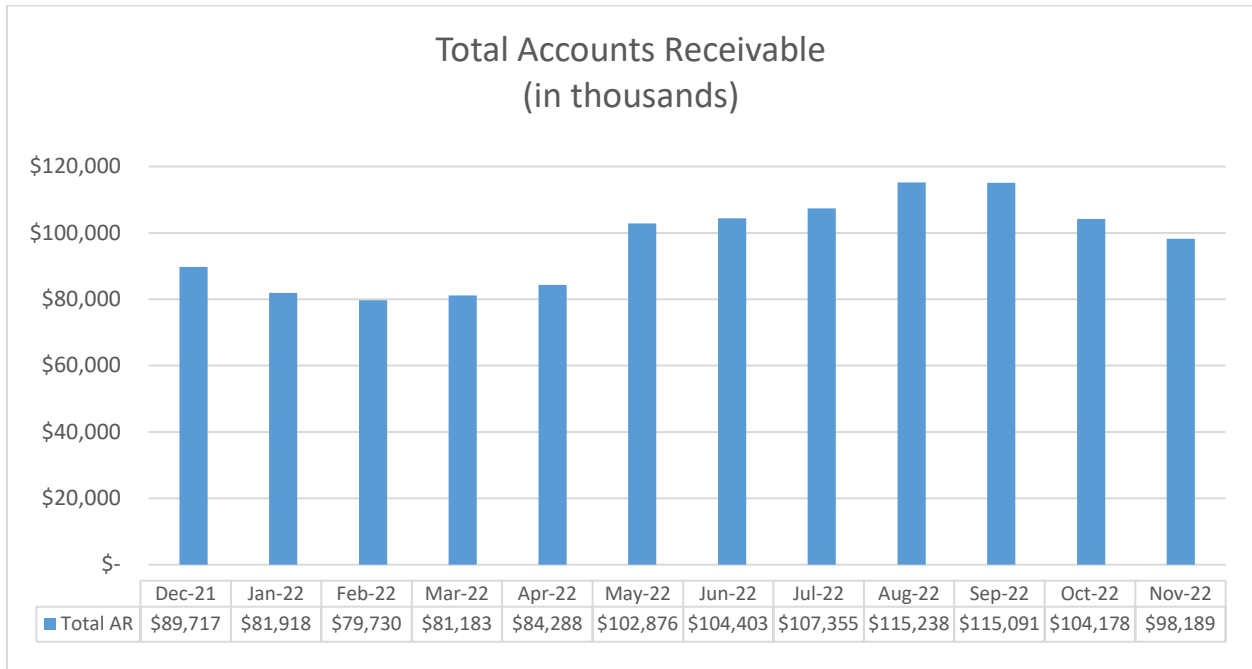
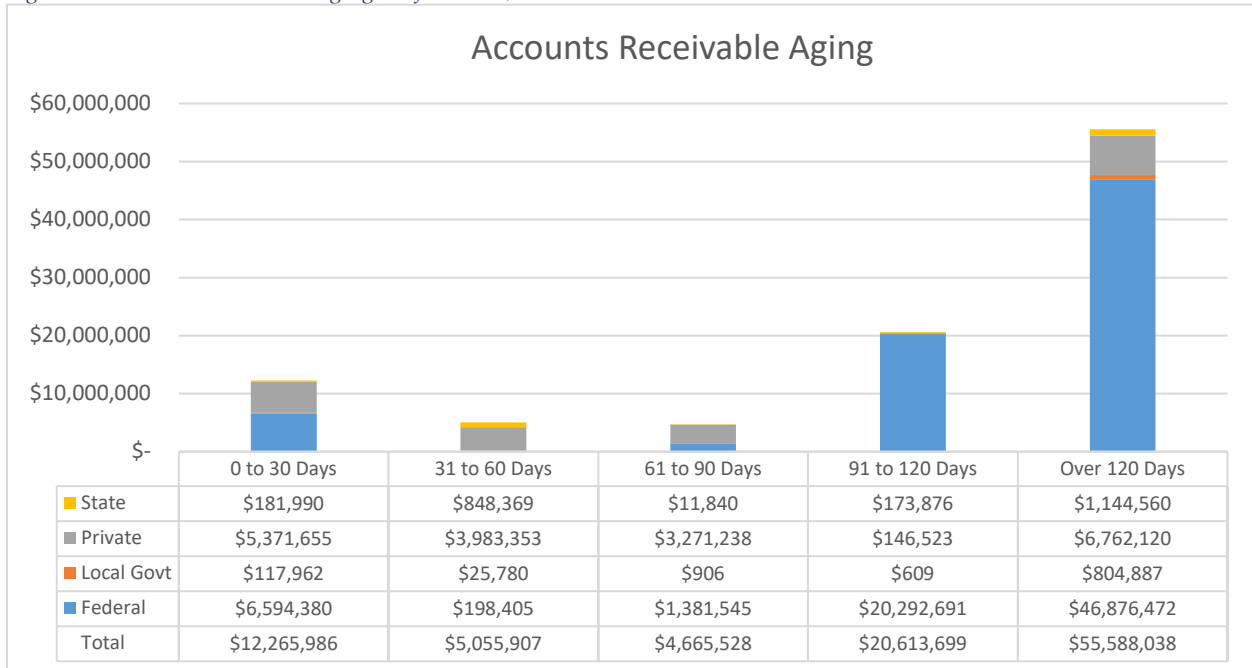


Figure 4 - Accounts Receivable Aging as of Nov. 21, 2022



Large Fire Costs

Large fire costs are funded through various revenue sources including, but not limited to, responsible private parties, the General Fund, the Oregon Forest Land Protection Fund, the Bureau of Land Management, the United States Forest Service, and FEMA (Table 2).

Table 2 – Gross Large Fire Cost Summary (red indicates estimates – in millions) as of Nov. 21, 2022

Fire Protection Large Fire Cost Summary						
Fire Season	2017	2018	2019	2020	2021	Total
Fire Costs	61.35	108.09	33.79	138.61	147.3	489.14
Currently Invoiced	(0.17)	(0.22)	(0.24)	(44.78)	(29.50)	(74.91)
Outstanding to Invoice	(0.08)	(0.38)	(0.43)	(4.48)	(33.16)	(38.53)

The most significant impact to the department’s cash flow challenges is the time between paying vendors for fire season support and obtaining reimbursement for eligible costs from external entities. Some portions of the process are within the department’s control (i.e., how quickly requests for reimbursement are distributed following fire season); however, it’s the portion outside of the department’s control which is the most concerning. Most notably, delays associated with reimbursements from FEMA under the Public Assistance (PA) and Fire Management Assistance Grant (FMAG) application processes.

As of November 21, amounts billed to FEMA for eligible fire costs totaled \$65.4 million¹. This includes \$46.2 million billed under the PA grant process and \$19.1 million billed under the FMAG process.

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

- Four grants (\$1.4 million) are with ODEM pending initial grant application.
- Seven grants (\$24.3 million) are pending the Environmental and Historic Preservation (EHP) review by FEMA.
- One grant (\$1.9 million) is pending assignment by FEMA to the Congressional Large Project Notification queue.

¹ Amounts reported represent the natural round of the full dollar amount. As such, adding rounded amounts may not equate to the amount reported as the total.

- Sixteen grants (\$18.6 million) have been obligated by FEMA and are pending OEM audit/review.

As for the department's FMAG applications, grants totaling \$871,000 are associated with 2020 fire prepositioning claims and grants totaling \$18.3 million are associated with 2021 fire suppression and prepositioning claims. ODF asked the Region 10 FMAG representatives in July 2022 to prioritize the review of the 2021 Bootleg fire suppression claim which represents 86.4% of the total outstanding FMAG applications.

MGO Update

November brought heightened collaboration between MGO and the department as two additional references were produced documenting progress implementing the 28 recommendations. The [department's Implementation Management Plan v5](#) provides detailed updates across all recommendations and associated deliverables while [MGO's third interim assessment review](#) provides an evaluation of risks mitigated and completion status. As of November's review, MGO confirmed full implementation of nine recommendations with the risks lowered, substantial completion of six more recommendations with risk ratings lowered, another six recommendations that are deemed in progress, and seven that have not yet been formally reviewed; however, the work has been initiated. MGO and the department will continue to perform subsequent reviews and reporting to the Board of Forestry through mid-2023.

Sincerely,



Cal Mukumoto
Oregon State Forester

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



December 30, 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

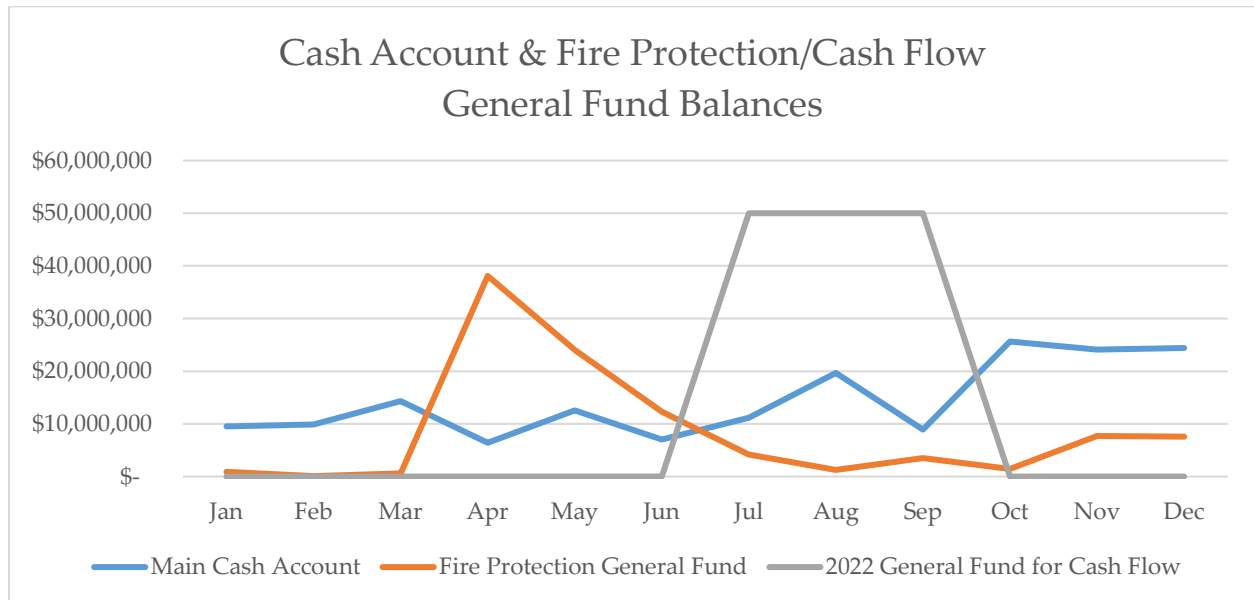
Re: Oregon Department of Forestry (ODF)—Monthly financial condition report

Dear Co-Chairs,

Cash and General Fund Balances

As of Dec. 19, ODF's main cash account balance totaled \$24.4 million (Figure 1). The department maintained an above-average cash balance between October and December to ensure resources were available to pay current financial obligations and to reimburse program appropriations used to cover fire season 2021 costs.

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



Since the last reporting period, the Protection Division General Fund appropriation was reimbursed \$7.5 million from Other Funds; however, since the reimbursement was offset by current period expenditures, the net impact to the appropriation balance was a decrease of \$115,000 between November and December (Figure 1). The remaining fire season 2021 cash flow reimbursements will not impact the Protection Division General Fund.

Financial Projections

Actual revenues and expenditures for November were respectively \$21.3 million and \$11.1 million less than projected (Table 1). The variance was primarily due to fire season 2021 cash flow reimbursements processed in November since financial resources were available. These reimbursements, previously anticipated to be recorded in December, resulted in an increase to the Protection Division General Fund appropriation and the Federal Forest Restoration General Fund appropriation.

The remaining fire season 2021 cash flow reimbursements, totaling \$17 million, are projected to occur in December 2022 (\$7 million) and January 2023 (\$10 million). These final reimbursements will result in an increase to the Forest Patrol Assessment General Fund Offset appropriation (\$7 million) and the Federal Forest Restoration General Fund appropriation (\$10 million).

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

	22-Nov		22-Dec	23-Jan
	Projection	Actual	Projection	Projection
Total Revenue	\$61,147	\$39,884	\$36,100	\$19,921
Total Expenditures	(\$47,402)	(\$36,307)	(\$28,402)	(\$23,156)
Net Total Exp/Rev	\$13,745	\$3,577	\$7,698	(\$3,236)
Beginning Cash Balance	\$42,018	\$42,018	\$34,000	\$41,699
End of Month Cash Balance*	\$55,762	\$34,000	\$41,699	\$38,463
Less: Dedicated Funds	(\$19,712)	(\$9,671)	(\$11,502)	(\$12,223)
End of Month Main Cash Balance	\$36,050	\$24,329	\$30,197	\$26,239
Available GF Appr	\$19,759	\$50,029	\$52,677	\$58,325
Available Resources	\$55,809	\$74,358	\$82,874	\$84,565

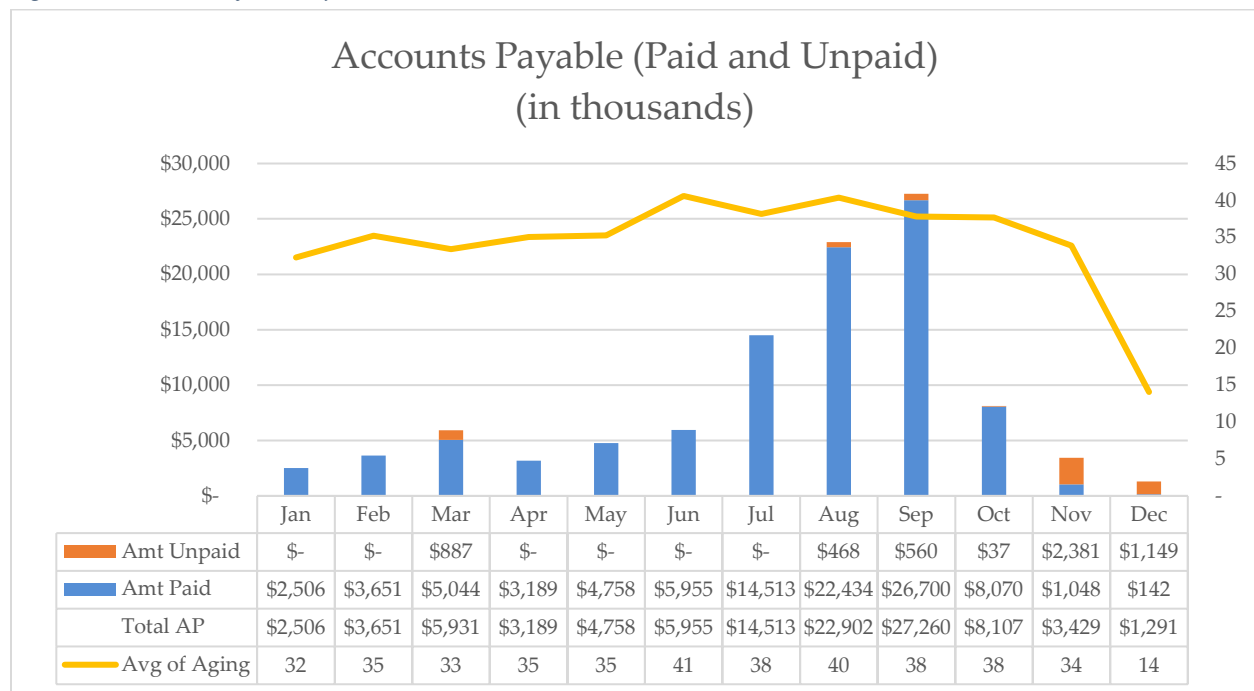
* Includes reconciliation for non-cash revenue and expenditure transactions.

The actual balance of dedicated funds was \$10 million less than projected for November. This was primarily due to a \$7.7 million transfer from the Oregon Forest Land Protection Fund (OFLPF) to ODF’s main cash account for 2022 large fire costs.

Accounts Payable

The total accounts payable balance decreased \$2.1 million between November and December, further indicating that the monthly activity is returning to off-season levels (Figure 2). It is important to note that while the total accounts payable balance decreased, that does not correlate with a reduction in the number of unpaid invoices. For example, the \$5.5 million balance of unpaid accounts payable represents 523 invoices; 314 of which are each valued at under \$1 thousand. The high volume of invoices contributed to the average aging of 34 days (Figure 2).

Figure 2 - Accounts Payable as of Dec. 22, 2022



Accounts Receivable

The total accounts receivable balance decreased by \$614,000 between November and December (Figure 3). Amounts owed by FEMA and federal partners represent \$84.9 million, or 87%, of the total accounts receivable outstanding balance.

Accounts aged over 120 days equate to \$74.3 million, or 76.1%, of the total balances owed to ODF (Figure 4). Of these aged accounts, the majority are due from FEMA (\$59.3 million), federal partners (\$7.6 million), and private parties for cost recovery (\$4.3 million).

Figure 3 – Total Accounts Receivable as of Dec. 19, 2022

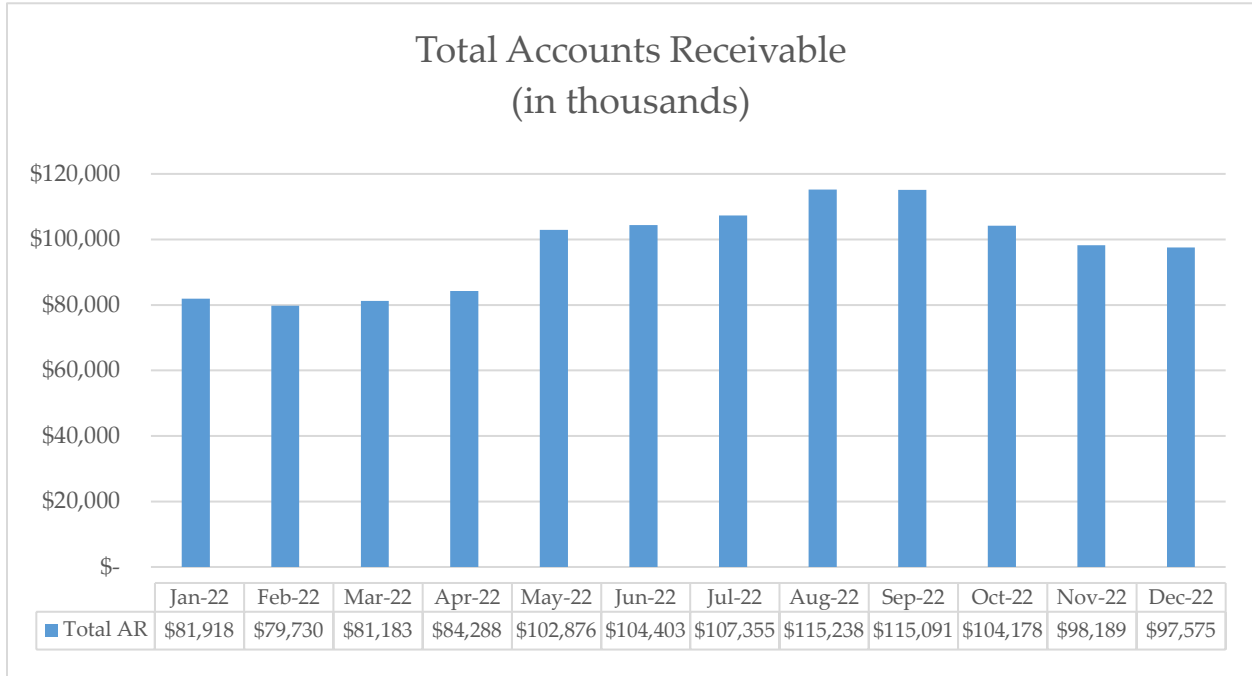
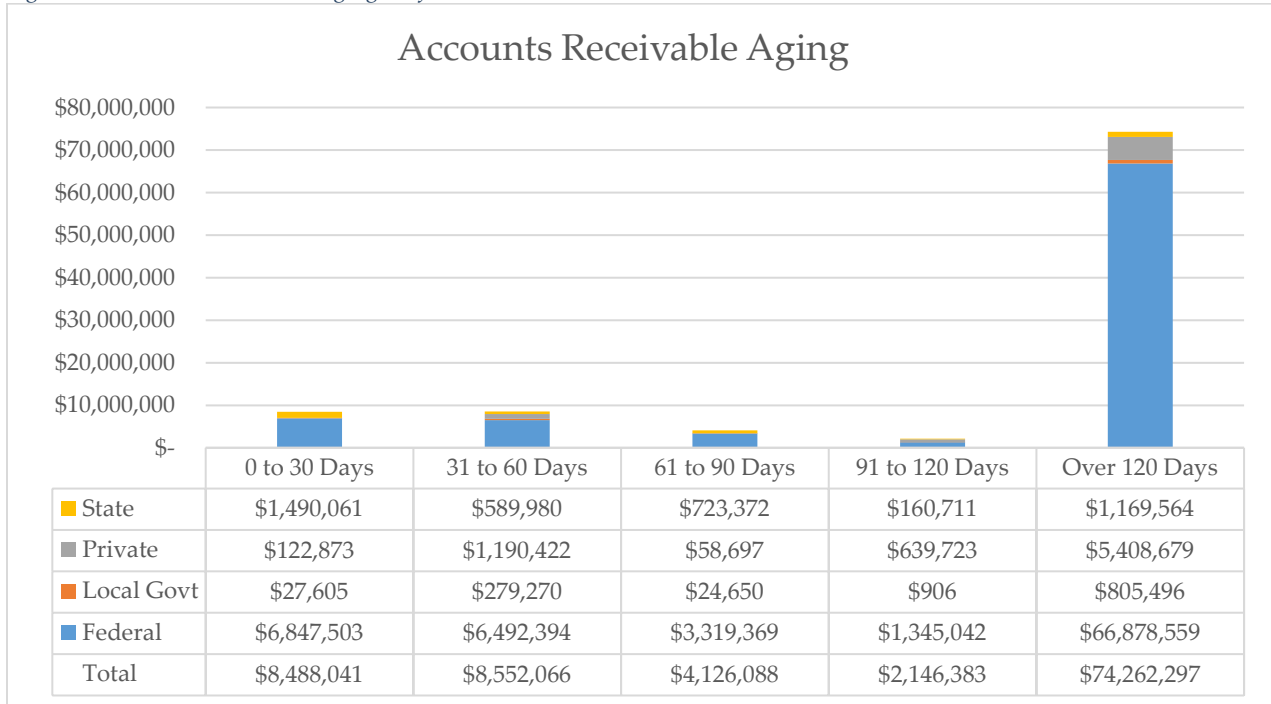


Figure 4 – Accounts Receivable Aging as of Dec. 19, 2022



Large Fire Costs

The department primarily recovers large fire costs through two FEMA programs: Public Assistance (PA) and Fire Management Assistance Grants (FMAG). FEMA-PA grants are awarded to the Oregon Department of Emergency Management (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 Dec. 22, the status of the department’s 2020 PA grant applications is as follows (listed in the order applications are processed):

- Eight amendments (\$2 million) are with ODEM pending initial grant application.
- Two grants (\$12.9 million) are in the Congressional Large Project Notification queue.
- Seven grants (\$12.3 million) are pending FEMA final review.
- Twenty grants (\$9.9 million) have been obligated by FEMA and are pending ODEM audit/review.
- Funds were remitted to ODF from ODEM on December 21 for one grant (\$10.4 million).

The outstanding FMAG applications total \$19.1 million, which includes amounts associated with 2020 and 2021 repositioning costs as well as 2021 fire suppression costs.

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 December 19, 2022

Fire Protection Large Fire Cost Summary						
Fire Season	2017	2018	2019	2020	2021	Total
Fire Costs	61.35	108.09	33.66	138.61	147.53	489.24
Currently Invoiced	(0.17)	(0.22)	(0.24)	(45.92)	(29.62)	(76.17)
Outstanding to Invoice	(0.08)	(0.38)	(0.43)	(2.94)	(33.10)	(36.93)

MGO Update

Last month Macias, Gini & O’Connell (MGO) and the department updated documentation of the department’s progress in implementing the 28 recommendations. The [department’s Implementation Management Plan v5](#) provides detailed updates across all recommendations and associated deliverables, while [MGO’s third interim assessment review](#) provides an evaluation of risks mitigated and completion status. In this last review, MGO has confirmed:

- Nine recommendations have been fully implemented with the risks lowered accordingly.
- Six recommendations with substantial completion with risk ratings lowered accordingly.

- Six recommendations are in progress.
- Seven recommendations have not yet been formally reviewed; however, the department reports work has been initiated.

MGO and the department will continue to perform subsequent reviews and reporting to the Board of Forestry.

Sincerely,



Cal Mukumoto
Oregon State Forester

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