

EMERGENCY FIRE COST COMMITTEE

January 5, 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, January 5, 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
Bill Herber, Deputy Director for Administration, ODF
James Short, Administrative Services, ODF
Doug Grafe, Chief of Fire Protection, ODF
Ron Graham, Deputy Chief of Fire Protection, ODF
Blake Ellis, Fire Operations Manager, ODF
Dave Lorenz, SOA Director
Jamie Paul, Assistant to the EOA Director, ODF
Dave Larson, SWO District Forester
Joe Hessel, Acting EOA Director, ODF
Kate Skinner, Tillamook District Forester, ODF
Dennis Lee, Klamath-Lake District Forester, ODF
Michael Curran, West Oregon District Forester, ODF
Jacqueline Carter, Internal Auditor, ODF
Joy Krawczyk, Public Affairs Program Director, ODF
Jeff Bonebrake, Fire Investigator, ODF
Tim Holschbach, Fire Prevention & Policy Manager, ODF
Matt Thomas, West Oregon – Toledo Unit Forester, ODF
Todd Scharff, DAS Risk
Beth Kennedy, Willis Towers Watson
Nick Yonker, Smoke Management Program Manager, ODF
Sarah Lathrop, Aviation Coordinator, ODF
Stacy Miller, Fire Finance, ODF
Sherry Rose, Fire Finance, ODF
Mark Hubbard, Finance Director, ODF
Chrystal Bader, Executive Support, ODF
Shauna Morris, Administrative Support, 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
Jim Carnegie, Retired, ODF
Brad Ford, Reporter, 1190 KEX
Debbie Queen, Tillamook District Business Manager, ODF
Laura York, Executive Support to EOA Director
Tyler McCarty, Unit Forester, SWO District
Bill Poehler, Reporter, Salem Statesman Journal
Jerilee Johnson, South Cascade District Business Manager, ODF
Don Everingham, State Forests, ODF

ITEM 1: CALL TO ORDER

Chair Cummings called the meeting to order at 10:04 a.m. on Tuesday, January 5, 2021. All Committee members were present via Zoom video and there was a quorum.

Nancy Hirsch introduced and welcomed Lorna Hobbs who will transition at the end of March/beginning of April to EFCC Finance Coordinator. Lorna has 31 years of public service prior to retirement and has been working with ODF for the last 3 years. Having Lorna on board will allow time for training and transition during Tina's departure and having a plan in place moving forward.

Chair Cummings noted time on the agenda for public comment; and that meeting materials have been sent to attendees and will be posted after the meeting concludes.

Chair Cummings also recognized Peter and ODF fire folks/emergency response on fire finance. Since the beginning of COVID, ODF has been on emergency response mode and have made incredible efforts up to and including the Labor Day fires.

ITEM 2: APPROVAL OF THE MINUTES OF THE AUGUST 6, 2020 SPECIAL MEETING AND THE JUNE 2, 2020 REGULAR COMMITTEE MEETING [Decision Item]

No comments were made by committee members or attendees on the August 6, 2020 special meeting and the June 2, 2020 regular committee meeting minutes. A motion for approval was made by Steve Cafferata and seconded by Chris Johnson. All were in favor and none opposed. The minutes of both the Emergency Fire Cost Committee August 6, 2020 special meeting and the June 2, 2020 Emergency Fire Cost Committee regular 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 FY20 and FY21. The last report to the committee was in June 2020. This report is based on June 30, 2020 (for FY20) and November 30, 2020 (for FY21) financial reports.

Estimated Expenditures/Transfers out for FY20, based on the June 30, 2020 report:

- Operating expenses were \$148,070
- Catastrophic insurance premium amount was \$2,005,202.
- Severity transfers were \$3,000,000
- Strategic investments expenditures totaled \$1,504,960
- Large fire advance transfer was \$6,161,070

Total OFLPF expenditures for FY20: \$12,819,301

Ending Fund Balance 6/30/20: \$15,112,175

Estimated Revenue or Transfer for FY21 as of November 30, 2020:

- Actual assessments received is \$8,910,202
- Harvest Tax received is \$1,805,438.
- Estimated interest revenue is \$118,786
- Insurance premium payments (2019 and 2020)
 - 2019 insurance premium adjustment is \$15,341
 - 2020 insurance premium adjustment is \$25,385

Total estimated revenue for FY21 is \$10,875,151. Revenue estimates are down about \$720,000 from FY20 due to reduction in Federal acres, minimum and improved lots, Harvest tax, and interest earnings.

Estimated Expenditures/Transfers out for FY21, as of November 30, 2020:

- Operating expenses are estimated at \$185,000
- Fire season 2021 catastrophic insurance premium is estimated at \$315,000
- Severity investments expenditures are estimated at \$3,000,000
- Large fire advances are estimated at \$10,000,000

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

Estimated Fund Balance 11/30/20: \$3,827,626

Estimated Fund Balance on 6/30/21: \$12,482,364

Chair Cummings asked how the Harvest tax rate estimate compares to last year given the current economic status. Tina reported it is down about \$1,000.

Steve Cafferata asked why the minimums were down with all the recent county forestland classifications. Tina compared FY20 and FY21 minimum lot, by county, and Deschutes County is down approximately 1,100 lots. The next larger decrease was Jackson County by 587 lots, Josephine County by 320 lots, and Tillamook County by 125 lots. Those were the biggest changes in minimum lots. Under improved lots, Klamath County decreased by 1,090, Tillamook County decreased by 218, and Deschutes County was down 133 lots.

Steve asked when we expect assessment revenue to come in. Tina said it is not included in this report as it comes in in December.

ITEM 4: WEATHER UPDATE *[Information Item]*

Nick Yonker provided the weather update for January 5, 2021. Bottom line: Oregon is currently in a La Nina weather pattern with cooler, wetter conditions then moving toward neutral conditions into mid to late spring and into summer. Winter will be cool and moist which will lead to increased snowpack and less drought. Nick expects a normal fire season for most of the state for 2021.

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

Jeff Bonebrake provided the report on the status of Large Fire Cost Collections to date noting there has been some movement on claims in process. Of special note, the Santiam Park fire – attempted mediation did not go well. The Department of Justice (DOJ) is working on settling with another party; but they may have to file suit for progress. A number of fires have been removed from this list (available on September 2020 report online). During the months of June through September 2020, \$5.2M of billing was sent out on closed cases and to date, ODF has recovered almost \$4.6M in nine total cases. Recoveries slowed the last quarter with one significant claim settled. There have been five new claims over \$5,000 since August 24, 2020. Given the demands presented in early September, ODF has been fully successful in investigating the unprecedented Labor Day wind/fire event fires working jointly with investigators from USFS and BLM to ensure due diligence on all of these fires that may have a future impact with utilities. ODF was not directly involved in the Santiam Canyon fire investigation of Beachie Creek but there were components in the Canyon that ODF has interest in. The Clackamas County fires were investigated as a complex and outside investigator resources were brought in. There will be follow up for many years.

ITEM 6: INSURANCE MARKET UPDATE *[Information Item / Possible Decision]*

Beth Kennedy from Willis Towers Watson provided an update on the insurance markets noting that the current Fire Fighting Expense (FFE) policy expires in mid-April. In the insurance market, rates are continuing to increase and capacity continues to decrease. Carriers are seeing loss ratios increase due to storms, wildfires, COVID-19 and civil unrest. Additionally, investment income is decreasing due to the historically low interest rates. Because of this, underwriters are being inundated, scrutinizing exposure information, and being much more selective. Additionally, capacity is being decreased in umbrella policies. Oregon's FFE policy is unique however as it is underwritten by property underwriters. An increase of about 25% in the property market is anticipated, which is up almost 3% since the fourth quarter of last year.

Todd Scharff, DAS Risk, added that the marketplace continues to change on top of change experienced a year ago at this time and has permeated into all lines of insurance. Thus, it has to be anticipated that there will be some impact to the policy. It is also reasonable to anticipate, even with a clean claim history, that there's going to be some effect on pricing to the whole marketplace. There is a good plan in place moving forward on the renewal, building off of last year's submittal which was excellent. There continues to be the need to keep underwriters focused on what they are insuring – net costs of fire season, not tangible property. Fire season 2020 expenses are still below the deductible so there is no anticipation of making a claim against the policy at this time. There is continued emphasis on the BLM agreement that decreased exposure to the policy, along with increased prevention and suppression efforts which will be crucial once again. Todd noted that meetings with Lloyds of London underwriters have been scheduled for mid-February. Derek Hansen (Canopus) will continue to be the lead underwriter for the policy. It will be critical to explain why the system works and why no claim has been made against the policy, even with the catastrophic fire season of 2020.

Chair Cummings stated that EFCC and ODF will continue to educate underwriters as to why they are still good partners that manage the risk. The good news is that we are still 5 years with no claim. That being said, a decision needs to be made formally as to whether or not to purchase the insurance policy for the 2021 fire season. The Emergency Fire Cost Committee hereby advises the State Forester to continue to proceed with pursuing the catastrophic insurance policy for the 2021 fire season. A motion was made by Chris Johnson and seconded by Brennan Garrelts. All were in favor, none opposed, and the motion passed.

Nancy will follow up with a written note to State Forester Daugherty noting the committee's decision.

Steve Cafferata asked if the policy would be pursued regardless of price. Chair Cummings stated that this motion provides the go ahead to continue pursuing the policy without yet making the decision and taking into consideration the premiums.

ITEM 7: SET DISTRICT DEDUCTIBLE RATES FOR 2021-2022 FISCAL YEAR *[Decision Item]*

With there being no planned increases in the ODF base budget, the committee will not recommend changing the district deductible rates for FY22. A motion to leave the rates at \$.10 for timber and \$0.5 for grazing was made by Brennan Garrelts and seconded by Steve Cafferata. All were in favor, none opposed and the motion passed.

Steve noted that this committee can lower but not increase rates without legislative action. Nancy said that is correct. If the committee wants to increase the district deductible then the EFCC would work closely with ODF on through its biennial budget process, which we are passed for next biennium.

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

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

State Forester Daugherty provided the agency financial report for ODF noting the main cash balance fell below \$20M. The December ending balance was just over \$35M with unexpected revenue due to higher forest patrol assessments. The remainder of past fire season costs are long-term as they are due to other state and federal partners.

During the peak of fire season, ODF exercised a loan from the Treasury and spent all of it to cover the \$74M in fire season costs. Depending upon further Emergency Board action, ODF expects approval of an additional \$15M of large fire costs which will help through the end of the year to make substantial payments back to the loan. However, there is no exact number at this time.

Peter then provided an update on the MGO recommendations. There were a total of 32 recommendations across 5 categories with most having to do with policy and procedures. MGO will be sending their final report to DAS (approximately 35 pages) and working with the ODF Leadership Team (LT) to develop a response plan for implementation during the 2021 full legislative session. The LT has been tasked with identifying recommendations that can be implemented now for the Emergency Board as well as mid-term recommendations to show a clear time table. Some recommendations will require legislative or external partner action. There are also some recommendations which will require further analysis and planning for longer term implementation. The overall goal is to build a stronger fire finance system without impacting operations of the complete and coordinated system.

Chair Cummings asked if there is an estimate of when these recommendations may become public. Peter responded that it is up to the Financial Oversight Committee within the Governor's Office, along with LFO and CFO. He is unsure how or when DAS is planning to release the report.

- **Governor's Recommended Budget (GRB)**

Peter then provided a summary of the Governor's Recommended Budget. Of special note is a \$22.8M increase over ODF's current service level with 46 additional positions and 47.5 FTE. There was a \$21.1M increase in General Fund dollars with a \$20M increase in GF offset by \$12.2M decrease in GF. This consists of a \$6.1M shift in administrative costs to 50/50 and Other Fund dollars for private landowners and a fund shift of \$1.9M from GF by shifting the FPA to 50/50 GF/Harvest tax. Additionally, \$830k of General Fund dollars will go to federal funds in the Federal Forest Restoration Program.

Chair Cummings asked in general, do the additional positions track with the Wildfire Council and MGO recommendations? Peter responded yes, continuing with SPA. Also included was \$6.5M for the fire protection modernization policy package which Doug and his team developed based upon Wildfire Council recommendations for additional capacity. Also approved was \$20M for Next Gen Severity which includes an additional Next Gen air tanker, more SEATS and other capacity in mobile resources. Also, funded was the agency admin climate change mitigation and adaptation package at \$3.2M with 9 FTE, fire fighter life/safety communication package at \$1M, Diversity, Equity and Inclusion (DEI) package for a DEI position and Government to Government relationships, and additional facilities capital management capacity. Also, added by the Governor's Office was a package to implement the MGO recommendations to add three area finance positions and one overall finance position in Salem. This means a shift in the current fire finance system from Fire Protection to Agency Administration, which was also a recommendation from MGO.

- **Wildfire Council, Legislature, E-Board**

Doug provided an update on the Wildfire Council, Legislature, and E-Board noting that in addition to the GRB, Peter identified new finance positions, which also includes existing finance positions within Fire Protection. This is still a conversation to be had and assurances to be made with regard to operations.

There has been active legislative action since the 2020 fire season with early interest to revisit the Governor's Wildfire Council work and recommendations. Doug expects full engagement across the recommendations during the 2021 full legislative session. ODF is gearing up to prepare for those conversations on how to advance fire protection. Preparation was made for a special legislative session on wildfire with a joint Emergency Board letter with OSFM requesting \$40M to prepare for the 2021 fire season. OSFM requested \$4M of the \$40 to advance fire protection into the 2021 fire season.

- **BLM Western Oregon Agreement**

Ron Graham provided an update on the status of the BLM Western Oregon Agreement. ODF is currently in a 5 year operating plan with BLM on Oregon O&C lands. There are \$8M outstanding receivables from BLM but movement on payments is expected soon, although the exact amount is yet to be determined. ODF is continuing to proceed with completion of the required review of the Western Oregon Operation Plan (WOOP) and will only make changes if absolutely needed on procedures or rule requirements. Ron feels good about the current plan as it exists.

Doug, Ron, and BLM leadership are working to prepare a commitment letter for BLM and ODF leadership to work together to address BLM and ODF financial situations. Alternative funding methods and structure are being reviewed. Additionally, BLM is no longer a full partner in the complete and coordinated system with regard to large fire costs. ODF is also meeting internally to discuss these topics.

- **Fire Season**

Ron Graham provided an update on the success of strategic investments and continuous improvement opportunities. He mentioned that the ODF Annual Aviation report will be available for the next EFCC meeting in March. A major success has been the investment in the FLIR which was up and running for the 2020 fire season, even given the delays due to COVID. The aircraft flew over 100 hours of detection at night and found 10 new fires that weren't found via regular reporting methods. One example, in Klamath-Lake District, was a fire which was caught on initial attack at 3 ½ acres.

- **ODF Geoboard / IMTs**

Ron also provided an update on the ODF Geoboard and IMTs noting that new positions have been added to IMT rosters to decrease drawdown across the agency and to assist with succession management.

- **Fire Season Severity Financial Report**

The fire season severity financial report noted that EFCC advanced \$2.7M in severity already for the 2020 fire season. The most up to date expenses in Severity are just under \$4.9M. ODF will continue to refine and capture more of those costs. Ron expects that number to increase slightly above \$5M and he committed to keeping the committee updated.

- **FEMA Update**

Stacy Miller, Fire Finance Manager, provided the FEMA update noting 16 new FMAG fires for 2020 which will likely be filed under the President's Disaster Declaration Public Assistance Grants rather than FMAG. There is still \$15.6M in outstanding reimbursements.

Steve Cafferata asked Ron about IMT size/positions. Ron responded that positions were added in the 2019 fire season (4 total).

Chair Cummings asked if all three ODF teams would look like an interagency team 2 roster. Ron responded not necessarily; the ODF IMT and interagency team positions aren't identical. Chair Cummings also asked about the night operations severity in John Day to which Ron replied that is another area ODF is continuing to work on advancing the technology.

Brennan Garrelts asked about training limitations to existing staff to fill the desired positions on IMTs and whether there will be a time lag and if so, what will that look like? Ron responded that there will be necessary time, however people have been trained and qualified but weren't rostered as team members. Brennan then asked if an analysis of retirements/key positions lost had been done. Ron replied yes, that's the work of the Geoboard.

ITEM 9: STRATEGIC INVESTMENTS [Information and TBD Decision Item]

Ron Graham provided an update on strategic investments noting that damage assessments during the Labor Day fires identified several items that could be funded through strategic investment if desired. Three detection cameras were destroyed, two or three repeaters, and a couple of remote automated weather stations. There is no new updated information on additional damage since then and he is unsure if some have already been replaced or if districts will bring project proposals. Ron will keep the committee informed moving forward.

With regard to initial proposals for past projects, there is still \$284k unexpended, however with reports from districts, those dollars are expected to all be expended. A few specific updates include the La Pine guard station where bids are to close soon and the structure could be in place and functioning for fire season 2021; the Mahogany Mountain camera site has an anticipated install of May or June and could be operational by July for the 2021 fire season; and in Klamath-Lake District, unspent camera funds will have all been expended no later than the end of June 2021 with cameras fully functioning.

With regard to current projects, a summary has been provided to EFCC. Ron would like to request future discussion to recruit for additional projects to identify damage and/or any new ideas from the 2020 fire season. The division would report back at the June

EFCC meeting with additional projects for consideration. Chair Cummings agreed given the Labor Day fires and asked about whether the damages from those fires would be covered through property insurance. Ron responded yes, that is the first step of the process.

Steve Cafferata asked about the three cameras that were destroyed and how to get those up and running before fire season. Ron noted that districts will purchase and install new cameras regardless of funding and then seek reimbursement and correct finance coding later.

ITEM 10: EFCC ADMINISTRATOR REPORT [Information Item]

Nancy provided the EFCC Administrator report highlighting the following:

- Great job by ODF and landowners during the 2020 fire season, specifically recognizing Tina Meyers and Stacy Miller, the entire Fire Finance team, District Business Managers, and Agency Administration for their amazing communication and coordination.
- Audits reports are not ready quite yet with one outstanding audit at the Klamath Lake district. If that can be done before spring audits, Nancy will bring it to the EFCC meeting in March; otherwise, it will roll into January 2022.
- Nancy attended many fall association meetings and the OFIC Protection Committee Meeting to ensure communication outreach regarding EFCC and OFLPF.
- Insurance has been an ongoing weekly communication with Doug/Ron, DAS Risk and Willis Towers Watson.
- OFLPF financial data management – since 2013, every dollar accounted for in the OFLPF has a nexus of a General Fund amount. Data related to EFCC claims over the last significant fire seasons has resulted in a magnitude of work. Nancy has developed an information paper which she will send to the committee for future discussion on potential improvement opportunities regarding financial data management.

ITEM 11: PUBLIC COMMENT / GOOD OF THE ORDER

There being no further business before the committee, Chair Cummings adjourned the meeting at 12:15 p.m. The next regular meeting of the committee will be held at **10:00 a.m. on Tuesday, March 2, 2021** via Zoom Video Conferencing.

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