

Agenda Item No:	A
Work Plan:	Administrative
Topic:	Financial Dashboard
Presentation Title:	Department Financial Report for July and August 2022
Date of Presentation:	September 7, 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 July 2022
- 2) Department of Forestry Financial Report for August 2022



August 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

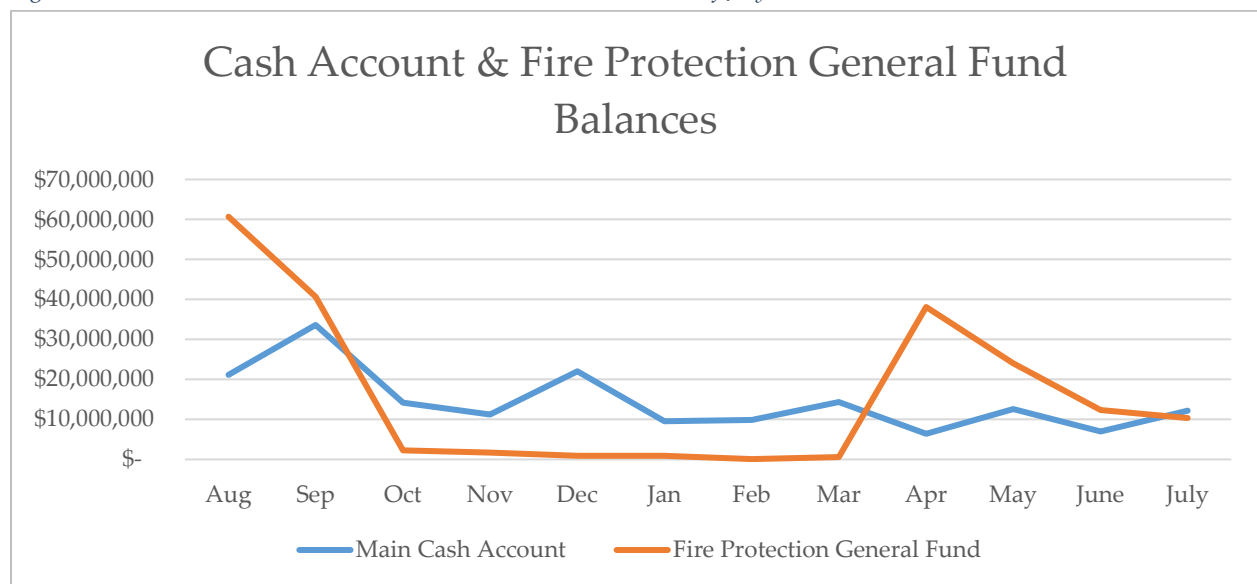
Re: Oregon Department of Forestry (ODF)—Monthly financial condition report

Dear Co-Chairs,

Cash and General Fund Balances

Between June and July, the department's main cash account balance increased \$5.2 million. The department has been making a concerted effort since April to reimburse programs for funds previously used to mitigate cash flow challenges due to fire-related debts the agency continues to carry. As a result, when cash balances allow, we continue to reclassify expenditures between General Fund and the appropriate Other Funds. The slight decrease in the Fire Protection General Fund balance reflects the net impact between actual expenditures and the reduction of prior period expenditures moved to the appropriate Other Funds appropriations (Figure 1).

Figure 1 - Cash Account and Fire Protection General Fund Balances as of July 18, 2022



The General Fund appropriation increases authorized during the June 2022 meeting of the State Emergency Board are not reflected in the balances as of July 18 (Figure 1). Those amounts were not yet recorded in the Statewide Financial Management System but will be reflected in the next reporting period.

Financial Projections

Timber sales, large fire reimbursements, and federal grant reimbursements continue to be the primary revenue sources contributing to the variance between projected and actual revenue activity (Table 1). Actual timber sales totaled \$9 million, large fire reimbursements totaled \$8.4 million, and federal grant reimbursements totaled \$1.2 million.

The variance between actual and projected revenue activity totaled \$37.9 million, a large portion of which was attributable to reimbursements due from federal partners. Some of these federal revenues are difficult to accurately project since the department does not have control over when amounts will be obligated or distributed.

Overall, total actual expenditures were \$1.8 million greater than amounts projected. Services and supplies expenditures were 56% less than anticipated due to the late start of the 2022 fire season. However, this was offset by the \$9.6 million variance between actual and projected special payment expenditures due in part to recording a portion of the administrative prorate to the Fire Protection General Fund.

Table 1 - Financial Projections through July 18, 2022

	22-Jun		22-Jul	22-Aug
	Projection	Actual	Projection	Projection
Total Revenue	\$59,445,911.24	\$21,516,191.19	\$24,201,251.60	\$39,650,893.73
Total Expenditures	(\$25,074,548.13)	(\$26,893,860.96)	(\$25,143,592.33)	(\$24,560,170.19)
Net Total Exp/Rev	\$34,371,363.11	(\$5,377,669.77)	(\$942,340.73)	\$15,090,723.54
Beginning Cash Balance	\$28,961,616.02	\$28,961,616.02	\$24,879,349.34	\$23,937,008.61
End of Month Cash Balance*	\$63,332,979.13	\$24,879,349.34	\$23,937,008.61	\$39,027,732.15
Less: Dedicated Funds	(\$16,732,928.60)	(\$17,810,260.33)	(\$18,105,083.95)	(\$7,768,533.01)
End of Month Main Cash Balance	\$46,600,050.53	\$7,069,089.01	\$5,831,924.66	\$31,259,199.14
Available GF Appr	\$57,309,119.83	\$81,558,884.73	\$114,262,311.00	\$113,420,282.73
Available Resources	\$103,909,170.36	\$88,627,973.74	\$120,094,235.66	\$144,679,481.87

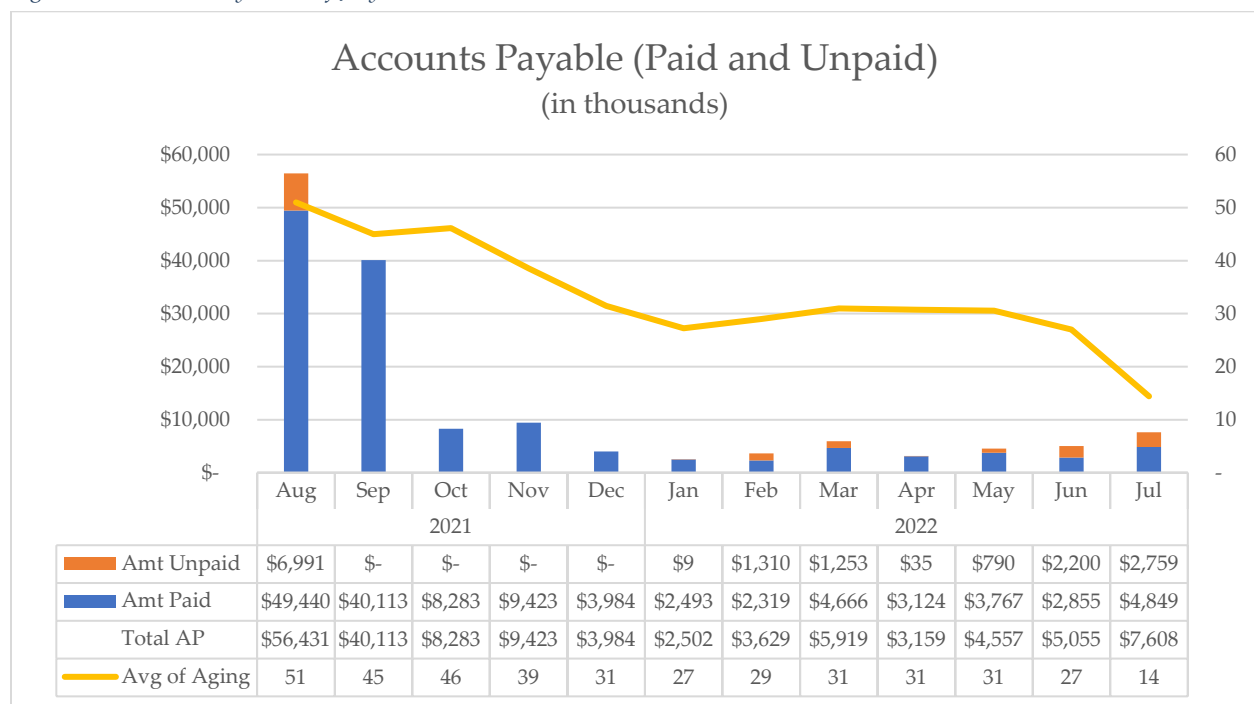
*Includes reconciliation for non-cash revenue and expenditure transactions.

Accounts Payable

Accounts payable expenditures processed through OregonBuys increased between June and July, primarily due to the processing of annual General Fund distributions to the operating forest protection associations (Figure 2). The average aging of accounts payable decreased from 27 days to 14 days due to the agency prioritizing payments of all fiscal year 2022 expenditures as part of the annual financial reporting process.

Many of the unpaid accounts are payments due to the U.S. Forest Service. Due to cash flow concerns, the department continues to hold those payments until reimbursements owed to ODF from other federal entities are received.

Figure 2 - Accounts Payable as of July 22, 2022



Accounts Receivable

The total balance of outstanding accounts receivable increased \$3 million (2.8%) between June 20 and July 18, primarily due to changes in large fire receivables billed to federal and local partners and increases in timber tax revenue billed to private partners (Figures 3 & 4). Accounts receivable balances over 120 days are primarily owed by federal partners, most notably FEMA, for reimbursement of large fire costs (Figure 3).

Since the last reporting period, all eligible liquidated and delinquent accounts receivable were assigned to the Department of Revenue, as required by ORS 293.231, for subsequent collection activities.

Figure 3 - Accounts Receivables Aging as of July 18, 2022

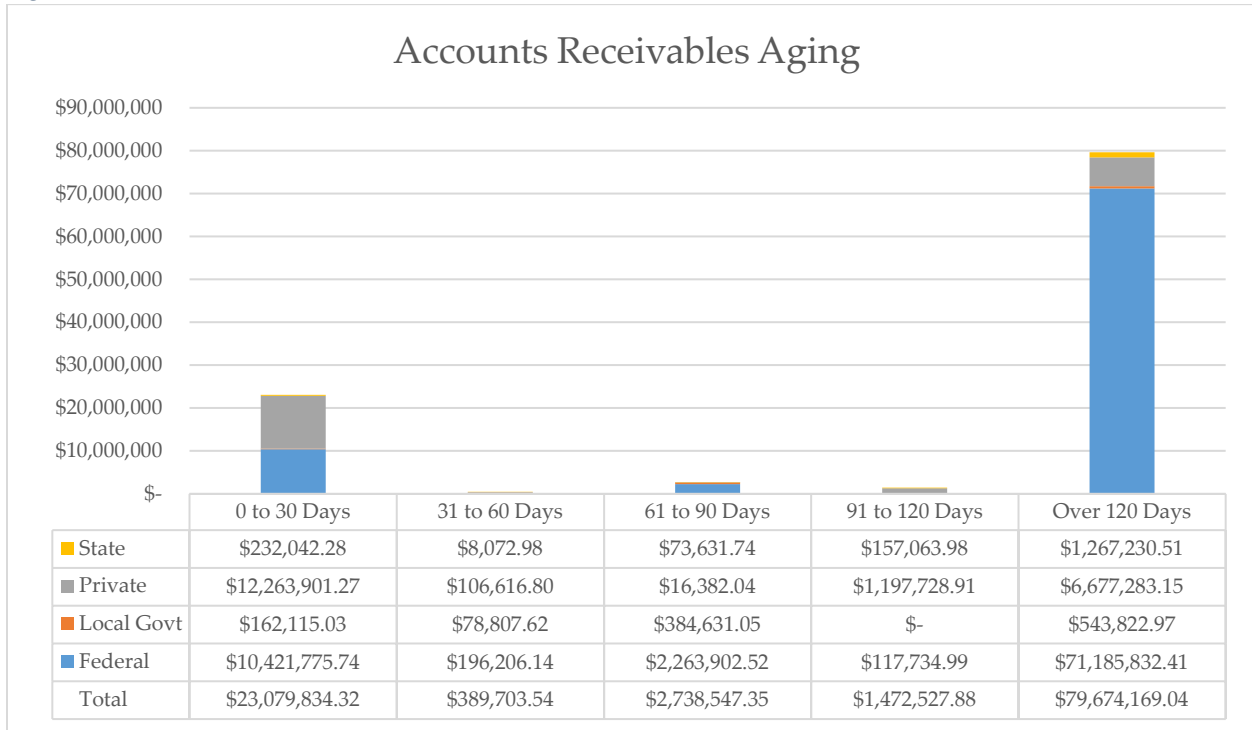
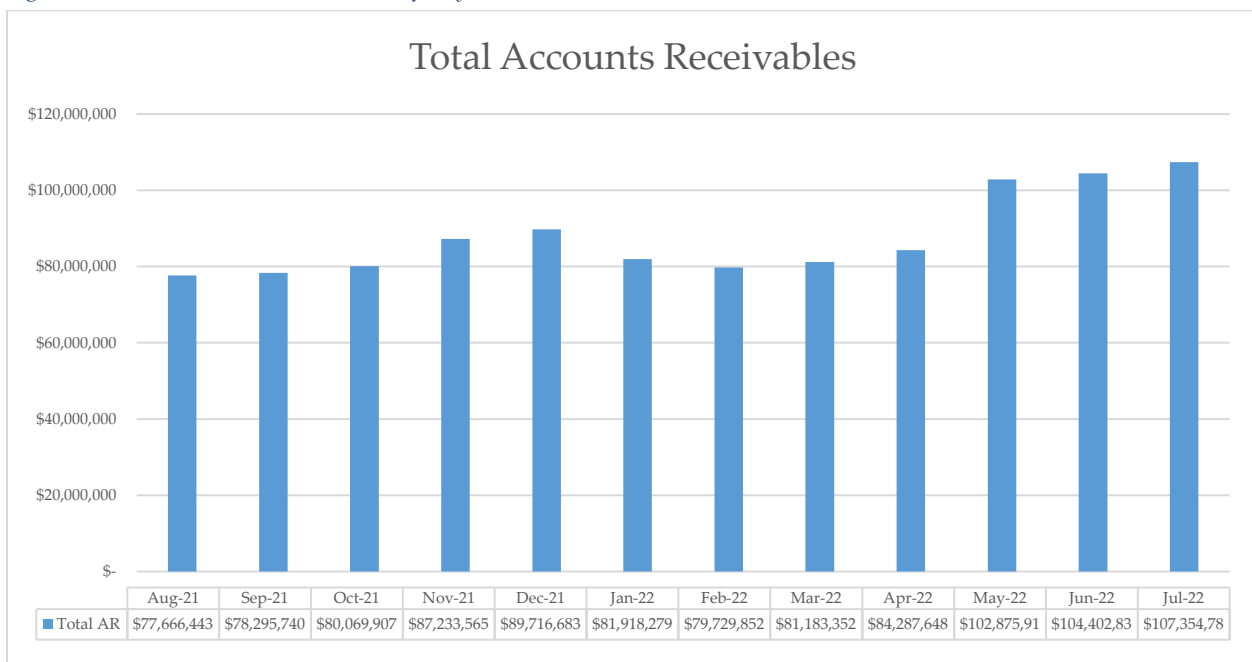


Figure 4 - Total Accounts Receivables as of July 18, 2022



Large Fire Costs

Over the last month, the department dedicated resources to prepare a preliminary FEMA-Federal Management Assistance Grant (FMAG) application for reimbursement of the 2021 Bootleg fire. The preliminary application will reflect approximately 60% of actual expenditures; the remaining expenditures are affiliated with cost share agreements. Additionally, resources were assigned to aggregate supporting documentation for the remaining costs (personal services net of cost share settlements) associated with 13 fires from the 2020 fire season. Since applications made under the FEMA-Public Assistance (PA) grant require additional documentation, this process takes longer. We estimate at least another month before final applications for the 2020 fires will be submitted under the FEMA-PA grant.

The preliminary 2020 PA grant applications are at various stages of FEMA’s review process. Currently, there are no outstanding information requests to the department from FEMA and the applications are with either the Environmental and Historic Preservation (EHP) reviewers, the Consolidated Resource Center (CRC) reviewers, U.S. Congress, or Oregon Department of Emergency Management (OEM). The PA grants account for most of the currently invoiced amounts from the 2020 fire season (Table 2).

As of July 18, 2022, the status of FEMA grant applications are as follows:

- FEMA - Five grants (\$11.5 million) are pending CRC review; projects have been expedited with additional FEMA staff.
- FEMA - Fifteen grants (\$27.3 million) are pending EHP review; FEMA is unable to provide a timeline for review.
- U.S. Congress - One grant \$2.1 million) is in the Large Project queue; the approval timeline is estimated at 3-6 weeks.
- OEM - Sixteen grants (\$1.15 million) have been obligated; projects are in various stages of review and distribution status.

Table 2 – Gross Large Fire Cost Summary (red indicates estimates – in millions) as of July 18, 2022

Fire Protection Large Fire Cost Summary								
Fire Season	2015	2016	2017	2018	2019	2020	2021	Total
Fire Costs	76.48	20.74	61.35	108.09	33.79	139.95	144.72	585.12
Currently Invoiced	(0.14)	(0.07)	(0.17)	(1.39)	(0.23)	(66.82)	(12.51)	(81.33)
Outstanding to Invoice	-	-	(0.09)	(0.46)	(0.46)	(8.47)	(69.17)	(78.65)

MGO Update

The Board of Forestry received an update of the department's work to date at its July 20, 2022, meeting. MGO presented its second [formal assessment of the department's progress](#) towards implementation of the recommendations building upon the [first presented in April](#). Outcomes of the assessment were once again positive, showing successful mitigation and lowering of risk across multiple recommendations. There was also recognition of areas where continued monitoring will assure implementation of noted deliverables. Subsequent reviews will be performed by MGO through mid-2023 with continued reporting to the Board of Forestry at the next meeting in November 2022.

ODF has now completed implementation of eight of the recommendations and has made significant progress on nine additional recommendations. Internally, work continues on priority deliverables from the [department's Implementation Management Plan v4](#).

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

September 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,

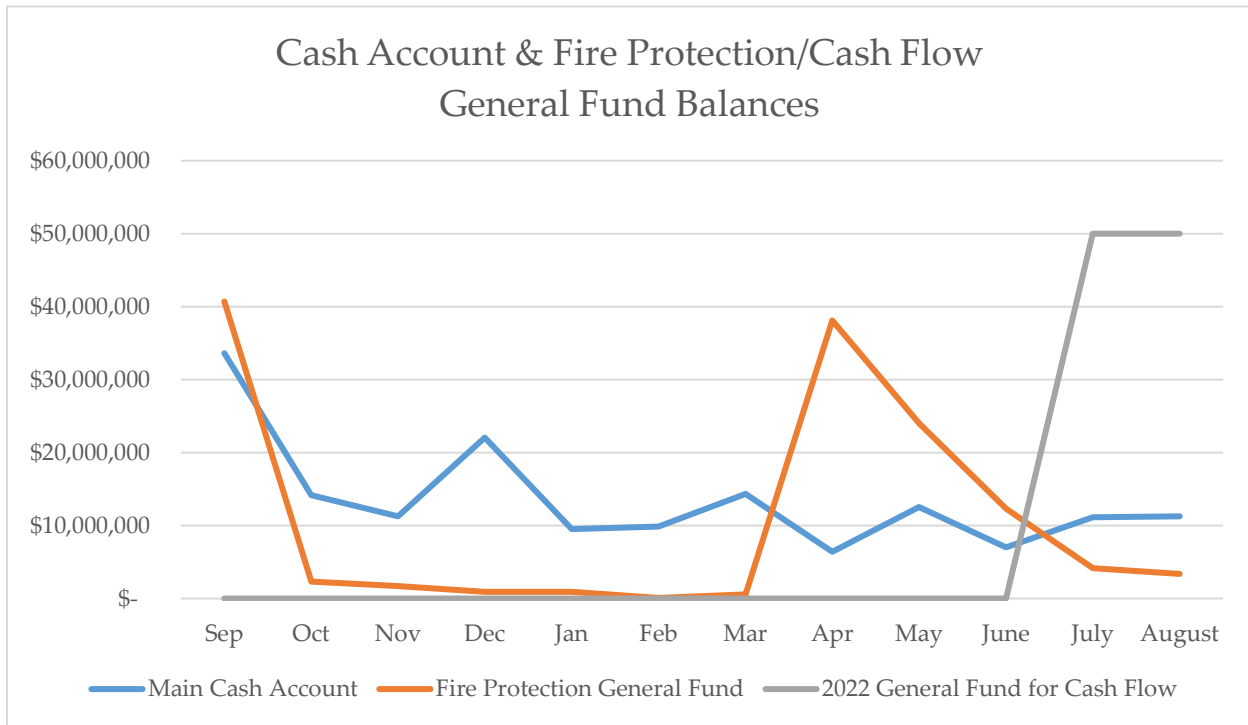
Cash and General Fund Balances

In June 2022, the Legislature appropriated \$50 million General Fund to ODF to assist the department with cash flow needs during the 2022 fire season. These moneys were officially allocated to the department in early July (Figure 1) and are now available for department use. Fortunately, this fire season's expenditures have been moderate, with gross emergency fire costs totaling slightly less than \$8 million. This has allowed the department to manage its cash needs with other internal resources and, thus, has yet to draw from the additional \$50 million.

The department's main cash account balance increased from \$11.1 million to \$11.3 million between July and August (Figure 1). Over the next few months, the department anticipates receiving up to \$6.7 million for recently obligated 2020 FEMA Public Assistance (PA) grants, with an additional \$19.8 million anticipated to be received by the end of the calendar year, barring any unforeseen delays at the federal level. These amounts will be used, in part, to process outstanding cost-share invoices payable to the U. S. Forest Service. This will aid in future FEMA reimbursement processing, which require settlement of all obligations before cash is disbursed.

The Fire Protection General Fund balance decreased slightly between July and August, resulting in a balance of \$3.4 million as of August 22 (Figure 1). As fire season 2022 progresses and the payment of related costs occur, the department will continue to closely monitor the Fire Protection General Fund balance and draw from other resources, as necessary, to ensure the Fire Protection Division is funded for the remainder of the biennium.

Figure 1 - Cash Account and Fire Protection General Fund Balances as of August 22, 2022



Financial Projections

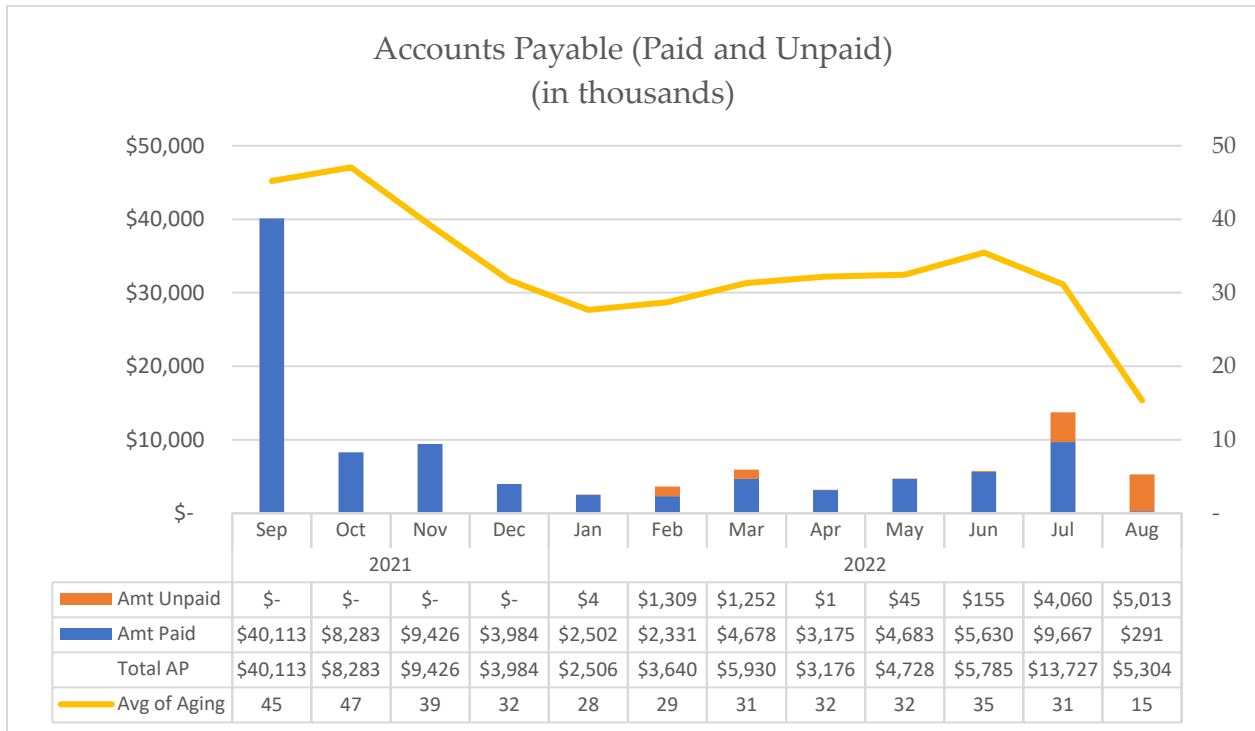
Each of the previous monthly financial condition reports included financial projections compared to actuals associated with the last fiscal month close. Unfortunately, due to fiscal year end processes, July fiscal month close data is not yet available.

During fiscal year end, an extra reporting period is added to the calendar to allow accounting professionals to record year end entries for financial reporting (e.g., financial statement accruals, journal entries for debt, etc.). This extra reporting period is referred to as “Month 13.” To accommodate Month 13, the July fiscal month will close on September 2. As a result, the next monthly financial condition report will include financial projections compared to actuals for the fiscal months of July and August and highlights from each reporting period.

Accounts Payable

The OregonBuys accounts payable activity indicates that most August invoices are unpaid; however, this is the direct result of prioritizing the payment of fiscal year 2022 invoices received between June and August to facilitate the fiscal year closeout (Figure 2). Now that fiscal-year-end reporting is complete, the department’s Disbursements Unit will be working to get caught up on processing the fiscal year 2023 invoices received to date.

Figure 2 - Accounts Payable as of August 22, 2022



Accounts Receivable

Total accounts receivable increased \$7.9 million (7.3%) over the past month (Figures 3 & 4). The most notable activity included increases associated with 2021 FEMA Fire Management Assistance Grant (FMAG) applications.

The fiscal year 2021 Secretary of State’s financial audit report identified the need to strengthen controls to ensure appropriate receivable balances. In response, the department’s Revenue Unit dedicated a significant amount of time over the past month reviewing and verifying that cash receipts were properly applied to affiliated accounts receivable balances. Processes continue to be refined to ensure timely reconciliation of deposits and corresponding adjustments to related accounts receivable balances.

Of the \$115.2 million balance of outstanding accounts receivable, amounts due from FEMA represent \$83.8 million. The department continues to work closely with FEMA Region 10 representatives to expedite the reimbursement process, where possible. For more information about the status of FEMA reimbursements, refer to page 5.

Figure 3 - Accounts Receivables Aging as of August 22, 2022

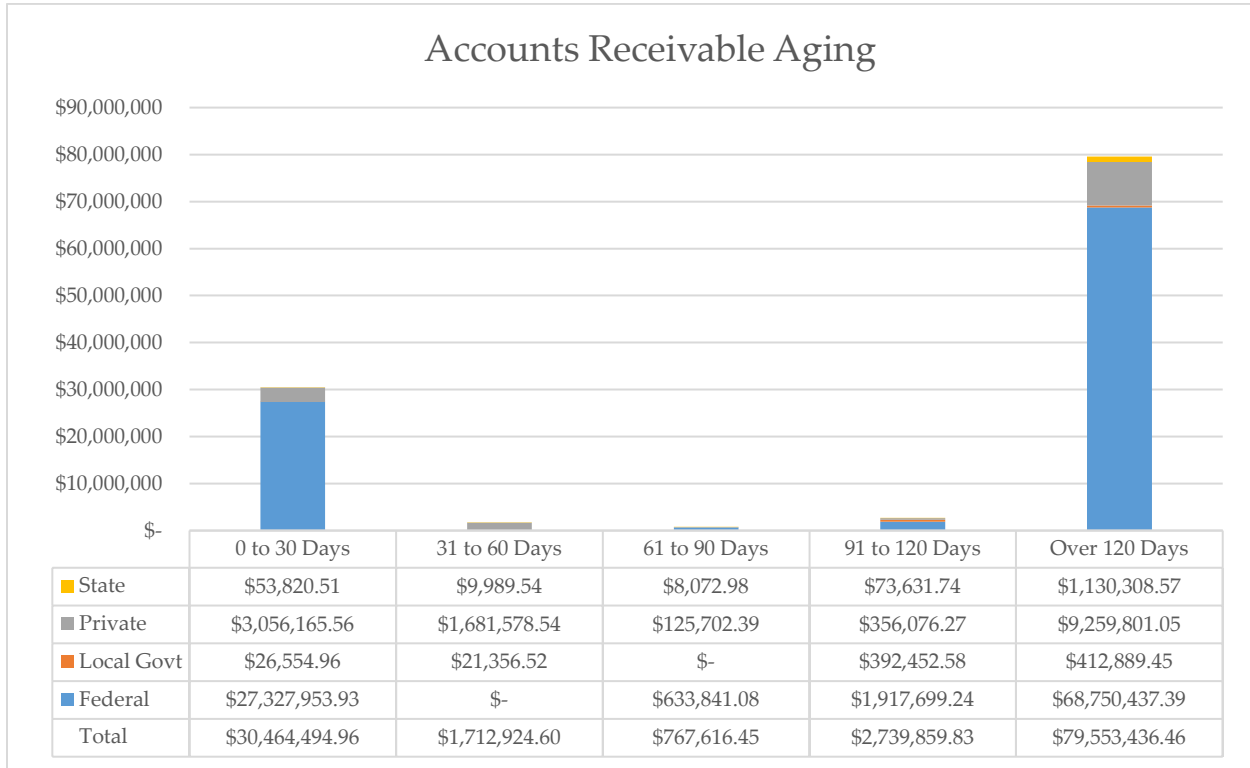
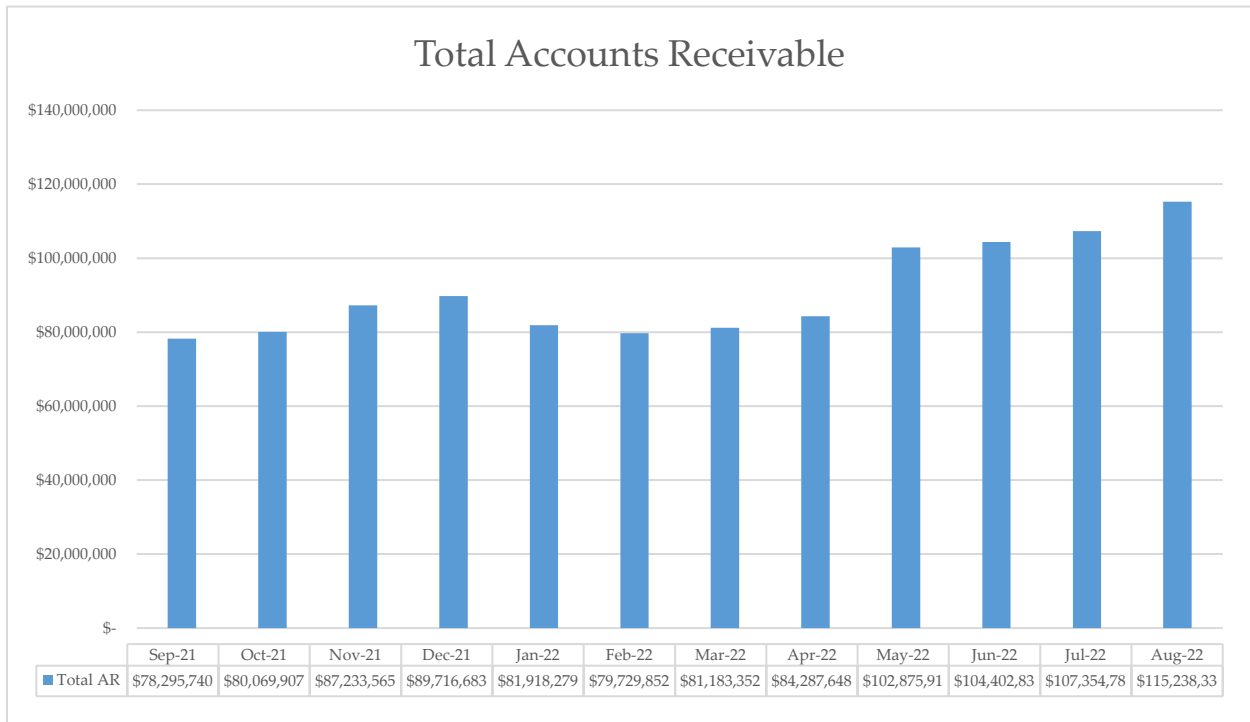


Figure 4 - Total Accounts Receivables as of August 22, 2022



Large Fire Costs

Since the last reporting period, the department submitted two additional 2021 FEMA FMAG applications for the Patton Meadow and 0419/0422 fires. Even though several aged FMAG grant applications are pending FEMA review, in early August the department requested that the FEMA FMAG team prioritize the review of the 2021 Bootleg fire above all other outstanding FMAG grant applications due its significant value (\$16.5 million). Their team agreed to the request for prioritization; however, no additional details were provided to indicate when the review would be completed.

Given that the 2020 wildfires were part of a presidential disaster declaration, all eligible 2020 fire suppression costs were subject to the FEMA PA grant process. Initially, the department submitted grant applications for fire equipment and contract services costs, leaving a remaining balance of estimated costs pending final cost share settlements. With the majority of 2020 cost share settlements completed, the department is actively preparing final grant applications for each 2020 fire that has outstanding estimated costs.

While the department has been working diligently to submit final PA grant applications for the 2020 fire season, noticeable progress has been reported by FEMA Region 10 for previously submitted PA grant applications. As of August 19, all 2020 PA grant applications had completed the Consolidated Resource Center (CRC) review process. Of those, fourteen (\$38.2 million) are pending the Environmental and Historic Preservation (EHP) review; three grants (\$19.8 million) are in the U.S. Congress Large Project Notification queue; and seven grants (\$6.9 million) have been obligated and are in various stages of review and distribution within the Oregon Department of Emergency Management. The “Currently Invoiced” amounts shown below for the 2020 fire season consist primarily of PA grant (Table 2).

Table 2 – Gross Large Fire Cost Summary (red indicates estimates – in millions) as of August 18, 2022

Fire Protection Large Fire Cost Summary								
Fire Season	2015	2016	2017	2018	2019	2020	2021	Total
Fire Costs	76.48	20.74	61.35	108.09	33.79	138.72	145.74	584.91
Currently Invoiced	(0.14)	(0.06)	(0.17)	(0.22)	(0.26)	(66.63)	(28.34)	(95.82)
Outstanding to Invoice	-	-	(0.09)	(0.47)	(0.43)	(8.26)	(51.27)	(60.52)

MGO Update

August 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. Information Technology positions located within the Administrative Modernization Program continue to be problematic to fill and those recruiting efforts are still ongoing. 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