

CRMP

California Residential Mitigation Program A Joint Powers Authority

Date of Notice: Friday, August 30, 2019

PUBLIC NOTICE

**A PUBLIC MEETING
OF THE GOVERNING BOARD OF THE
CALIFORNIA RESIDENTIAL MITIGATION PROGRAM**

NOTICE IS HEREBY GIVEN that the Governing Board of the **California Residential Mitigation Program (CRMP)** will meet in Sacramento, California. The Bagley-Keene Open Meeting Act applies generally to meetings of the board, and the meeting is open to the public—public participation, comments, and questions will be welcome for each agenda item. All items are appropriate for action if the governing board wishes to take action. Agenda items may be taken out of order.

LOCATION: Governor's Office of Emergency Services
(CalOES)
3650 Schriever Avenue MPR2
Mather, CA 95655

DATE: Tuesday, September 10, 2019

TIME: 1:00pm

AGENDA:

1. Call to order and member roll call:

Mitch Ziemer – Chair, Insurance and Claim Director, CEA
Alex Pal, Chief Legal Counsel, Cal OES
Christina Curry – Vice Chair, Deputy Director, California Office of Emergency Services
Dan Dyce – Consultant, CEA

Establishment of a quorum

2. Consideration and approval of the minutes of the June 5, 2019 CRMP Governing Board meeting.

3. CRMP Executive Director Janiele Maffei will present her executive report.
4. CRMP Treasurer Benjamin Kirwan will review the CRMP financial statements as of July 31, 2019
5. JLK Rosenberger, LLP will report on the audit performed of CRMP's financial statements for the year ended December 31, 2018.
6. CRMP Managing Director Annde Ewertson will present the CRMP Mitigation (Earthquake Brace + Bolt) update.
7. Public comment on items that do not appear on this agenda and public requests that those matters be placed on a future agenda.
8. Adjournment.

Inquiries/General Information:

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jball@calquake.com

To view this notice on the CRMP website, please visit
www.CaliforniaResidentialMitigationProgram.com

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Persons with disabilities may request special accommodations at this or any future CRMP governing board meeting or may request the accommodation necessary to receive agendas or materials prepared for its board meetings.

Please contact Jacqueline Ball by telephone at (916) 661-5607 or by email at jball@calquake.com. We would appreciate hearing from you at least five days before the meeting date to best allow us to meet your needs.

NOTE: You might have received this notice because your name, or that of your organization, appears on a public-notice list maintained by the California Earthquake Authority. If in the future you do not wish to receive public notices pertaining to the California Residential Mitigation Program, please send your request by email to info@californiareidentialmitigationprogram.com.

As approved by the CRMP Governing Board on September 10, 2019

**CALIFORNIA EARTHQUAKE AUTHORITY
CALIFORNIA RESIDENTIAL MITIGATION PROGRAM
GOVERNING BOARD MEETING
MINUTES**

**Wednesday, June 5, 2019
1:00 p.m.**

Location: California Earthquake Authority
801 K Street
10th Floor, Suite 1000
Sacramento, California

Members of the California Residential Mitigation Program (CRMP) Governing Board in attendance:

Mitch Ziemer, Chair, Insurance and Claim Director, California Earthquake Authority (CEA)
Christina Curry, Vice Chair, Deputy Director, Cal OES
Dan Dyce, Consultant, CEA
Alex Pal, Chief Legal Counsel, Cal OES

Members of the CRMP Staff in attendance:

Janiele Maffei, Executive Director, CRMP
Annde Ewertsen, Managing Director, CRMP
Benjamin Kirwin, Treasurer, CRMP
Seth Merewitz, Counsel, CRMP

Also Present:

No members of the public addressed the Board.

1. Call to order and member roll call.

Mr. Ziemer called the meeting to order at 1:08 p.m. A quorum was achieved.

2. Consideration and approval of the minutes of the March 5, 2019, CRMP Governing Board Meeting.

MOTION: Mr. Pal moved approval of the March 5, 2019, California Residential Mitigation Program Governing Board Meeting Minutes as presented. Mr. Dyce seconded. Motion carried unanimously.

3. Consideration and approval of the minutes of the April 22, 2019, CRMP Governing Board Meeting.

MOTION: Mr. Dyce moved approval of the April 22, 2019, California Residential Mitigation Program Governing Board Meeting Minutes as presented. Mr. Pal seconded. Motion carried unanimously.

4. CRMP Executive Director Janiele Maffei will present her executive report.

Janiele Maffei, CRMP Executive Director, updated the Board on the CEA's mitigation projects:

CEA Research Program

The research department is managing two special projects:

- Research is ongoing for the Pacific Earthquake Engineering Research Institute (PEER) project.
 - Significant findings are seen in the reduction in damage to the retrofitted cripple wall house.
 - Preliminary numbers are expected around the end of this year.
 - The project is expected to be completed with full reports provided in the first quarter of 2020.

Questions and Discussion

Mr. Dyce asked if horizontal siding can be retrofitted. Ms. Maffei stated it cannot. The base and the cripple walls can be retrofitted in the crawl spaces, which significantly improves the performance, although damage will be sustained.

Ms. Curry asked why stucco sustains less damage over exterior horizontal siding. Ms. Maffei stated stucco is stiff; typically, the first thing that fails on stucco is the connection of the stucco to the structure. Modern houses that have stucco on top of plywood will perform significantly better.

- Research is ongoing for the update to the Consortium of Universities for Research in Earthquake Engineering (CUREE) General Guidelines for the Assessment and Repair of Earthquake Damage in Residential Wood-frame Buildings.
 - Chair Ziemer's name will be included on the front page under the Prepared For section.
 - 90 percent of the draft General Guidelines is complete.
 - An all-day meeting has been scheduled for this Friday to begin work on the document for geotechnical and structural engineers.

CEA Mitigation Program

The mitigation department is managing two special projects:

- FEMA P-1100 into ANSI Standard Project
 - This project is taking less time than originally envisioned at one year to 18 months.
- CEA Seismic Verification Program

- The Seismic Inspection Professional Directory will soon be posted to the CEA website for engineers, home inspectors, and contractors.
- The Directory will be ZIP Code searchable.

Questions and Discussion

Ms. Curry asked how this could be rapidly marketed. Ms. Maffei stated this directory will be for individuals who can utilize the QuakeGrade app. The EBB Contractor Directory and the Seismic Inspection Professional Directory will be a first start for individuals who do single-family, wood-frame inspection.

Legislative Efforts

- H.R. 2053, Thompson and Calvert
 - Staff is actively seeking co-sponsors.
- Senate Bill (SB) 254, Hertzberg
 - This is now a two-year bill.

Questions and Discussion

Ms. Curry stated Assembly Bill (AB) 548, Rodriguez, has to do with CRMP and accessibility for low-income homes. Ms. Maffei stated there has been some discussion about introducing low-income accessibility into the Hertzberg bill. CRMP would immediately begin the Vulnerability Brace and Bolt Program with greater incentives, increased customer service, and focused marketing to those communities.

CEA BB Outreach

- The low response rate to letters sent out inviting policyholders to retrofit their homes was not unlike the response in the first year of the EBB program.
- A lesson learned from the EBB Pilot program was that a single approach such as the use of mailers was not effective. This lesson must be applied to the CEA BB outreach.
- CRMP will continue this outreach to allow policyholders to hear about the program more than once over a variety of trusted sources.

Ms. Maffei stated a total of 7,825 homes have been retrofitted to date.

5. CRMP Treasurer Benjamin Kirwan will present the CRMP financial statements as of April 30, 2019.

Benjamin Kirwan, CEA Treasurer, provided an overview, with a slide presentation, of the CRMP financial information as of April 30, 2019.

6. CRMP Managing Director Annde Ewertsen will present the CRMP Mitigation (Earthquake Brace + Bolt) update.

Annde Ewertsen, CRMP Managing Director, provided an overview of the CEA and CRMP Earthquake Brace + Bolt Programs, FEMA-trained contractor data, regional cost, retrofit data, and future funding opportunities. She updated the Board on the FEMA-Hazard Mitigation Grant Program (HMGP) funding process. A grant application for a \$10 million -Pre-Disaster Mitigation (PDM) grant for multi-family dwellings has been submitted and is awaiting review by FEMA.

7. CRMP Managing Director Annde Ewertsen will present request to award for contract, RFQ-0812, Public Relations and Marketing Services, for approval.

Ms. Ewertsen provided an overview of the background and procurement and evaluation processes for an award of contract for public relations and marketing services.

Staff recommendation:

- Award the contract and authorize executive director Janiele Maffei to enter into a contract utilizing the terms and conditions specified in the Request for Qualifications and Proposals (RFP-Q).

Questions and Discussion

Mr. Dyce asked if the CRMP has worked with these firms before. Ms. Ewertsen stated Runyon Salzman, Inc., is the incumbent.

Ms. Curry asked if there was any foreseeable reason that one or the other of the proposals will be selected. Ms. Ewertsen stated there is not. Reference checks are being made for the two qualified candidates whose scores are very close.

MOTION: Mr. Dyce moved approval of the staff recommendation as presented. Ms. Curry seconded. Motion carried unanimously.

8. CRMP Managing Director Annde Ewertsen will present request to award for contract, RFQ-0813, Printing, Distribution, and Market Analysis, for approval.

Ms. Ewertsen provided an overview of the background and procurement and evaluation processes for an award of contract for printing, distribution, and market analysis services.

Staff recommendation:

- Award the contract and authorize executive director Janiele Maffei to enter into a contract with Zoom Media utilizing the terms and conditions specified in the RFP-Q.

Questions and Discussion

Ms. Curry asked about the dollar amount for this contract. Ms. Ewertsen stated it is based on printing costs of approximately \$100,000 per year.

MOTION: Mr. Pal moved approval of the staff recommendation as presented. Mr. Dyce seconded. Motion carried unanimously.

9. Public comment on items that do not appear on this agenda and public requests that those matters be placed on a future agenda.

There were no questions or comments from the public.

10. Adjournment.

Mr. Ziemer adjourned the meeting at 1:55 p.m.

CRMP Governing Board Memorandum

September 10, 2019

Agenda Item 3: Executive Report by Executive Director Janiele Maffei

Recommended Action: No Action Necessary

Background:

In the absence of Executive Director Janiele Maffei, CRMP Mitigation Director Annde Ewertsen will present the update on the CRMP and CEA mitigation interests and projects.

Recommendation:

No action necessary.

Governing Board Memorandum

September 10, 2019

Agenda Item #4: Treasurer's Financial Update

Recommended Action: No Action Necessary

Background:

CRMP Treasurer, Ben Kirwan, will review the CRMP financial statements as of July 31, 2019.

Recommendation:

No action is necessary.

California Residential Mitigation Program
(CRMP)

FINANCIAL
REPORT

BOARD MEETING

Tuesday, September 10, 2019

**California Residential Mitigation Program
Balance Sheet
As of July 31, 2019**

Assets

Cash and cash equivalents	\$ 1,668,501
	<hr/>
Total assets	\$ 1,668,501
	<hr/> <hr/>

Liabilities and Fund Balance

Liabilities:

Accounts payable and accrued expenses	\$ 53,797
	<hr/>
Total liabilities	53,797
	<hr/>

Fund Balance:

Unassigned	1,614,704
	<hr/>
Total fund balance	1,614,704
	<hr/>
Total liabilities and fund balance	\$ 1,668,501
	<hr/> <hr/>

California Residential Mitigation Program
Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year-to-Date Ended July 31, 2019

Revenues:	
Contributions from members	\$ 3,300,000
Contributions from other governments	48,859
	<hr/>
Total revenues	3,348,859
	<hr/>
Expenditures:	
Administration and office expenses	\$ 7,135
Board services	883
Grants to homeowners	1,727,623
Inspection services	30,270
Insurance	6,041
IT administrative support	19,452
Legal services	31,147
Marketing services	33,801
Program education	21,395
Program support	30,000
Travel	6,017
	<hr/>
Total expenditures	1,913,764
	<hr/>
Net change in fund balance	1,435,095
Fund balance, beginning of year	179,609
	<hr/>
Fund balance, end of year to date	\$ 1,614,704
	<hr/> <hr/>

**California Residential Mitigation Program
Budgeted Expenditures and Actual Expenditures
2019 Budget Year
as of July 31, 2019**

	Approved 2019 Budget 1/1/2019	Adjustments ^A	Augmentations ^B	2019 Budget after Augmentations and Adjustments	Actual Revenues and Expenditures	Augmented & Adjusted Approved Budget vs. Actual	Percentage used of Augmented & Adjusted 2019 Budget
Revenue							
Contribution from Members ¹	\$ -	\$ -	\$ 6,300,000	\$ 6,300,000	\$ 3,300,000	\$ 3,000,000	52.38%
FEMA - Napa EBB ²	-	-	48,589	48,589	48,589	-	100.00%
FEMA - 4308 and 4344	-	-	1,500,000	1,500,000	-	(1,500,000)	0.00%
Total Revenue	\$ -	\$ -	\$ 7,848,589	\$ 7,848,589	\$ 3,348,589	\$ 1,500,000	42.66%
CRMP Administration Expenses							
Travel	\$ 24,000	\$ -	\$ (5,000)	\$ 19,000	\$ 6,017	\$ 12,983	31.67%
Professional Dues and Memberships	800	-	-	800	-	800	0.00%
Board Services	2,200	-	-	2,200	883	1,317	40.14%
Administration & Office	25,100	-	-	25,100	7,135	17,965	28.43%
Insurance	45,000	-	(19,000)	26,000	6,041	19,959	23.23%
Financial Audit	50,000	-	-	50,000	-	50,000	0.00%
Legal Services	150,000	-	(50,000)	100,000	31,147	68,853	31.15%
Total Administration Expenses	297,100	-	(74,000)	223,100	51,223	171,877	22.96%
EBB Program Expenses							
Software/Information Technology	27,650	7,800	-	35,450	19,452	15,998	54.87%
Call Center	200,000	(7,800)	(42,200)	150,000	30,000	120,000	20.00%
Home Inspection Services	95,000	-	-	95,000	30,270	64,730	31.86%
EBB Marketing	325,000	-	(85,000)	240,000	33,801	206,199	14.08%
EBB Program Education	75,000	-	(25,000)	50,000	21,395	28,605	42.79%
Grants to Homeowners - EBB	1,500,000	2,000,000	-	3,500,000	1,727,623	1,772,377	49.36%
Grants to Homeowners - FEMA 4308 and 4344	6,000,000	(2,000,000)	(2,500,000)	1,500,000	-	1,500,000	0.00%
Total EBB Program Expenses	8,222,650	-	(2,652,200)	5,570,450	1,862,541	3,707,909	33.44%
Total Administrative and Program Expenses	\$ 8,519,750	\$ -	\$ (2,726,200)	\$ 5,793,550	\$ 1,913,764	\$ 3,879,786	33.03%

¹ California Earthquake Authority board has approved max funding of \$6,300,000 for 2019 as of the CEA board meeting on December 12, 2018.

² Napa EBB was closed out during 2018, this amount is the final payment to close out the program.

^A Adjustments between categories to cover unplanned expenditures.

^B Augmentations to CRMP budget to meet end of year projection estimates.

Governing Board Memorandum

September 10, 2019

Agenda Item #5: Report of Audit on CRMP Annual Financial Statements (2018)

Recommended Action: No action required – information only

Background:

JLK Rosenberger, LLP California Residential Mitigation Program's independent auditors, has performed an audit of CRMP's financial statements for the year ended December 31, 2018.

- The independent auditor conducted an audit of CRMP's financial statements prepared in accordance with generally accepted accounting principles (GAAP) in the United States of America.

Report of Audit for GAAP financial statements are found in Attachment A and consist of

- Independent Auditor's Report
- Management's Discussion and Analysis (MD&A)
- Audited Financial Statements and accompanying notes
- Supplementary Information

Analysis:

According to the Independent Auditor's Report, CRMP's 2018 audited GAAP financial statements present fairly, in all material respects, the financial position of CRMP, in conformity with accounting principles generally accepted in the United States of America.

Recommendation Action:

No action required – information only.

California Residential Mitigation Program

Financial Statements and
Independent Auditor's Report

December 31, 2018

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Independent Auditor's Report

To the Governing Board
California Residential Mitigation Program

We have audited the accompanying financial statements of the governmental activities and the General Fund of California Residential Mitigation Program (CRMP) as of December 31, 2018, and the related notes to the financial statements, which collectively comprise CRMP's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence that we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the respective financial position of the governmental activities and the General Fund of CRMP as of December 31, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 - 6 and 15 - 16 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's response to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Glendale, California
July 12, 2019

History

This discussion provides an assessment by management of the financial position, revenues, expenses, changes in net position, and budget of the California Residential Mitigation Program (CRMP). Readers are encouraged to consider the information presented in conjunction with the financial statements as a whole including the notes, which follow Management's Discussion and Analysis.

In August 2011 the Governor's Office of Emergency Services (Cal OES) and the California Earthquake Authority (CEA) entered into a joint exercise of powers agreement to create the CRMP to carry out a joint mitigation program. Both Cal OES and CEA are authorized to assist California dwelling owners who wish to retrofit their dwellings to protect against earthquake damage. CRMP is a legally separate entity from its members. It has a governing board consisting of two members appointed by the CEA and two members appointed by Cal OES.

Management Team

Overall responsibility for operations has been delegated by the governing board to the Executive Director. The Governing Board has adopted a Procurement Guidelines and Contracting Manual and an Expenditures Procedures Manual. CRMP may employ or contract for staff and consultants as required to administer the program and will contract with private-sector organizations for the services described below.

Program Funding

Funding for CRMP is provided by voluntary advances, contributions, or grants. It is expected that funds will be released to CRMP in increments as needed by CRMP.

The governing board is asked to approve funding to support programs designed to encourage dwelling owners to participate in retrofit activities.

CRMP Focus

CRMP primarily focuses its effort on the following:

- a. Educating dwelling owners about their options to structurally strengthen their dwellings;
- b. Informing dwelling owners about any funding that is available to encourage participation in CRMP programs;
- c. Making available an application for dwelling owners who want to participate in CRMP programs;
- d. Educating contractors about CRMP programs;
- e. Educating building-inspection authorities about CRMP programs; and
- f. Informing, and productively working with, all interested parties about CRMP programs.

Earthquake Brace & Bolt: Funds to Strengthen Your Foundation

The Earthquake Brace + Bolt (EBB) program was designed to encourage homeowners to complete a seismic retrofit of their older houses by offering up to \$3,000 toward the cost. EBB provides grants only for a specific "building-code-compliant" or an engineer designed and approved seismic retrofit, to ensure the retrofit will perform as designed and keep the house on its foundation. Although new-house construction in California has benefited from seismic building codes for many years, the availability of a seismic-retrofit building code for existing houses is actually quite recent.

Earthquake Brace & Bolt: Funds to Strengthen Your Foundation (Continued)

Before that code came into effect in California, residential retrofits of older houses were often incomplete and not based on a uniform best-practice. The consequences of an improper retrofit can be devastating, since the crawl space may still be vulnerable to collapse, possibly causing the house to slide off its foundation. The 2010 adoption of Chapter A3 into the California Building Code provided the first uniform guidelines for a quality, science-based retrofit for existing houses. EBB relies on Chapter A3 as its guidepost, offering cash grants for only these code-compliant seismic retrofits. The retrofit involves bolting the house to its foundation and adding bracing around the perimeter of the crawl space.

EBB began with a pilot program in 2013/14 and has grown each year since, adding more cities and more zip codes. To-date, more than 7,500 grants have been provided to California homeowners.

Using the Report

CRMP's financial statements for the year ended December 31, 2018 have been prepared using accounting standards applicable to governmental entities. This document consists of financial statements with accompanying notes. The government-wide statements consist of a Statement of Net Position and Statement of Activities, which is an economic resources measurement focus and the accrual basis of accounting. The fund financial statements consist of a Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balance that are reported using the current financial resources measurement focus and the modified accrual basis of accounting.

Statement of Net Position

CRMP's assets, liabilities and net position as of December 31 are as follows:

	2018	2017
Assets		
Cash and cash equivalents	\$ 355,519	\$ 2,027,465
Due from other governments	14,121	32,747
Prepaid expenses	-	1,900
Total assets	<u>369,640</u>	<u>2,062,112</u>
Liabilities and Net Position		
Accounts payable and accrued expenses	<u>190,032</u>	<u>249,657</u>
Total liabilities	<u>190,032</u>	<u>249,657</u>
Net position, unrestricted	<u>179,608</u>	<u>1,812,455</u>
Total net position	<u>179,608</u>	<u>1,812,455</u>
Total liabilities and net position	<u>\$ 369,640</u>	<u>\$ 2,062,112</u>

Assets, Liabilities and Net Position

Total assets decreased by \$1,692,472 (82%) in 2018 due to a significant increase in the number of completed retrofits due to the expansion of the EBB program. Total liabilities decreased by \$59,625 (24%) in 2018, largely due to a lower number of unpaid retrofits. Total net position decreased by \$1,632,847 (90%) in 2018 mainly due to an increase in the number of retrofits performed and paid in 2018.

Statement of Activities

CRMP's program revenues and expenses, general revenues and net position as of December 31 are as follows:

	<u>2018</u>	<u>2017</u>
Program revenues:		
Contributions from other governments	\$ -	\$ 3,095,998
Program expenses:		
Administration and office expenses	34,849	4,582
Audit services	41,000	39,000
Board meeting	1,509	1,105
Consumer incentives	9,621,834	6,561,142
EDP software	107	905
Information technology	18,265	18,593
Inspection services	109,502	77,850
Insurance	39,546	33,535
Legal services	68,375	53,038
Marketing services	386,962	305,038
Program education	71,486	5,356
Telecommunications	131,923	84,517
Travel	7,489	14,622
Total expenses	<u>10,532,847</u>	<u>7,199,283</u>
General revenues:		
Contributions from a member	<u>8,900,000</u>	<u>5,400,000</u>
Change in net position	(1,632,847)	1,296,715
Net position, beginning of year	<u>1,812,455</u>	<u>515,740</u>
Net position, end of year	<u>\$ 179,608</u>	<u>\$ 1,812,455</u>

Program Expenses, General Revenue and Net Position

Total program revenues come from grants received from the Department of Insurance and Federal Emergency Management Agency (FEMA) to cover consumer incentives payments. No program revenues were received in 2018, as the Department of Insurance provided no additional funding, and CRMP had not been awarded any new FEMA grants. Total program expenses increased by \$3,333,564 (47%) in 2018 due to more expenses necessary for the expanded EBB program, especially in consumer incentives, which accounts for the majority of the increase. General revenues from contributions increased by \$3,500,000 (65%) and net position decreased by \$1,632,847 (90%).

Budget Analysis

CRMP's original budget had expenditures of \$6,640,250 and final budget expenditures of \$9,940,250. The \$3 million increase is due to an expansion of the EBB program to accommodate the significant number of applicants on the waiting list.

Actual total expenditures for 2018 were \$10,532,847 compared to the final budget of \$10,242,400, a negative variance of \$290,447. The consumer incentives had a negative variance of \$321,834 which was caused by the timing of when homeowners completed their retrofit. There was also a negative variance of \$61,962 for marketing services, which was due to increased marketing efforts for the 2nd program opening that happened during the year. These negative variances were offset by various positive variances, with the administration and office expenses having a positive variance of \$44,201 and the travel expenditures having a positive variance of \$25,311.

Current Economic Factors and Conditions

CRMP continues to expand the EBB program each year, with the 2019 program including zip codes covering more than 50 cities in California. CRMP continues to see significant interest and participation in the program and has seen an increase in the amount of consumer incentives reimbursements each year accordingly. CRMP is consistently monitoring opportunities for funding beyond its members, so that it can continue to grow and meet the program objectives.

Requests for Information

This financial report is designed to provide a general overview of CRMP's finances for all those interested. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

California Residential Mitigation Program
801 K Street, Suite 1000
Sacramento, CA 95814

CALIFORNIA RESIDENTIAL MITIGATION PROGRAM

Statement of Net Position As of December 31, 2018

	<u>2018</u>
Assets:	
Cash and cash equivalents	\$ 355,519
Accounts receivable	<u>14,121</u>
Total assets	<u>369,640</u>
Liabilities:	
Accounts payable and accrued expenses	<u>190,032</u>
Total liabilities	<u>190,032</u>
Net position:	
Unrestricted	<u>179,608</u>
Total net position	<u><u>\$ 179,608</u></u>

See accompanying notes to financial statements.

CALIFORNIA RESIDENTIAL MITIGATION PROGRAM

Statement of Activities For the Year Ended December 31, 2018

	<u>2018</u>
Program expenses:	
Administration and office expenses	\$ 34,849
Audit services	41,000
Board meeting	1,509
Consumer incentives	9,621,834
EDP software	107
Information technology	18,265
Inspection services	109,502
Insurance	39,546
Legal services	68,375
Marketing services	386,962
Program education	71,486
Telecommunications	131,923
Travel	7,489
Total program expenses	<u>10,532,847</u>
General revenues:	
Contributions from a member	<u>8,900,000</u>
Change in net position	(1,632,847)
Net position, beginning of period	<u>1,812,455</u>
Net position, end of period	<u><u>\$ 179,608</u></u>

See accompanying notes to financial statements.

CALIFORNIA RESIDENTIAL MITIGATION PROGRAM

Balance Sheet As of December 31, 2018

	<u>2018</u>
Assets:	
Cash and cash equivalents	\$ 355,519
Accounts receivable	14,121
Total assets	<u>\$ 369,640</u>
Liabilities:	
Accounts payable and accrued expenses	<u>\$ 190,032</u>
Total liabilities	<u>190,032</u>
Fund Balance:	
Unassigned	<u>179,608</u>
Total fund balance	<u>179,608</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 369,640</u>

See accompanying notes to financial statements.

CALIFORNIA RESIDENTIAL MITIGATION PROGRAM

Statement of Revenues, Expenditures and Changes in Fund Balance For the Year Ended December 31, 2018

	2018
Revenues:	
Contributions from a member	\$ 8,900,000
Total revenues	8,900,000
Expenditures:	
Administration and office expenses	34,849
Audit services	41,000
Board meeting	1,509
Consumer incentives	9,621,834
EDP software	107
Information technology	18,265
Inspection services	109,502
Insurance	39,546
Legal services	68,375
Marketing services	386,962
Program education	71,486
Telecommunications	131,923
Travel	7,489
Total expenditures	10,532,847
Net change in fund balance	(1,632,847)
Fund balance, beginning of period	1,812,455
Fund balance, end of period	\$ 179,608

See accompanying notes to financial statements.

1. Reporting Entity and Summary of Significant Accounting Policies

Reporting Entity

California Residential Mitigation Program (CRMP) is a public entity established August 16, 2011 by a Joint Exercise of Powers Agreement (JPA) between two members: California Earthquake Authority, a public instrumentality of the State of California (CEA), and the Governor's Office of Emergency Services (Cal OES). The JPA is effective until December 31, 2021, unless extended or terminated by written agreement of the members. A four-member board governs CRMP. Two board members are appointed by Cal OES and the other two are appointed by CEA.

CRMP's purpose is to supply grants, loans, and loan guarantees (and related assistance and incentives) to owners of dwellings in California who wish to retrofit their homes to protect against earthquake damage. Neither member has any obligation to make advances or contributions to CRMP, but may contribute or advance funds, or allow CRMP to use its personnel, equipment or property. Any advance may, but need not, be subject to repayment. Upon termination of the JPA, any money and other assets in possession of CRMP shall be returned to members in proportion to the contributions each made.

While CRMP members are instrumentalities and agencies of the state, the State of California's General Fund is not liable for CRMP expenses or other liabilities. However, CRMP meets the definition of a governmental organization, as defined by accounting principles generally accepted in the United States of America.

Basis of Presentation and Accounting

Government-Wide Statements

The statement of net position and statement of activities display information about CRMP in a manner consistent with a primary government. These statements include the financial activities of CRMP overall.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

The statement of activities presents a comparison between direct expenses and program revenues for CRMP's governmental-type activity. Direct expenses are those that are specifically associated with CRMP. Program revenues include grants and contributions that are restricted for specific programs or purposes. Revenues that are not classified as program revenues, including investment income and general contributions, are presented instead as general revenues.

Fund Financial Statements

Separate financial statements are provided for the governmental funds. The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available to use for expenditures of the current period. Revenues are accrued as measurable and available when receipt occurs within sixty days after the end of the accounting period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting.

1. Reporting Entity and Summary of Significant Accounting Policies (Continued)

Basis of Presentation and Accounting (Continued)

Fund Financial Statements (Continued)

Non-exchange transactions, in which CRMP gives (or receives) value without directly receiving (or giving) value in exchange, include grants, entitlements and donations. On a modified accrual basis, revenues from grants, entitlements and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

CRMP reports one major governmental fund, the General Fund. The General Fund is CRMP's primary operating fund. It accounts for all financial resources of CRMP.

Cash and Cash Equivalents

CRMP considers all highly liquid instruments with a maturity of three months or less when acquired, to be cash and cash equivalents.

Capital Assets

Capital assets are recorded at historical costs. CRMP defines capital assets with an initial, individual cost of \$5,000 or more with an estimated useful life in excess of one year. Depreciation is computed by the straight-line method over estimated useful lives of the assets.

Net Position

Net position represents the difference between assets and liabilities. Net position invested in capital assets, net of related debt consist of capital assets, net of accumulated depreciation reduced by the outstanding balance of any outstanding borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use either through constitutional provisions or enabling legislations of other governments when those restrictions are more restrictive than the normal activities of CRMP.

When an expense is incurred for which both restricted and unrestricted net position is available, CRMP's policy is to first apply the restricted net position before applying any of the unrestricted net position.

Fund Balance

In accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, CRMP uses the following fund balance classifications to describe the relative strength of spending constraints:

- **Non-spendable** – The category includes elements of the fund balance that cannot be spent because of their form (such as inventory) or because they must be maintained intact.

1. Reporting Entity and Summary of Significant Accounting Policies (Continued)

Fund Balance (Continued)

- **Restricted** – Amounts that are subject to external constraints that are legally enforceable restrictions. Such as, funding from other governments that are legally restricted for a specific use.
- **Committed** – Amounts constrained to specific purposes by CRMP itself by its highest level of decision-making authority (CRMP Board). Committed amounts cannot be used for any other purpose unless CRMP Board takes the same highest-level action to remove or change the constraint.
- **Assigned** – Amounts CRMP intends to use for a specific purpose. Intent can only be expressed by formal CRMP Board action.
- **Unassigned** – Amounts that cannot be classified into any other categories.

When expenditures occur that qualify for multiple fund balance types, it is CRMP policy to apply the expenditures in the following order: committed, assigned, then unassigned.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

2. Cash and Cash Equivalents

Cash and cash equivalents consisted of the following at December 31, 2018:

Cash in bank	\$	355,486
Petty cash		33
Total	\$	<u>355,519</u>

As of December 31, 2018, CRMP did not have a policy governing deposits to address custodial credit risk.

3. Related-Party Transactions

CRMP has an agreement to accept personnel, equipment, and office space from CEA. These include the services of CRMP's executive director, secretary and treasurer. If CRMP had been autonomous, the operating results and financial position for this year would have been significantly different.

4. Concentrations of Risk

CRMP's business is dependent upon contributions and advances from members. Changes in contributions could significantly affect the level of CRMP's operations.

5. Risk Management

CRMP is exposed to various risks of loss; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. CRMP has insurance policies with private insurance companies for the following policies:

<u>Policy Type</u>	<u>Claim Limit</u>	<u>Policy Limit</u>
Director and Officers Liability	\$ 2,000,000	\$ 5,000,000
Business Liability	2,000,000	4,000,000
Information Security & Privacy	1,000,000	2,000,000

CRMP also has additional umbrella coverage of \$3,000,000. Management believes such coverage is sufficient to preclude any significant uninsured losses to CRMP. Claim amounts have not exceeded policy limits in the last three years.

6. Subsequent Events

Management has evaluated subsequent events through July 12, 2019, which is the date the financial statements were made available to be issued. No events have occurred subsequent to December 31, 2018 requiring recording or disclosure in these financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

CALIFORNIA RESIDENTIAL MITIGATION PROGRAM

Schedule of Revenues, Expenditures and Changes in Fund Balance Budget and Actual

For the Year Ended December 31, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget</u>
Budgetary fund balances, January 1	\$ 1,812,455	\$ 1,812,455	\$ 1,812,455	\$ -
Revenues:				
Contribution from a member	-	8,900,000	8,900,000	-
Total revenues	<u>-</u>	<u>8,900,000</u>	<u>8,900,000</u>	<u>-</u>
Expenditures:				
Travel	32,800	32,800	7,489	25,311
Insurance	38,000	38,000	39,546	(1,546)
Board meeting	2,300	2,300	1,509	791
Administration and office	79,050	79,050	34,849	44,201
EDP software/information technology	25,250	25,250	18,372	6,878
Telecommunications	120,000	120,000	131,923	(11,923)
Audit services	50,000	50,000	41,000	9,000
Legal services	100,000	100,000	68,375	31,625
Inspection services	95,000	95,000	109,502	(14,502)
Marketing services	325,000	325,000	386,962	(61,962)
Program education	75,000	75,000	71,486	3,514
Consumer incentives	6,000,000	9,300,000	9,621,834	(321,834)
Total expenditures	<u>6,942,400</u>	<u>10,242,400</u>	<u>10,532,847</u>	<u>(290,447)</u>
Deficiency of revenue over expenditures	<u>(6,942,400)</u>	<u>(1,342,400)</u>	<u>(1,632,847)</u>	<u>290,447</u>
Net change in fund balances	<u>(6,942,400)</u>	<u>(1,342,400)</u>	<u>(1,632,847)</u>	<u>290,447</u>
Fund balances, end of year	<u><u>\$ (5,129,945)</u></u>	<u><u>\$ 470,055</u></u>	<u><u>\$ 179,608</u></u>	<u><u>\$ 290,447</u></u>

Budget and Budgetary Accounting

CRMP prepares and adopts an operating budget each year. The budget is prepared on a modified accrual basis and is consistent with generally accepted accounting principles. After the budget is approved, the appropriations can be added to, subtracted from or changed only by a CRMP Board resolution.

Governing Board Memorandum

September 10, 2019

Agenda Item 6: California Residential Mitigation Program incentive program (CRMP Earthquake Brace + Bolt)

Recommended Actions: No action required—information only

CRMP Earthquake Brace + Bolt Programs

Overall, the EBB program has reached another milestone with more than 8,000 completed retrofits for all programs. The 2018 EBB program had a record-setting year with 3,349 retrofits completed far surpassing previous years' completions. While the going has been slow for the 2019 program due to the delay in FEMA funding, the pace has picked back up since the board approved a CRMP-funded EBB program in late April. The 2019 CRMP-funded Program launched in May and as of August 26th 232 retrofits have been completed and 269 retrofits are in progress.

The 2019 FEMA-funded (HMGP grant 4308) EBB program (registration closed on November 13, 2018), which set a new record with 8,688 homeowners applying, received FEMA approval to begin accepting homeowners into the program on August 13, 2019. The program accepted 1,000 of the registered applicants on August 21, 2019.

On August 26th, EBB received notification of approval for Phase I of the \$20M HMGP grant 4344. Required changes to the program made by FEMA will now require applicants to submit a permit, work plans and photos in Phase I. These changes mirror the changes made for the HMGP 4308 grant.

Earthquake Brace + Bolt Programs (8/26/2019): CRMP and CEA			
Program	Completed	In Progress	Status
2014-2017 EBB	4,285	N/A	Closed
2018 EBB	3,349	N/A	Closed
CRMP 2019 EBB	232	269	984 transfers 148 accepted 142 extensions
FEMA Napa EBB	84	N/A	Closed
FEMA-funded 2019 EBB (4308)	N/A	N/A	8,688 registered 1,000 accepted
Pilot CEA BB	98	N/A	Closed
CEA 2019 BB	24	22	34,000 invited 925 accepted
Total	8,072	291	n/a

EBB Program Contractors

CRMP began intensive outreach efforts to contractors through direct mail and social media: 12,000 in February 2019; 2,300 in April 2019; 2,000 in May 2019 and over 4,000 in August 2019 were sent direct-mail pieces. EBB will continue outreach efforts to encourage participation in the program.

Contractors in EBB Directory- Range of Retrofits Paid (as of 07/31/2019 COB)										
Paid Retrofits	0	1	2-5	6-10	11-20	21-49	50-99	100-399	400+	Total
7,494	772	103	91	36	13	17	10	13	5	1,060

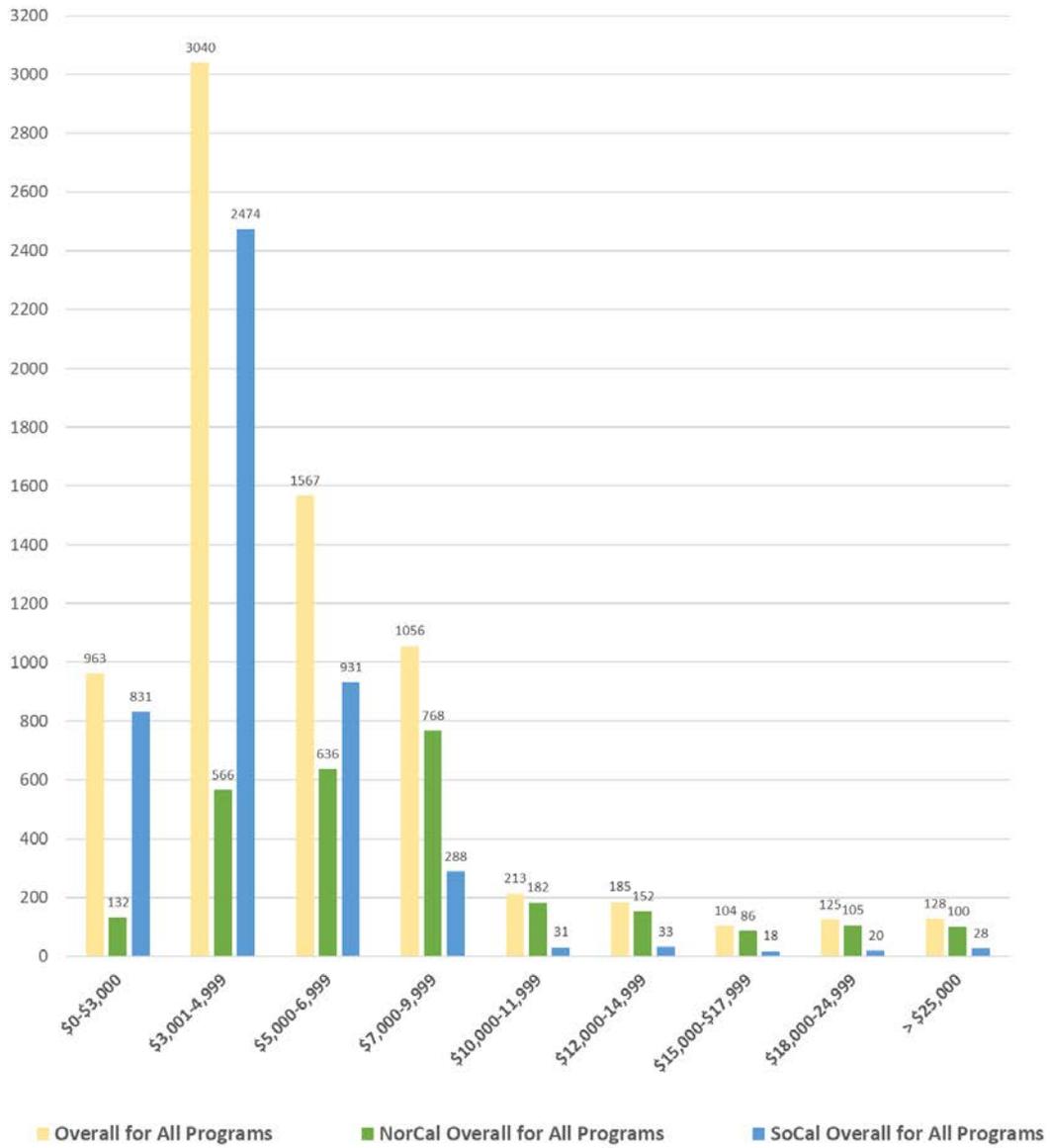
EBB Northern and Southern Regional Differences

Retrofit costs in Northern California still remain more expensive than Southern California and can be attributed to the type of retrofit completed and labor costs in Southern California. The average, median and minimum were relatively stable from 2016-2018. For the 2019 EBB Program, there have been few retrofits completed to date; therefore, the average, median and minimum retrofit costs may not yet provide an accurate representation of how the program will compare to previous years.

Northern CA Retrofits (as of 7/31/2019 COB)				
Program Year:	2016	2017	2018	2019
Total # of Retrofits:	585	828	1,172	25
Average Cost:	\$9,167	\$8,899	\$8,475	\$6,428
Median Cost:	\$7,500	\$7,361	\$6,661	\$5,512
Min Cost:	\$928	\$1,143	\$955	\$646
Max Cost:	\$75,465	\$54,362	\$63,430	\$28,900

Southern CA Retrofits (as of 7/31/2019 COB)				
Program Year:	2016	2017	2018	2019
Total # of Retrofits:	970	1,357	2,177	85
Average Cost:	\$4,597	\$4,726	\$4,936	\$4,166
Median Cost:	\$3,950	\$3,934	\$4,160	\$3,800
Min Cost:	\$562	\$1,197	\$877	\$2,473
Max Cost:	\$46,664	\$45,390	\$54,096	\$8,670

Regional Cost Overall for All Programs
 ('16, '17, '18, '19 CRMP, CEABB '16, Napa FEMA) (as of 7/31/2019 COB)



Engineered and Non-Engineered Retrofits

Costs continue to be substantially more for engineered retrofits, while the average cost for all retrofits dropped slightly in 2018. Initial reporting for the 2019 program indicate engineered costs are higher and non-engineered retrofit costs are lower than in the 2018 program. However, few retrofits have been completed so it is likely the data will change over time. (Bolded numbers indicate highs and lows over the last three program cycles)

2017-2019 Retrofits by Type (as of 7/31/2019 COB)						
Type of Retrofit	Engineered '17	Non-Engineered '17	Engineered '18	Non-Engineered '18	Engineered '19 CRMP	Non-Engineered '19 CRMP
Total # of Retrofits:	227	1,958	312	3,037	2	108
Average Cost:	\$15,335	\$5,263	\$15,187	\$5,249	\$18,785	\$4,419
Median Cost:	\$13,541	\$4,500	\$12,070	\$4,510	\$18,785	\$4,001
Min Cost:	\$2,661	\$1,143	\$1,673	\$877	\$8,670	\$646
Max Cost:	\$54,362	\$40,200	\$63,430	\$60,844	\$28,900	\$8,853

Withdrawn Applications

During each program cycle, a significant number of applicants withdraw from the program. The completion rate for the 2018 EBB program was the highest yet for all program years, at 45%. For the 2016 and 2017 program cycle, a higher percentage of applicants withdrew from their respective programs in Northern California, but the 2018 program reversed the trend with a larger percentage of withdrawals in Southern California. The 2019 CRMP-funded and FEMA-funded EBB programs currently indicate the trend has again normalize with more withdrawals in Northern California.

Withdrawn Homeowners (as of 7/31/2019 COB)												
Program	Bay and LA 2016		Bay and LA 2017		Bay and LA 2018		2019 FEMA-funded		2019 CRMP-funded		Total	
	Southern California	1,110	39%	1,435	40%	2,191	52%	44	43%	20	30%	4,780
Northern California	1,772	61%	2,153	60%	1,989	48%	59	57%	47	70%	5,973	56%
Total	2,882	100%	3,588	100%	4,180	100%	103	100%	67	100%	10,753	100%

2018 CRMP EBB program

The 2018 EBB program closed in August with 3,349 completed retrofits, surpassing the total number completed in the 2017 program by more than 50%. The program closed with one fewer completed retrofits than forecasted at the June board meeting. While the program is technically closed, EBB continues to work with an applicant that needs to make a slight correction to one document in order to provide a final submission.

Future Funding Opportunities

CRMP continues to look beyond present funding sources—the primary source has been the CEA Earthquake Loss Mitigation Fund—for additional funding sources, including available FEMA HMGP grants.

Current HMGP applications include:

FEMA – Hazard Mitigation Grant Program (HMGP)

- DR 4407 0104 - \$20M – (EBB Soft Story, 3 counties) The application has been submitted to Cal OES.
- DR 4407 0105 - \$20M – (EBB 23 counties) The application has been submitted and to Cal OES.

DHS - Pre-Disaster Mitigation (PDM)

- \$10M- Multi-Family Dwellings (Statewide)—denied for further consideration.
- Will be submitting an NOI for 2019 PDM program by September 19th

CEA Brace + Bolt Program

CEA BB opened in February 2019, with an invitation sent to 4,000 policyholders. Sixty policyholders initially accepted the invitation, which while lackluster is within industry standards for direct mail. Due to the lack of response from policyholders, CEA received permission from its board to broaden the eligibility requirements (pre-1980 houses and reducing the persistency requirement). The program invited in approximately 34,000 additional policyholders. The CEA also is expanding its outreach program to PIs and is encouraging more participation from agents. Almost 1,000 policyholders have registered for this program since CEA board approval in July.