

# CRMP

## California Residential Mitigation Program

A Joint Powers Authority

**Date of Notice: Friday, November 22, 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:** **California Earthquake Authority**  
**801 K Street**  
**Suite 1000, 10<sup>th</sup> Floor**  
**Sacramento, CA 95814**

**DATE: Tuesday, December 3, 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 Sept 10, 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 October 31, 2019.

5. CRMP Treasurer Benjamin Kirwan will present the 2020 CRMP Proposed Budget, for approval.
6. CRMP Treasurer Benjamin Kirwan will present the results of the CRMP Independent Auditor Request for Proposal, for approval.
7. CRMP Managing Director Annde Ewertzen will present the CRMP Mitigation (Earthquake Brace + Bolt) update.
8. Public comment on items that do not appear on this agenda and public requests that those matters be placed on a future agenda.
9. Adjournment.

**Inquiries/General Information:**

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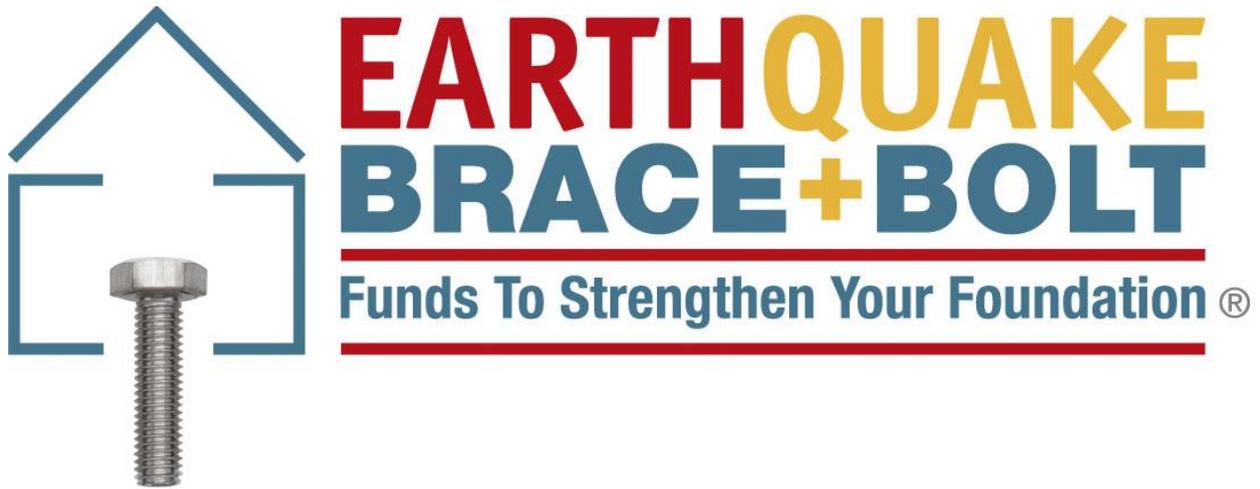
**To view this notice on the CRMP website, please visit  
[www.CaliforniaResidentialMitigationProgram.com](http://www.CaliforniaResidentialMitigationProgram.com)**

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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](mailto: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@californiarresidentialmitigationprogram.com](mailto:info@californiarresidentialmitigationprogram.com).**



Draft Meeting Minutes  
are not available.

Please see CRMP Governing  
Board Meeting  
Approved Minutes.

## **CRMP Governing Board Memorandum**

December 3, 2019

Agenda Item 3: Executive Report by Executive Director Janiele Maffei

Recommended Action: No Action Necessary

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### **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

December 3, 2019

Agenda Item #4:                    Treasurer's Financial Update

Recommended Action:        No Action Necessary

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### Background:

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

### Recommendation:

No action is necessary.

California Residential Mitigation Program  
(CRMP)

FINANCIAL  
REPORT

BOARD MEETING  
Tuesday, December 3, 2019

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

**Assets**

Cash and cash equivalents	\$ 3,605,575
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Total assets	\$ 3,605,575
	<hr/> <hr/>

**Liabilities and Fund Balance**

Liabilities:

Accounts payable and accrued expenses	\$ 46,940
	<hr/>
Total liabilities	46,940
	<hr/>

Fund Balance:

Unassigned	3,558,635
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Total fund balance	3,558,635
	<hr/>
Total liabilities and fund balance	\$ 3,605,575
	<hr/> <hr/>

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

Revenues:	
Contributions from members	\$ 6,300,000
Contributions from other governments	48,859
	<hr/>
Total revenues	6,348,859
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Expenditures:	
Administration and office expenses	\$ 13,223
Audit services	40,850
Board services	1,227
Grants to homeowners	2,565,838
Inspection services	30,270
Insurance	25,755
IT administrative support	23,621
Legal services	44,169
Marketing services	139,868
Program education	21,395
Program support	57,600
Travel	6,017
	<hr/>
Total expenditures	2,969,833
	<hr/>
Net change in fund balance	3,379,026
	<hr/>
Fund balance, beginning of year	179,609
	<hr/>
Fund balance, end of year to date	\$ 3,558,635
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**California Residential Mitigation Program  
Budgeted Expenditures and Actual Expenditures  
2019 Budget Year  
as of October 31, 2019**

	Approved 2019 Budget 1/1/2019	Adjustments <sup>A</sup>	Augmentations <sup>B</sup>	2019 Budget after Augmentations and Adjustments	Actual Revenues and Expenditures	Augmented & Adjusted Approved Budget vs. Actual	Percentage used of Augmented & Adjusted 2019 Budget
<b>Revenue</b>							
Contribution from Members <sup>1</sup>	\$ -	\$ -	\$ 6,300,000	\$ 6,300,000	\$ 6,300,000	\$ -	100.00%
FEMA - Napa EBB <sup>2</sup>	-	-	48,859	48,859	48,859	-	100.00%
FEMA - 4308 and 4344	-	-	1,500,000	1,500,000	-	(1,500,000)	0.00%
<b>Total Revenue</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 7,848,859</b>	<b>\$ 7,848,859</b>	<b>\$ 6,348,859</b>	<b>\$ (1,500,000)</b>	<b>80.89%</b>
<b>CRMP Administration Expenses</b>							
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	1,227	973	55.77%
Administration & Office	25,100	-	-	25,100	13,222	11,878	52.68%
Insurance	45,000	-	(19,000)	26,000	25,755	245	99.06%
Financial Audit	50,000	-	-	50,000	40,850	9,150	81.70%
Legal Services	150,000	-	(50,000)	100,000	44,169	55,831	44.17%
<b>Total Administration Expenses</b>	<b>297,100</b>	<b>-</b>	<b>(74,000)</b>	<b>223,100</b>	<b>131,240</b>	<b>91,860</b>	<b>58.83%</b>
<b>EBB Program Expenses</b>							
Software/Information Technology	27,650	7,800	-	35,450	23,622	11,828	66.63%
Call Center	200,000	(7,800)	(42,200)	150,000	57,600	92,400	38.40%
Home Inspection Services	95,000	-	-	95,000	30,270	64,730	31.86%
EBB Marketing	325,000	-	(85,000)	240,000	139,868	100,132	58.28%
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	2,559,838	940,162	73.14%
Grants to Homeowners - FEMA 4308 and 4344	6,000,000	(2,000,000)	(2,500,000)	1,500,000	6,000	1,494,000	0.40%
<b>Total EBB Program Expenses</b>	<b>8,222,650</b>	<b>-</b>	<b>(2,652,200)</b>	<b>5,570,450</b>	<b>2,838,593</b>	<b>2,731,857</b>	<b>50.96%</b>
<b>Total Administrative and Program Expenses</b>	<b>\$ 8,519,750</b>	<b>\$ -</b>	<b>\$ (2,726,200)</b>	<b>\$ 5,793,550</b>	<b>\$ 2,969,833</b>	<b>\$ 2,823,717</b>	<b>51.26%</b>

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

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

<sup>A</sup> Adjustments between categories to cover unplanned expenditures.

<sup>B</sup> Augmentations to CRMP budget to meet end of year projection estimates.

## Governing Board Memorandum

December 3, 2019

Agenda Item #5: 2020 CRMP Proposed Budget

Recommended Action: Board Approval Needed

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### Background:

CRMP annually presents its program and operational budget for approval to the governing board.

### Analysis:

Staff has prepared attachment A to assist the board in reviewing the proposed 2020 budget for the Earthquake Brace and Bolt program. This attachment compares the 2020 proposed budget to the 2019 adjusted budget.

The significant increase in proposed expenditures is directly related to the expected increase in incentive payments for FEMA 4344 and 4309 and associated expenses (i.e. – marketing and inspection services).

The call center was brought in-house in Q4 of 2019, and the associated staffing expenses are incurred by the CEA Mitigation program, so there is a significant reduction in this expense for the CRMP.

The contribution from members consists of a CEA Mitigation contribution of \$4 million. This is made up of \$1 million to cover all CRMP expenses, except for incentive payments, and \$3 million to cover cash flow needs while awaiting reimbursement from FEMA.

The \$21,750,000 from FEMA is based on 7,250 incentives being paid at \$3,000 each, but the actual amount will depend on actual incentive payments as it is direct reimbursement.

All other activity is consistent between 2020 and 2019.

### Conclusion:

CRMP staff recommends approval of the 2020 CRMP Budget as presented.

**California Residential Mitigation Program  
2020 Proposed Budget vs 2019 Adjusted Budget**

	<b>2020 Proposed Budget</b>	<b>2019 Adjusted Budget</b>	<b>Difference</b>
<b>Revenue</b>			
Contribution from Members	\$ 4,000,000	\$ 6,300,000	\$ (2,300,000)
FEMA	21,750,000	48,589	21,701,411
<b>Total Revenue</b>	<b><u>\$ 25,750,000</u></b>	<b><u>\$ 6,348,589</u></b>	<b><u>\$ 19,401,411</u></b>
<b>CRMP Administration Expenses</b>			
Travel	\$ 17,000	\$ 19,000	\$ 2,000
Professional Due and Memberships	800	800	-
Board Services	1,700	2,200	500
Administration & Office	19,000	25,100	6,100
Insurance	30,000	26,000	(4,000)
Financial Audit	34,900	50,000	15,100
Legal Services	100,000	100,000	-
<b>Total Administration Expenses</b>	<b><u>203,400</u></b>	<b><u>223,100</u></b>	<b><u>17,700</u></b>
<b>EBB Program Expenses</b>			
Software/Information Technology	30,900	35,450	4,550
Call Center	6,000	150,000	144,000
Home Inspection Services	190,000	95,000	(95,000)
EBB Marketing	400,000	240,000	(160,000)
EBB Program Education	75,000	50,000	(25,000)
Grants to Homeowners - EBB (90 retrofits)	270,000	3,500,000	3,230,000
Grants to Homeowners - FEMA 4308 (650 retrofits)	1,950,000	1,500,000	(450,000)
Grants to Homeowners - FEMA 4344 (6,600 retrofits)	19,800,000	-	(19,800,000)
<b>Total EBB Program Expenses</b>	<b><u>22,721,900</u></b>	<b><u>5,570,450</u></b>	<b><u>(17,151,450)</u></b>
<b>Total Administrative and Program Expenses</b>	<b><u>\$ 22,925,300</u></b>	<b><u>\$ 5,793,550</u></b>	<b><u>\$ (17,133,750)</u></b>

Note: \$4 million contribution from CEA has to be approved by CEA board.  
FEMA revenue is a direct reimbursement based on total grants to homeowners.

## Governing Board Memorandum

December 3, 2019

Agenda Item #6: Independent Auditor Approval

Recommended Action: Board Approval Needed

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### Background:

The CRMP's financial statements are required by law to be audited annually by a qualified independent auditor. The CRMP's contract with the independent accounting firm, JLK Rosenberger, LLP, has expired.

### Analysis:

#### **The RFP Process**

The CRMP issued a Request for Proposals ("RFP") in July 2019 and solicited qualified candidates through an advertisement in the AICPA Daily Newsletter and on the Contracting & Employment Opportunities page of the CRMP's website.

The CRMP considered only certified public accounting firms, from which the CRMP received a total of three proposals.

#### Evaluation and Rating

The RFP selection panel consisted of:

- Ben Kirwan, CEA Controller
- Trudi Miller, CEA Accounting Supervisor
- Andrea Wheeler, CEA Governance Risk & Reporting Manager
- Anthony Tassone, CEA Financial Reporting Supervisor

After reviewing and assigning preliminary scores to the proposals, the selection panel interviewed all three firms.

#### **Selection**

The firm of Plante & Moran, PLLC, received the highest scores of the three firms.

### Anticipated Annual Fees and Costs

Plante & Moran’s fees for regularly recurring audit services, including out-of-pocket expenses, for each audit year through December 31, 2023:

2019	2020	2021	2022	2023
\$29,990	\$30,500	\$31,500	\$32,500	\$33,500

Please note that when the CRMP expends at least \$750,000 of federal funds, it will be required to have Plante & Moran perform a single audit on the FEMA program. When the RFP process was started, it was not known if 2019 or 2020 would be the first year of the single audit, so it was not part of the RFP process, and therefore the cost of a single audit is not included in the above numbers. CRMP staff believes that the additional fees for a single audit will not be a significant increase to the above numbers.

#### Recommendation:

1. Staff recommends the Board approve the selection of Plante & Moran, PLLC, to conduct the legally required independent annual audit of CRMP’s GASB financial statements for each of the years 2019 through 2023.
2. If the Board approves the staff recommendation, then the CRMP staff and legal counsel will proceed to negotiate a contract with the selected firm, including the single audit as required. Assuming the anticipated annual fees and costs are unchanged, except for the single audit in an amount not to exceed \$6,000, the Executive Director is authorized, with advice from legal counsel, to execute the contract. Once executed, staff will notify the Board or return for further direction.

## Governing Board Memorandum

December 3, 2019

Agenda Item 7: California Residential Mitigation Program incentive program (CRMP Earthquake Brace + Bolt)

Recommended Actions: No action required—information only

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### CRMP Earthquake Brace + Bolt Programs

With the acceptance of all applicants that registered for the program late, last year into either the CRMP-funded or FEMA-funded programs, EBB staff have been busy processing applications and, as appropriate, submitting them to FEMA for review.

The CRMP-funded program will likely close early next year with more than 600 completed retrofits. EBB expects that all 1,000 grants available under HMGP DR-4308 grant will be filled by the end of November and EBB will then begin processing applications (7,600 grants available) for the HMGP DR-4344 program.

With more grants available than current registrants, EBB will open registration for the 2020 program during the first quarter of 2020 with approximately 3,500 grants to be funded under the HMGP DR-4344 program.

<b>Earthquake Brace + Bolt Program (11/15/2019): CRMP and CEA</b>			
<b>Program</b>	<b>Completed</b>	<b>In Progress</b>	<b>Status</b>
2014-2017 EBB	4,285	N/A	Closed
2018 EBB	3,349	N/A	Closed
CRMP 2019 EBB	427	136	984 transfers 1 accepted 79 extensions
FEMA Napa EBB	84	N/A	Closed
FEMA-funded 2019 EBB (HMGP DR-4308 and DR-4344 grants)	19	1,089	8,688 registered 5,450 accepted 356 extensions
<b>Total</b>	<b>8,164</b>	<b>1,225</b>	<b>N/A</b>

### EBB Program Contractors

EBB continues its outreach efforts to encourage contractor participation in the program and will soon begin a social media campaign directed at contractors in areas where there are fewer contractors registered with the program.

<b>Contractors in EBB Directory- Range of Retrofits Paid (as of 11/08/2019 COB)</b>										
<b>Paid Retrofits</b>	<b>0</b>	<b>1</b>	<b>2-5</b>	<b>6-10</b>	<b>11-20</b>	<b>21-49</b>	<b>50-99</b>	<b>100-399</b>	<b>400+</b>	<b>Total</b>
7,575	771	106	89	39	16	16	11	11	6	1,065

### EBB Northern and Southern Regional Differences

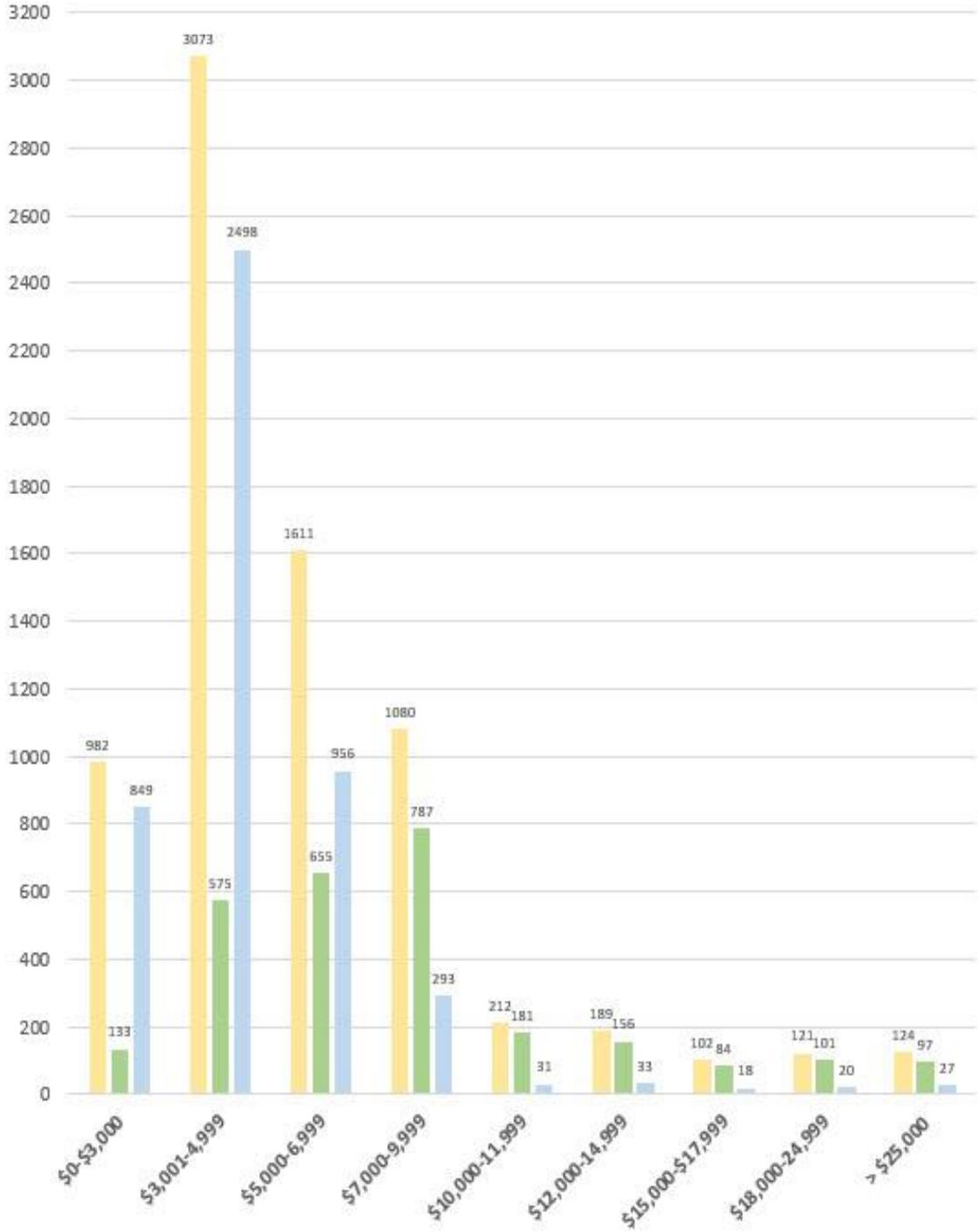
Retrofit costs in Northern California still remain more expensive than Southern California and can be attributed to the type of retrofit completed and labor costs in Southern California. While the average, median and minimum were relatively stable from 2016-2018, early reporting for the 2019 EBB Program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

<b>Northern CA Retrofits (as of 10/31/2019 COB)</b>				
<b>Program Year:</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
<b>Total # of Retrofits:</b>	585	828	1172	184
<b>Average Cost:</b>	\$9,167	\$8,899	\$8,475	\$6,876
<b>Median Cost:</b>	\$7,500	\$7,361	\$6,661	\$5,636
<b>Min Cost:</b>	\$928	\$1,143	\$955	\$646
<b>Max Cost:</b>	\$75,465	\$54,362	\$63,430	\$32,264

<b>Southern CA Retrofits (as of 10/31/2019 COB)</b>				
<b>Program Year:</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
<b>Total # of Retrofits:</b>	970	1357	2177	221
<b>Average Cost:</b>	\$4,597	\$4,726	\$4,936	\$4,694
<b>Median Cost:</b>	\$3,950	\$3,934	\$4,160	\$4,300
<b>Min Cost:</b>	\$562	\$1,197	\$877	\$724
<b>Max Cost:</b>	\$46,664	\$45,390	\$54,096	\$14,893

## Regional Cost Overall for All EBB Programs

(EBB '16, '17, '18, '19 CRMP) (as of 10/31/2019 COB)



Overall for EBB '16, '17, '18, '19 CRMP

NorCal Overall for EBB '16, '17, '18, '19 CRMP

SoCal Overall for EBB '16, '17, '18, '19 CRMP

### Engineered and Non-Engineered Retrofits

Costs continue to be substantially more for engineered retrofits. Early reporting for the 2019 program indicate engineered and non-engineered costs are slightly lower than in the 2018 program. However, few retrofits have been completed so this data may change over time.

<b>2017-2019 Retrofits by Type (as of 10/31/2019 COB)</b>						
<b>Type of Retrofit</b>	<b>Engineered '17</b>	<b>Non-Engineered '17</b>	<b>Engineered '18</b>	<b>Non-Engineered '18</b>	<b>Engineered '19 CRMP</b>	<b>Non-Engineered '19 CRMP</b>
<b>Total # of Retrofits:</b>	227	1,958	312	3,037	21	384
<b>Average Cost:</b>	\$15,335	\$5,263	\$15,187	\$5,249	\$14,173	\$5,221
<b>Median Cost:</b>	\$13,541	\$4,500	\$12,070	\$4,510	\$11,853	\$4,800
<b>Min Cost:</b>	\$2,661	\$1,143	\$1,673	\$877	\$5,455	\$646
<b>Max Cost:</b>	\$54,362	\$40,200	\$63,430	\$60,844	\$32,264	\$14,500

### 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.

<b>Withdrawn Homeowners (as of 10/31/2019 COB)</b>												
<b>Program</b>	<b>Bay and LA 2016</b>		<b>Bay and LA 2017</b>		<b>Bay and LA 2018</b>		<b>FEMA (4308 &amp; 4344)</b>		<b>2019 CRMP</b>		<b>Total</b>	
<b>Southern CA</b>	1,110	39%	1,435	40%	2,191	52%	257	33%	98	34%	4,993	44%
<b>Northern CA</b>	1,772	61%	2,153	60%	1,989	48%	513	67%	189	66%	6,427	56%
<b>Total</b>	2,882	100%	3,588	100%	4,180	100%	770	100%	287	100%	11,420	100%

## **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 to Cal OES.

### **DHS - Pre-Disaster Mitigation (PDM)**

- \$10M – Resilient Infrastructure Grant for Earthquake Brace +Bolt – (Statewide)—NOI accepted, application due 1/20
- \$ 4M – Pre-Disaster Mitigation for Earthquake Brace + Bolt – (Statewide)—NOI accepted, application due 1/20

### **CEA Brace + Bolt Program**

Since the September 25, 2019, Governing Board meeting, staff has reached out to the remaining policyholders identified as eligible for CEA Brace + Bolt, began a comprehensive agent support campaign, and continues to engage with Participating Insurers (PIs) to build an additional layer of outreach.

#### Outreach to Policyholders

Since the last Board meeting, CEA has sent a letter, via first-class mail, to the approximately 8,000 previously eligible policyholders, inviting them into the retrofit program. Policyholders received the letters between November 19 and 21.

#### Outreach to Agents

CEA's Agent Outreach team continues to create inroads and build support for the overall outreach effort for CEA BB. Their primary ask remains that PIs append our policyholder data with the agent that owns that relationship. Agent Outreach can then directly engage with that agent to enlist their aid in promoting CEA BB to their insureds. A spectrum of engagement is developing from our primary ask to PIs sending an informative email to agents.

<b>CEA Brace +Bolt Program (11/15/2019): CEA BB</b>			
<b>Program</b>	<b>Completed</b>	<b>In Progress</b>	<b>Status</b>
Pilot CEA BB	98	N/A	Closed
2019 CEA BB	108	303	42,000 invited 472 accepted 143 extensions
	206	22	N/A

### **AB 548 Analysis and Planning**

AB 548 was approved by the Governor on September 4, 2019. It requires the CRMP in the administration of the EBB program, when state funding is appropriated, to provide outreach to low-income households to increase awareness of the EBB program and to set aside 10% of the funds available to provide supplemental grants to low-income households. The supplemental grant would provide the homeowner with 90% of the retrofit costs remaining after payment of the EBB grant. Low-income household is defined as a household that has an income at or below 80 percent of the median household income in California.

We have taken the following steps in our analysis of how and what will be required to rollout the requirements of AB 548:

- Have legal staff assisting in clarifying certain requirements of the statute
- Interviewed City of Hayward staff members who managed a brace and bolt program for low income residents.
- Searched for grant or other programs that use means testing to identify program participants
- Compared average household incomes with home ownership rates in ZIP codes in Los Angeles and Oakland (original EBB locations) to understand where target populations are
- Have begun the analysis of what the average grants would be based on our understanding of the requirements
- Have begun to identify staffing needs to provide means testing capabilities
- Have begun to identify potential organizations in target communities that could assist with outreach
- Have begun to investigate what the Federal income tax implications would be due to current tax ability of grants

EBB staff will continue with our analysis and report back to the board as a plan is developed.