

UPDATED: 8/22/2022

****Addition of Agenda Item 5**

CRMP

California Residential Mitigation Program A Joint Powers Authority

Date of Notice: Friday, August 12, 2022

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 **conduct a remote teleconference meeting** on Tuesday, August 23, 2022, at 1:00 pm PST. There will be no physical meeting location. The Bagley-Keene Open Meeting Act applies generally to meetings of the Governing Board, and this 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.

This meeting will be conducted by teleconference only as authorized under Government Code section 11133 (SB 189, June 30, 2022). None of the locations from which Governing Board members will participate will be open to the public. All members of the public shall have the right to observe the meeting (except for any closed session items) and offer comment at this public meeting as described in this Notice.

DATE: Tuesday, August 23, 2022

TIME: 1:00 p.m.

TELECONFERENCE ACCESS: *

Dial-in-Number: [+1 323-886-4439](tel:+13238864439) United States, Los Angeles (Toll)
Enter Conference ID Number: 443 944 642#

Public Participation: The telephone lines of members of the public who dial into the meeting to observe and comment will initially be muted to prevent background noise from disrupting the meeting. Public phone lines will be unmuted during all portions of the meeting that are appropriate for public comment, to allow members of the public to comment. Please see additional instructions below regarding Public Participation Procedures.

*CRMP may be unable to control unforeseen technical difficulties of the platform's audio feed of this meeting; if such technical difficulties occur, CRMP will take reasonable actions to resolve the technical difficulties to avoid disruption to public participation in the future.

PUBLIC PARTICIPATION PROCEDURES: All members of the public shall have the right to observe the meeting and offer comment during this meeting as outlined below. The acting Chair of the Governing Board will indicate when a portion of the meeting is to be opened for public comment. As indicated below, please register in order to provide comment. When it is your turn to comment, unmute your line, introduce yourself and proceed with your comment. The Chair of the meeting reserves the right to limit the time for comment. Members of the public should be prepared to complete their comments within approximately 3 minutes, but more or less time may be allotted by the Chair.

- **If you wish to provide a public comment, please register with Maura White via email at mwhite@calquake.com at least one hour prior to the start of the meeting to ensure your participation.**
 - Any submitted email requesting to speak during public comment should include reference in the subject line of the email referencing this meeting, and the body of the email should specify if the comment is or is not regarding a specific agenda item.

ACCESSIBILITY ACCOMMODATIONS: Pursuant to the Americans with Disabilities Act, persons who need assistance in order to participate in this meeting should, prior to the meeting, contact Maura White via email at mwhite@calquake.com. We would appreciate hearing from you at least five (5) days before the meeting date to best allow us to meet your needs.

AGENDA:

1. Call to order and member roll call:

Laurie Johnson, Chair, CRMP Governing Board
Lori Nezhura, Vice Chair Appointee, Deputy Director, Cal OES
Jennifer Bollinger, Chief Counsel, Cal OES
Jim Lombard, CEA Appointee, CRMP Governing Board

Establishment of a quorum

2. Consideration and approval of the minutes of the May 3, 2022 CRMP Governing Board meeting.
3. CRMP Executive Director Janiele Maffei will present designation of Jennifer Bollinger, Chief Counsel, CalOES, to act for Governing Board member Alex Pal, Chief Legal Counsel, CalOES, at meetings of the Governing Board beginning on August 23, 2022.
4. CRMP independent auditors, Plante Moran, PLLC, will present the Report of Audit on CRMP Annual Financial Statements (2021) and Single Audit (2021).
5. **Consideration and approval of the following: (1) Adding an item to the agenda that requires immediate action that came to the attention after the agenda was published in compliance with Gov't Code 11125.3 (requires 2/3 approval), and (2) Consideration of Board action on approving a public relations contract with KP Consulting, if deemed necessary by the Managing Director and authorizing the Executive Director to negotiate and finalize the agreement.
6. CRMP Treasurer Benjamin Kirwan will review the CRMP financial statements as of June 30, 2022.
7. CRMP Executive Director Janiele Maffei will present her executive report.

8. CRMP Managing Director Annde Ewertsen will present the CRMP Mitigation (Earthquake Brace + Bolt) update.
9. CRMP Managing Director Annde Ewertsen will update the Board on SB 189 and request the Board consider funding for planning purposes.
10. Public comment on items that do not appear on this agenda and public requests that those matters be placed on a future agenda.
11. Adjournment.

Inquiries/General Information:

Maura White

mwhite@calquake.com

To view this notice on the CRMP website, please visit www.quakeretrofits.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 Maura White by email at mwhite@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@californiaresidentialmitigationprogram.com.



Draft Meeting Minutes
are not available.

Please see CRMP Governing
Board Meeting
Approved Minutes.

CRMP Governing Board Memorandum

August 23, 2022

Agenda Item 3: CRMP Governing Board Member Appointment

Recommended Action: No action required – information only

Background:

CRMP Executive Director, Janiele Maffei, will present the letter dated May 16, 2022, for designation of Jennifer Bollinger, Chief Counsel, CalOES, to act for governing board member Alex Pal, Chief Legal Counsel, CalOES, at meetings of the Governing Board beginning August 23, 2022. This designation is effective indefinitely unless it is revoked by another letter to the CRMP Board members.

Recommendation:

No action required – information only.



May 16, 2022

To the California Residential Mitigation Program:

Please be advised that California Residential Mitigation Program (CRMP) governing board member, Alex Pal, will be departing Cal OES effective May 15, 2022. This will confirm that I hereby designate Cal OES Chief Counsel, Jennifer Bollinger, to serve on the CRMP governing board, effective immediately.

Sincerely,

A handwritten signature in blue ink, appearing to read "M. Ghilarducci", with a long, sweeping underline.

MARK S. GHILARDUCCI
Director
Cal OES



CRMP Governing Board Memorandum

August 23, 2022

Agenda Item 4: Report of Audit on CRMP Annual Financial Statements (2021) and Single Audit (2021)

Recommended Action: No action required – information only

Background:

Plante Moran, PLLC, California Residential Mitigation Program’s independent auditors, has performed an audit of CRMP’s financial statements for the year ended December 31, 2021.

- The independent auditor conducted an audit of CRMP’s financial statements with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards.

The 2021 CRMP Audit Report that contains financial statements prepared in accordance with accounting principles generally accepted in the United States of America are found in Attachment A and consist of the following:

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

Plante Moran also performed a Single Audit of CRMP’s federal awards for the year ended December 31, 2021. The Single Audit is found in Attachment B and consists of the following:

- Independent Auditor’s Report
- Schedule of Expenditures of Federal Awards
- Notes to Schedule of Expenditures of Federal Awards
- Schedule of Findings and Questions Costs

Analysis:

According to the Independent Auditor's Report, CRMP's 2021 audited 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.

According to the Single Audit Report, CRMP complied with compliance requirements for each major federal program, and there were no findings or questioned costs, reported in the Schedule of Findings and Questioned Costs.

Recommendation:

No action required – information only.

California Residential Mitigation Program

**Financial Report
with Supplemental Information
December 31, 2021**

California Residential Mitigation Program

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Independent Auditor's Report

To the Governing Board
California Residential Mitigation Program

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities and the General Fund of the California Residential Mitigation Program (CRMP) as of and for the year ended December 31, 2021 and the related notes to the financial statements, which collectively comprise CRMP's basic financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the General Fund of CRMP as of December 31, 2021 and the respective changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of CRMP and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about CRMP's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

To the Governing Board
California Residential Mitigation Program

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 CRMP's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about CRMP's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplemental information, as identified in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which 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 supplemental 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 responses 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 16, 2022 on our consideration of CRMP's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of CRMP's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering CRMP's internal control over financial reporting and compliance.



June 16, 2022

California Residential Mitigation Program

Management's Discussion and Analysis

History

This discussion provides an assessment by management of the financial position, revenue, 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 the 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 California Residential Mitigation Program (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 will be 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 will be asked to approve funding to support programs designed to encourage dwelling owners to participate in retrofit activities.

CRMP Focus

CRMP will primarily focus 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 the CRMP programs
- c. Making available an application for dwelling owners who want to participate in the CRMP programs
- d. Educating contractors about the CRMP programs
- e. Educating building-inspection authorities about the CRMP programs
- f. Informing, and productively working with, all interested parties about the 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 house 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 benefitted from seismic building codes for many years, the availability of a seismic-retrofit building code for existing houses has only been in existence within the past decade.

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.

California Residential Mitigation Program

Management's Discussion and Analysis (Continued)

Using This Report

CRMP's financial statements for the year ended December 31, 2021 have been prepared using accounting standards applicable to governmental entities. This financial report consists of financial statements with accompanying notes. The government-wide statements consist of a statement of net position and statement of activities, which are reported using an economic resources measurement focus and the accrual basis of accounting. The fund financial statements consist of a balance sheet and statement of revenue, expenditures, and changes in fund balance, which are reported using the current financial resources measurement focus and the modified accrual basis of accounting.

Government-wide Overall Financial Analysis

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

	2021	2020
Assets		
Current and other assets:		
Cash	\$ 4,131,322	\$ 3,002,536
Receivables - Due from other governments	1,487,758	3,241,338
Prepaid expenses and other assets	5,851	5,770
Total assets	5,624,931	6,249,644
Liabilities - Current	167,591	129,416
Net Position - Unrestricted	\$ 5,457,340	\$ 6,120,228

Asset, Liabilities, and Net Position

Total assets decreased by \$624,713 (10 percent) in 2021, driven by a significant decrease in the accounts receivable balance associated with the consumer incentives reimbursement. This decrease was offset by an increase in cash during the year associated with receipt of the incentive reimbursements from the Federal Emergency Management Agency (FEMA). However, since all current funding for EBB is reimbursement based, and additional incentives are being paid every week, there will always be timing differences between cash outlays and the associated cash receipts for reimbursements. Total liabilities increased by \$38,175 (30 percent) between 2021 and 2020 due to an increase in the accounts payable balance at year end due to timing. Total net position decreased by \$662,888 (11 percent) in 2021. This decrease equals all expenses that were not covered by the reimbursements from FEMA, as no member contributions during 2021 were deemed necessary for cash flow purposes.

California Residential Mitigation Program

Management's Discussion and Analysis (Continued)

Statement of Activities

CRMP's program revenue and expenses, general revenue, and net position for the years ended December 31 are as follows:

	2021	2020
Revenue		
Program revenue - Contributions from other governments	\$ 8,139,165	\$ 11,704,308
General revenue - Contributions from a member	-	4,000,000
Total revenue	8,139,165	15,704,308
Expenses		
Administration and office expenses	-	2,394
Audit services	63,250	34,900
Board meeting	1,005	1,311
Consumer incentives	8,186,630	11,988,285
Information technology	5,877	20,926
Inspection services	191,920	164,800
Insurance	43,662	27,033
Legal services	38,508	42,242
Marketing services	232,469	428,025
Program education	34,295	45,267
Telecommunications	4,437	4,928
Travel	-	1,042
Total expenses	8,802,053	12,761,153
Change in Net Position	(662,888)	2,943,155
Net Position - Beginning of year	6,120,228	3,177,073
Net Position - End of year	<u>\$ 5,457,340</u>	<u>\$ 6,120,228</u>

Program Expenses, General Revenue, and Net Position

Total program revenue comes from grants received from FEMA to cover consumer incentives payments. The grants are received on a reimbursement basis, and the 2021 revenue represents the consumer incentives processed for the FEMA programs. Revenue totaling \$7,423,974 was for FEMA grant 4344, and \$715,191 was for FEMA grant 4308. FEMA 4407 ESS and FEMA 4407 EBB were awarded during 2021, but activity will not begin until 2022.

No contributions were made by CEA in 2021, as cash flows from FEMA reimbursements were deemed sufficient to cover ongoing activities.

Total program expenses decreased by \$3,959,100 (31 percent) in 2021. This decrease is driven by the consumer incentives decrease, which makes up more than 90 percent of total CRMP expense. As the consumer incentives are driven by FEMA funding, the timing of when programs begin and end and the size of such programs will impact the expenses each year.

Budget Analysis

CRMP's original and final budget had expenditures of \$21,675,900.

Actual total expenditures for 2021 were \$8,802,053 compared to the final budget of \$21,675,900 for positive variance of \$12,873,847. Consumer incentives for the Earthquake Brace + Bolt program had a final budget of \$20,700,000; actual expenditures were \$8,186,630. This positive variance of \$12,513,370 was due to the lower than anticipated number of retrofits completed in 2021. There are many factors that go into retrofits being completed (e.g., timing of programs opening, contractors' availability, submission of documents, etc.), so actual activity will usually vary from budget on incentives.

California Residential Mitigation Program

Management's Discussion and Analysis (Continued)

Current Economic Factors and Conditions

CRMP continues to expand the Earthquake Brace + Bolt program each year, with additional zip codes generally added whenever enrollment is opened. CRMP continues to see significant interest and participation in the program. CRMP is consistently monitoring opportunities for funding beyond its members, so that it can continue to grow and meet the program objectives. CRMP was awarded \$80 million in additional funding for FEMA 4308 in early 2022 and will be rolling out other programs in 2022 that were awarded at the end of 2021. CRMP will focus its efforts on additional marketing campaigns, and contractor outreach to offset the effects of rising inflation in 2022.

On March 16, 2022, the U.S. Federal Reserve increased the federal funds target by 0.25 percent for the first time since December 2018 with the consensus of increasing rates six more times to the near pre-COVID-19 levels by the end of 2022. High inflation has been impacted by 2020 and 2021 fiscal stimuli of approximately 25 percent of 2021 GDP and the use of these stimulus moneys for goods and services due to COVID-19 closures, supply chain issues from the increased demand, continuation of lockdown in China, and energy prices spiking due to the war in the Ukraine. The 2021 GDP growth rate was 5.7 percent, but the Federal Reserve decreased its projection for 2022 growth to 2.8 percent from the prior forecast of 4.0 percent to reflect the current volatility and the slowdown impact from projected interest rate increases.

Requests for Further 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/Governmental Fund Balance Sheet

December 31, 2021

	General Fund - Modified Accrual	Adjustments	Statement of Net Position - Full Accrual
Assets			
Cash	\$ 4,131,322	\$ -	\$ 4,131,322
Receivables - Due from other governments	1,487,758	-	1,487,758
Prepaid expenses and other assets	5,851	-	5,851
Total assets	<u><u>\$ 5,624,931</u></u>	-	5,624,931
Liabilities - Accounts payable and accrued expenses	\$ 167,591	-	167,591
Deferred Inflows of Resources - Unavailable revenue	911,328	(911,328)	-
Equity			
Fund balance:			
Nonspendable	5,851	(5,851)	-
Unassigned	4,540,161	(4,540,161)	-
Total fund balance	<u>4,546,012</u>	<u>(4,546,012)</u>	-
Total liabilities and fund balance	<u><u>\$ 5,624,931</u></u>		
Net position - Unrestricted		<u><u>\$ 5,457,340</u></u>	<u><u>\$ 5,457,340</u></u>

California Residential Mitigation Program

Statement of Activities/Statement of Revenue, Expenditures, and Changes in Fund Balance

Year Ended December 31, 2021

	General Fund - Modified Accrual	Adjustments	Statement of Activities - Full Accrual
Revenue - Contributions from other governments	\$ 8,357,828	\$ (218,663)	\$ 8,139,165
Expenditures			
Audit services	63,250	-	63,250
Board meeting	1,005	-	1,005
Consumer incentives	8,186,630	-	8,186,630
Information technology	5,877	-	5,877
Inspection services	191,920	-	191,920
Insurance	43,662	-	43,662
Legal services	38,508	-	38,508
Marketing services	232,469	-	232,469
Program education	34,295	-	34,295
Telecommunications	4,437	-	4,437
Total expenditures	<u>8,802,053</u>	<u>-</u>	<u>8,802,053</u>
Net Change in Fund Balance/Net Position	(444,225)	(218,663)	(662,888)
Fund Balance/Net Position - Beginning of year	<u>4,990,237</u>	<u>1,129,991</u>	<u>6,120,228</u>
Fund Balance/Net Position - End of year	<u><u>\$ 4,546,012</u></u>	<u><u>\$ 911,328</u></u>	<u><u>\$ 5,457,340</u></u>

December 31, 2021

Note 1 - Nature of Business

The California Residential Mitigation Program (CRMP) is a public entity established on 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, 2031 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 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.

Note 2 - Significant Accounting Policies

Accounting and Reporting Principles

CRMP follows accounting principles generally accepted in the United States of America (GAAP), as applicable to governmental units. Accounting and financial reporting pronouncements are promulgated by the Governmental Accounting Standards Board.

Report Presentation

Governmental accounting principles require that financial reports include two different perspectives - the government-wide perspective and the fund-based perspective. The individual fund column presents CRMP's activities on the modified accrual basis of accounting, as discussed above, which demonstrates accountability for how the current resources have been spent. The government-wide column is presented on the economic resources measurement focus and the full accrual basis of accounting in order to measure the cost of providing government services and the extent to which constituents have paid the full cost of government services.

On the full accrual basis of accounting, revenue is recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Fund Accounting

CRMP accounts for its various activities in one fund, the General Fund. The General Fund accounts for all financial resources used to provide general governmental services.

Basis of Accounting

The General Fund uses the current financial resources measurement focus and the modified accrual basis of accounting. This basis of accounting is intended to better demonstrate accountability for how CRMP has spent its resources.

Revenue is recognized when measurable and available to use for expenditures of the current period. Revenue is accrued as measurable and available when receipt occurs within 60 days after the end of the accounting period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting.

December 31, 2021

Note 2 - Significant Accounting Policies (Continued)

Nonexchange 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, revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Cash and Cash Equivalents

CRMP considers all highly liquid assets with an original maturity of three months or less when purchased to be cash and cash equivalents.

Receivables - Due from Other Governments

CRMP receives funding from FEMA grants. The grant money is first received by Cal OES and then transferred to the CEA subsequent to the approval by Cal OES of the request for reimbursement of eligible expenditures. CRMP is the subrecipient of the CEA and the money is wired to CRMP upon the receipt of funds by the CEA. On a modified accrual basis, revenue from grants are recognized in the fiscal year in which all eligibility requirements have been satisfied. The grant money is accrued as measurable and available when receipt occurs within 60 days after the end of the fiscal year.

For the fiscal year ended December 31, 2021, the grant money recognized as part of program revenue and accounts receivable was \$1,487,758.

Net Position

Net position represents the difference between assets and liabilities. 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:

- **Nonspendable** - 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.
- **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.

December 31, 2021

Note 2 - Significant Accounting Policies (Continued)

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Note 3 - Reconciliation of Individual Fund Columns of the Statement of Net Position/Statement of Activities

Net position reported in the statement of net position column is different than the fund balance reported in the individual fund column because of the different measurement focus and basis of accounting, as discussed in Note 2. Below is a reconciliation of the differences:

Fund Balance Reported in Governmental Fund	\$ 4,546,012
Amounts reported for governmental activities in the statement of net position are different because receivables that are not collected soon after year end are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the fund	<u>911,328</u>
Net Position of Governmental Activities	<u>\$ 5,457,340</u>

The change in net position reported in the statement of activities column is different than the change in fund balance reported in the individual fund columns because of the different measurements focus and basis of accounting, as discussed in Note 2. Below is a reconciliation of the differences:

Net Change in Fund Balance Reported in Governmental Fund	\$ (444,225)
Amounts reported for governmental activities in the statement of activities are different because revenue in the statement of activities that does not provide current financial resources is not reported as revenue in the funds until it is available	<u>(218,663)</u>
Change in Net Position of Governmental Activities	<u>\$ (662,888)</u>

Note 4 - Deposits

CRMP's deposits consisted of the following at December 31, 2021:

Cash in bank	\$ 4,131,289
Petty cash	<u>33</u>
Total	<u>\$ 4,131,322</u>

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of failure of a depository financial institution, CRMP will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. CRMP has no policy that would limit the exposure to custodial credit risk for deposits. At December 31, 2021, CRMP deposits of approximately \$4.2 million were not covered by FDIC insurance.

Note 5 - 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. In fiscal year 2021, there were no transfers from the CEA Mitigation Fund to CRMP.

As of December 31, 2021, the receivables balance of \$1,487,758 is due from Cal OES as reimbursement for the FEMA grants. The balance is paid after Cal OES has approved the request for reimbursement of eligible expenditures.

Note 6 - Concentrations of Risk

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

Note 7 - 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:

	Claim Limit	Policy Limit
Director and officers liability	\$ 5,000,000	\$ 5,000,000
Business liability	2,000,000	4,000,000
Information security and privacy	2,000,000	2,000,000

CRMP also has additional umbrella coverage of \$3 million. 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.

Note 8 - Subsequent Events

Management has evaluated subsequent events through June 16, 2022, which is the date the financial statements were made available to be issued. No events, other than those disclosed below and elsewhere in these financial statements, have occurred subsequent to December 31, 2021 requiring recording or disclosure in these financial statements.

Required Supplemental Information

California Residential Mitigation Program

Required Supplemental Information Budgetary Comparison Schedule

Year Ended December 31, 2021

	Original Budget	Final Budget	Actual	(Under) Over Final Budget
Revenue				
Contributions from a member	\$ 3,000,000	\$ 3,000,000	\$ -	\$ (3,000,000)
Contributions from other governments	18,000,000	18,000,000	8,139,165	(9,860,835)
Total revenue	21,000,000	21,000,000	8,139,165	(12,860,835)
Expenditures				
Administration and office expenses	20,000	20,000	-	20,000
Audit services	65,500	65,500	63,250	2,250
Board meeting	1,800	1,800	1,005	795
Consumer incentives	20,700,000	20,700,000	8,186,630	12,513,370
Information technology	53,300	53,300	5,877	47,423
Inspection services	190,000	190,000	191,920	(1,920)
Insurance	28,000	28,000	43,662	(15,662)
Legal services	75,000	75,000	38,508	36,492
Marketing services and program education	525,000	525,000	266,764	258,236
Professional dues and memberships	800	800	-	800
Telecommunications	6,500	6,500	4,437	2,063
Travel	10,000	10,000	-	10,000
Total expenditures	21,675,900	21,675,900	8,802,053	12,873,847
Net Change in Fund Balance	(675,900)	(675,900)	(662,888)	13,012
Fund Balance - Beginning of year	6,120,228	6,120,228	6,120,228	-
Fund Balance - End of year	\$ 5,444,328	\$ 5,444,328	\$ 5,457,340	\$ 13,012

California Residential Mitigation Program

Note to Required Supplemental Information

December 31, 2021

Budget and Budgetary Information

CRMP prepares and adopts an operating budget each year. The budget is prepared on a full 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.

A reconciliation of the budgetary comparison schedule to the fund-based statement of revenue, expenditures, and changes in fund balance is as follows:

Total General Fund revenue per budgetary comparison schedule	\$ 8,139,165
Unavailable revenue from prior fiscal year received in current fiscal year	1,129,991
Unavailable revenue does not provide current financial resources and, therefore, are not reported as revenue in the governmental fund	<u>(911,328)</u>
General Fund revenue per statement of revenue, expenditures, and changes in fund balance	<u><u>\$ 8,357,828</u></u>

California Residential Mitigation Program

**Federal Awards
Supplemental Information
December 31, 2021**

Independent Auditor's Reports

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance	1
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	2-3
Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance	4-6
Schedule of Expenditures of Federal Awards	7
Reconciliation of Basic Financial Statements Federal Revenue with Schedule of Expenditures of Federal Awards	8
Notes to Schedule of Expenditures of Federal Awards	9
Schedule of Findings and Questioned Costs	10

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

Independent Auditor's Report

To the Governing Board
California Residential Mitigation Program

We have audited the financial statements of the governmental activities and the General Fund of the California Residential Mitigation Program (CRMP) as of and for the year ended December 31, 2021 and the related notes to the financial statements, which collectively comprise CRMP's basic financial statements. We issued our report thereon dated June 16, 2022, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements. We have not performed any procedures with respect to the audited financial statements subsequent to June 16, 2022.

The accompanying schedule of expenditures of federal awards and the reconciliation of basic financial statements federal revenue with schedule of expenditures of federal awards are presented for purposes of additional analysis, as required by the Uniform Guidance, and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Plante & Moran, PLLC

June 16, 2022

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of
Financial Statements Performed in Accordance with *Government Auditing Standards*

Independent Auditor's Report

To Management and the Governing Board
California Residential Mitigation Program

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the basic financial statements of the governmental activities and the General Fund of the California Residential Mitigation Program (CRMP) as of and for the year ended December 31, 2021 and the related notes to the basic financial statements, which collectively comprise CRMP's basic financial statements, and have issued our report thereon dated June 16, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered CRMP's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of CRMP's internal control. Accordingly, we do not express an opinion on the effectiveness of CRMP's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of CRMP's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether CRMP's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

To Management and the Governing Board
California Residential Mitigation Program

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of CRMP's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering CRMP's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Plante & Moran, PLLC

June 16, 2022

Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance
Required by the Uniform Guidance

Independent Auditor's Report

To the Governing Board
California Residential Mitigation Program

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the California Residential Mitigation Program's (CRMP) compliance with the types of compliance requirements identified as subject to audit in the Office of Management and Budget (OMB) Compliance Supplement that could have a direct and material effect on CRMP's major federal program for the year ended December 31, 2021. CRMP's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, CRMP complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the major federal program for the year ended December 31, 2021.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"). Our responsibilities under those standards and the Uniform Guidance are further described in the *Auditor's Responsibilities for the Audit of Compliance* section of our report.

We are required to be independent of CRMP and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of CRMP's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to CRMP's federal program.

To the Governing Board
California Residential Mitigation Program

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on CRMP's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about CRMP's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding CRMP's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of CRMP's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of CRMP's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the *Auditor's Responsibilities for the Audit of Compliance* section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

To the Governing Board
California Residential Mitigation Program

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Plante & Moran, PLLC

June 16, 2022

California Residential Mitigation Program

Schedule of Expenditures of Federal Awards

Year Ended December 31, 2021

Federal Agency/Pass-through Agency/Program Title	Assistance Listing Number	Pass-through Entity Identifying Number	Provided to Subrecipients	Federal Expenditures
U.S. Department of Homeland Security, Federal Emergency Management Agency - Passed through California Earthquake Authority:				
Hazard Mitigation Grant	97.039	FEMA-4308	\$ -	\$ 724,191
Hazard Mitigation Grant	97.039	FEMA-4344	-	7,411,974
Total			<u>\$ -</u>	<u>\$ 8,136,165</u>

California Residential Mitigation Program

**Reconciliation of Basic Financial Statements Federal Revenue
with Schedule of Expenditures of Federal Awards**

Year Ended December 31, 2021

Revenue from federal sources - As reported on financial statements (includes all funds)	\$ 8,357,828
Deferred revenue not reported for year ended December 31, 2020	(1,129,991)
Deferred revenue not reported for year ended December 31, 2021	911,328
Other	<u>(3,000)</u>
Federal expenditures per the schedule of expenditures of federal awards	<u><u>\$ 8,136,165</u></u>

California Residential Mitigation Program

Notes to Schedule of Expenditures of Federal Awards

Year Ended December 31, 2021

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the California Residential Mitigation Program (CRMP) under programs of the federal government for the year ended December 31, 2021. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of CRMP, it is not intended to and does not present the financial position, changes in net position, or cash flows of CRMP.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported in the Schedule are reported on the same basis of accounting as the basic financial statements. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

CRMP has elected not to use the 10 percent *de minimis* indirect cost rate to recover indirect costs, as allowed under the Uniform Guidance.

California Residential Mitigation Program

Schedule of Findings and Questioned Costs

Year Ended December 31, 2021

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? Yes None reported

Noncompliance material to financial statements noted?

Yes None reported

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? Yes None reported

Type of auditor's report issued on compliance for major programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516(a)?

Yes No

Identification of major programs:

Assistance Listing Number	Name of Federal Program or Cluster
---------------------------	------------------------------------

97.039	FEMA Hazard Mitigation Grant Program
--------	--------------------------------------

Dollar threshold used to distinguish between type A and type B programs:

\$750,000

Auditee qualified as low-risk auditee?

Yes No

Section II - Financial Statement Audit Findings

None

Section III - Federal Program Audit Findings

None

CRMP Governing Board Memorandum

August 23, 2022

Agenda Item 5: Treasurer's Financial Update

Recommended Action: No action required – information only

Background:

CRMP Treasurer, Ben Kirwan, will review the CRMP financial statements as of June 30, 2022.

Recommendation:

No action is necessary.

California Residential Mitigation Program
(CRMP)

FINANCIAL
REPORT

BOARD MEETING
Tuesday, August 23, 2022

California Residential Mitigation Program

Balance Sheet

As of June 30, 2022

Unaudited

Assets

Cash and cash equivalents	\$	3,359,401
Accounts receivable		<u>1,857,106</u>
Total assets		<u><u>5,216,507</u></u>

Liabilities and Fund Balance

Liabilities:

Accounts payable and accrued expenses		<u>21,263</u>
Total liabilities		<u>21,263</u>

Fund Balance:

Unassigned		<u>5,195,244</u>
Total fund balance		<u>5,195,244</u>
Total liabilities and fund balance	\$	<u><u>5,216,507</u></u>

California Residential Mitigation Program
Statement of Revenues, Expenditures and Changes in Fund Balance
For the Six Months Ended June 30, 2022

Unaudited

Revenues:

Contributions from other governments	\$ 2,178,611
	<hr/>
Total revenues	2,178,611
	<hr/>

Expenditures:

Administration and office expenses	1,926
Audit services	59,750
Board services	940
Grants to homeowners	2,196,611
Inspection services	79,245
IT administrative support	12,412
Legal services	24,089
Marketing services/Program Education	64,165
Program support	1,568
	<hr/>

Total expenditures 2,440,706

Net change in fund balance (262,095)

Fund balance, beginning of year 5,457,339

Fund balance, end of year to date \$ 5,195,244

California Residential Mitigation Program
Budgeted Expenditures and Actual Expenditures
2022 Budget Year
as of June 30, 2022

	2022 Actual Revenues and Expenditures	Approved 2022 Budget	Variance \$	%
Revenue				
FEMA - 4344 ¹	\$ 1,914,464	\$ 3,600,000	\$ (1,685,536)	-46.82%
FEMA - 4407 ESS ¹	-	3,500,000	(3,500,000)	-100.00%
FEMA - 4407 EBB ¹	207,000	3,000,000	(2,793,000)	-93.10%
FEMA - 4308 ²	57,147	-	57,147	0.00%
Total Revenue	\$ 2,178,611	\$ 10,100,000	\$ (7,921,389)	-78.43%
CRMP Administration Expenses				
EBB Marketing/Program Education	\$ 64,165	\$ 650,000	\$ 585,835	90.13%
Home Inspection Services	79,245	190,000	110,755	58.29%
Financial Audit	59,750	65,500	5,750	8.78%
Software/IT Support	12,412	54,600	42,188	77.27%
Legal Services	24,089	50,000	25,911	51.82%
Insurance	-	28,200	28,200	100.00%
Administration & Office	1,926	11,800	9,874	83.68%
Call Center	1,568	10,000	8,432	84.32%
Travel	-	8,000	8,000	100.00%
Board Services	940	1,800	860	47.78%
Professional Due and Memberships	-	800	800	100.00%
Total Administration Expenses	244,095	1,070,700	826,605	77.20%
Grants to Homeowners				
Grants to Homeowners - FEMA 4344	1,914,464	3,600,000	1,685,536	46.82%
Grants to Homeowners - FEMA 4407 ESS	-	3,500,000	3,500,000	100.00%
Grants to Homeowners - FEMA 4407 EBB	207,000	3,000,000	2,793,000	93.10%
Grants to Homeowners - CRMP EBB	18,000	2,300,000	2,282,000	99.22%
Grants to Homeowners - FEMA 4308	57,147	-	(57,147)	0.00%
Total Grants to Homeowners	2,196,611	12,400,000	10,203,389	82.29%
Total Administrative and Grants to Homeowners	\$ 2,440,706	\$ 13,470,700	\$ 11,029,994	81.88%

¹ FEMA revenue is direct reimbursement based, so revenue is adjusted monthly to match FEMA incentive payments paid.

² CRMP was awarded an additional \$80 million for FEMA 4308 in March 2022. The updated grant provisions related to FEMA 4308 allow for reimbursement of \$3 million related to administrative costs of administering the \$80 million dollar grant. The bulk of the administrative costs are for salaries, which are a CEA Mitigation expenditure, and the reimbursed administrative costs will not be recognized by CRMP. therefore no reimbursement will be shown by CRMP for those costs.

CRMP Governing Board Memorandum

August 23, 2022

Agenda Item 6: Executive Report by Executive Director Janiele Maffei

Recommended Action: No action required – information only

Background:

Executive Director Janiele Maffei will provide an update on the CRMP and CEA mitigation interests and projects.

Recommendation:

No action necessary.

CRMP Governing Board Memorandum

August 23, 2022

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

Recommended Action: No action required – information only

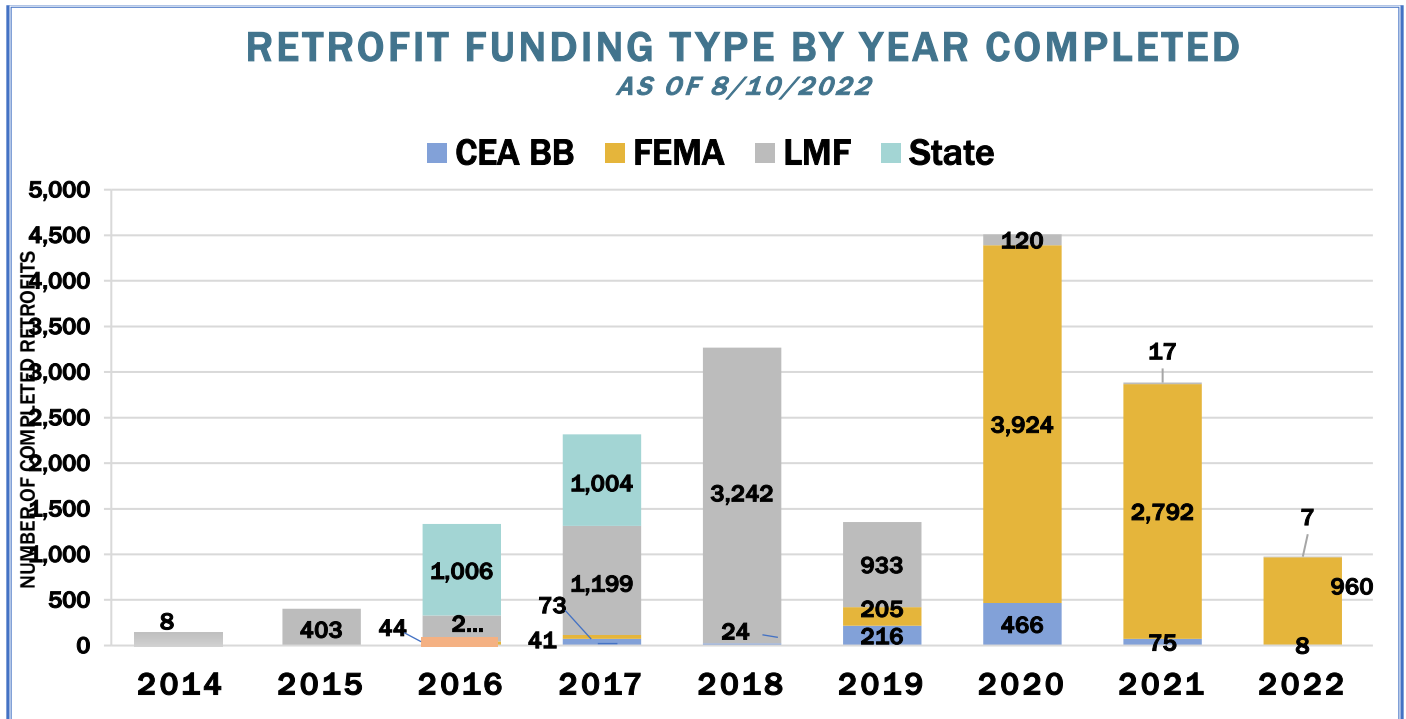
CRMP Earthquake Brace + Bolt Programs

Although the number of completed retrofits has been slower because EBB is coming close to completing all retrofits in the HMGP 4344 grant, more than 17,106 have been completed. CEA was recently awarded an additional \$80M under the HMGP 4308 grant and has invited 3,767 homeowners to participate and thousands more will be invited to participate in October 2022. Homeowners continue to be invited into the HMGP 4407 EBB program.

The CRMP-funded program, with 1,000 grants available, has 598 retrofits completed, 2 in-progress and no extensions. This program will remain open while there are FEMA-funded programs available to allow applicants who started work prior to approval an opportunity to receive a grant. All retrofits (1,337) available in the initial HMGP 2019 DR-4308 grant have been completed. With the additional \$80M in funding, the HMGP 2021 DR-4308 program, with 21,072 grants available (18,043 main grants and 3,029 supplementary grants), has 57 retrofits completed and 3,756 in-process with 3,109 (supplemental grant recipients) remaining on the waitlist. The HMGP DR-4344 program (registrations completed in 2019 and 2020), with 6,711 grants available, has 6,375 retrofits completed and 336 in-progress.

Earthquake Brace + Bolt Program 8/12/2022 CRMP and CEA by Program Cycle			
Program	Completed	In Progress	Status
2014-2018 EBB	7,598	N/A	Closed
FEMA Napa EBB	110	N/A	Closed
CEA BB	862	N/A	Closed
CRMP 2019 EBB	598	2	Open
FEMA – funded HMGP DR 4308, 4344, & 4407	7,938	5,263	Open
Total	17,106	5,265	N/A

Funding for retrofits have come from CEA for the CEA Brace + Bolt (CEA BB) Program for policyholders, which is now closed to new registrations; and the Cal OES-administered FEMA Hazard Mitigation Grant Program (HMGP), the Loss Mitigation Fund (LMF) and the State for the retrofits completed in the Earthquake Brace + Bolt Program (EBB).



EBB staff continue to be busy working from home since the last board meeting (May 4th – August 9th):

- 4,111 Incoming Calls (61 calls/day)
- 4,618 Outbound Calls
- 2,258 Emails Answered
- 1,587 Applications sent to FEMA
- 512 Retrofits Completed

In addition to phone calls, emails and applications processed, staff continue to work with CEA IT to roll out the updated backend database system, enhancements for the supplemental grant initiative, bug fixes, and development of the Earthquake Soft-story program.

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 the Cal OES-administered FEMA *Hazard Mitigation Grant Program* (HMGP) and *Building Resilient Infrastructure and Communities* (BRIC) grants.

Current HMGP and BRIC applications (submitted and waitlisted) include requests for an additional \$236M in funding:

Cal OES/FEMA Grant Funding Applications			
Grant Program	Funding Request	Program Type	Status
HMGP DR 4308	\$84M	EBB	Approved—time extension to 4/1/23
HMGP DR 4344	\$20M	EBB	Approved—time extension to 4/30/23
HMGP DR 4407	\$5M	EBB	Approved
HMGP DR 4407	\$5M	ESS	Approved
HMGP DR 4431	\$3M	EBB	Waitlisted
HMGP DR 4434	\$3M	EBB	Waitlisted
HMGP DR 4558	\$20M	EBB	Submitted last RFI response on 11/4/21
HMGP DR 4569	\$50M	ESS	Submitted last RFI response on 11/1/21
HMGP DR 4558 Round II	\$50M	ESS	Submitted RFI response on 10/26/21
HMGP DR 4569	\$20M	EBB	Submitted last RFI response on 11/2/21
BRIC	\$20M	Multi-family ESS	Approved Round 1—8/22
2022 HMGP	\$20M	EBB	Submitted last RFI response on 7/7/22
2022 HMGP	\$50M	ESS	Submitted last RFI response on 7/1/22
2022 HMGP	\$5M	PrepareCA	Submitted last RFI response on 7/1/22

Supplemental Grant Development and Implementation

CRMP has invited approximately 1,660 homeowners that self-verified as income-eligible to begin the income-verification process to receive a supplemental grant (SG) under the HMGP 4308 grant. The gradual acceptance of these homeowners has continued to allow the program to work through any issues before a large number of homeowners are accepted. At present, one issue has been identified: the IRS has a backlog of cases and has been slow in returning results. CRMP expected results in 2-3 days but is still awaiting results after two weeks. While the backlog has cleared, the wait period continues to be much longer than

anticipated. A significant percentage of SG homeowners are withdrawing from the SG process. Surveys continue to be sent out to determine if there are issues that can be resolved.

EBB Program Contractors

Of the contractors on the EBB Directory (Directory), 400 have completed at least one retrofit. As contractors withdraw from the Directory, licenses are not renewed, or a contractor has not completed the training, a discrepancy between registered contractors and contractors on the Directory may occur. EBB began a new outreach campaign for the 126 new ZIP Codes in the 2022 EBB program to encourage new contractors to join the Directory. Sixteen contractors have joined the Directory since the last board meeting and eight have fallen off. All current contractors have been contacted and encouraged to update the ZIP Codes in which they are willing to work.

Contractors in EBB Directory- Range of Retrofits Paid (as of 7/31/2022 COB)										
Paid Retrofits	0	1	2-5	6-10	11-20	21-49	50-99	100-399	400+	Total
15,559	791	123	108	51	35	33	19	19	12	1,191

Contractors with 1 or more paid retrofits:	400
Average Retrofits/Contractor:	39

Note: The number of completed retrofits is lower than total completed because it does not include retrofits completed by contractors not on the Directory. The CEA BB program did not require policyholders to use contractors on the Directory.

EBB Northern and Southern Regional Differences

Retrofit costs in Northern California have decreased significantly since the last report, from \$7,011, which was comprised of retrofits completed in earlier grants) to \$5,588 (this is likely to increase as additional retrofits are completed) and remain less expensive than Southern California. In Southern California, there was a slight increase in the average cost from \$4,876 to \$5,076 in the 2021 program. The Executive Director will provide additional detail in her executive report and future data.

Northern CA Retrofits (as of 7/31/2022 COB)						
Program Year:	2016	2017	2018	2019	2020	2021
Total # of Retrofits:	585	828	1,173	1,769	2,012	73
Average Cost:	\$9,167	\$8,899	\$8,496	\$7,673	\$7,073	\$5,588
Median Cost:	\$7,500	\$7,361	\$6,670	\$6,285	\$5,923	\$5,315
Min Cost:	\$928	\$1,143	\$955	\$646	\$593	\$3,400
Max Cost:	\$75,465	\$54,362	\$63,430	\$86,198	\$61,253	\$11,938

*only includes EBB 2016, EBB 2017, EBB 2018, EBB 2019 (CRMP, FEMA 4308 & 4344), FEMA 2020, FEMA 2021

Southern CA Retrofits (as of 7/31/2022 COB)						
Program Year:	2016	2017	2018	2019	2020	2021
Total # of Retrofits:	970	1,357	2,177	1,876	2,591	110
Average Cost:	\$4,597	\$4,726	\$4,936	\$4,847	\$4,908	\$5,076
Median Cost:	\$3,950	\$3,934	\$4,160	\$4,250	\$4,365	\$4,489
Min Cost:	\$562	\$1,197	\$877	\$724	\$912	\$3,000
Max Cost:	\$46,664	\$45,390	\$54,096	\$61,684	\$52,400	\$12,600

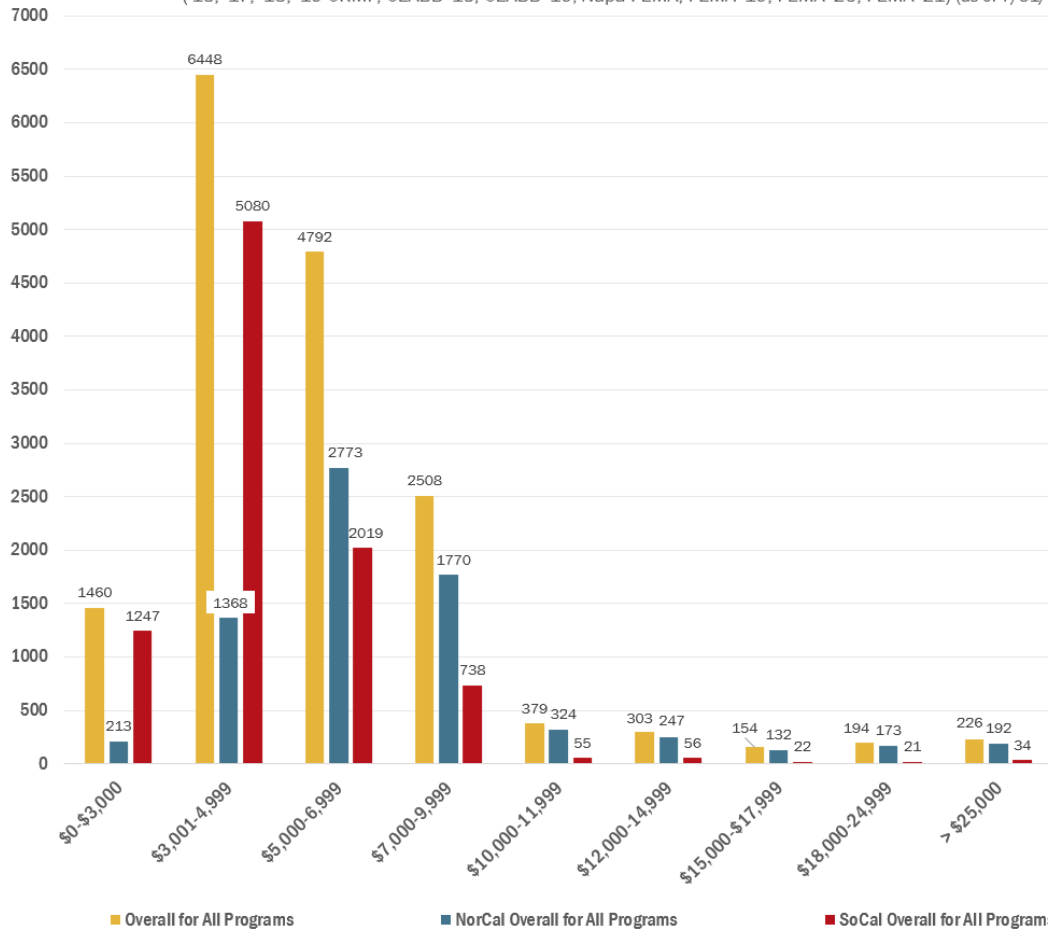
*only includes EBB 2016, EBB 2017, EBB 2018, EBB 2019 (CRMP, FEMA 4308 & 4344), FEMA 2020, FEMA 2021

All Programs Overall Retrofits (as of 7/31/2022 COB)	
Program Year:	'16, '17, '18, '19 CRMP, CEABB '16, CEABB '19, Napa FEMA, FEMA '19, FEMA '20
Total # of Retrofits:	16,464
Average Cost:	\$6,169
Median Cost:	\$5,075
Min Cost:	\$562
Max Cost:	\$93,541

The cost of retrofits within specific ranges remained stable during this reporting period. For all retrofits completed, 9% cost less than \$3,001. Of the completed retrofits 3% were under \$3,001 in Northern California and 13% are in Southern California. A total of 48% of the completed retrofits cost less than \$5,000. A further breakdown of this data shows 22% of completed retrofits were in Northern California and 68% in Southern California. A total of 77% of all retrofits cost less than \$7,000, 61% in Northern California and 90% in Southern California, and 92% cost less than \$10,000.

Regional Cost Overall for All Programs

('16, '17, '18, '19 CRMP, CEABB '16, CEABB '19, Napa FEMA, FEMA '19, FEMA '20, FEMA '21) (as of 7/31/2022 COB)



Engineered and Non-Engineered Retrofits

Engineered retrofits continue to be substantially more costly than non-engineered retrofits. With 1 engineered retrofit completed in the 2021 program, the average cost increased since the previous quarterly report from \$12,982 to \$9,600. Non-engineered retrofits have decreased slightly from \$5,350 to \$5,257.

Retrofits by Type (as of 7/31/2022 COB)										
	2017 Program		2018 Program		2019 Programs		2020 Program		2021 Program	
Type of Retrofit	Engineered	Non-Engineered	Engineered	Non-Engineered	Engineered	Non-Engineered	Engineered	Non-Engineered	Engineered	Non-Engineered
Total # of Retrofits:	227	1,958	313	3,037	291	3,354	276	4,327	1	182
Average Cost:	\$15,335	\$5,263	\$15,243	\$5,249	\$14,883	\$5,467	\$13,340	\$5,377	\$9,600	\$5,257
Median Cost:	\$13,541	\$4,500	\$12,083	\$4,510	\$10,353	\$5,142	\$9,641	\$5,040	\$9,600	\$4,800
Min Cost:	\$2,661	\$1,143	\$1,673	\$877	\$1,540	\$646	\$1,747	\$593	\$9,600	\$3,000
Max Cost:	\$54,362	\$40,200	\$63,430	\$60,844	\$86,198	\$18,853	\$61,253	\$52,400	\$9,600	\$12,600

(Table Source: (7-31-2022) Engineered Vs. Plan Set Retrofits)

Withdrawn Applications and Completion Rates

During each program cycle, a significant number of applicants withdraw from the programs. The percentage of withdrawn homeowners for the 2021 program is almost evenly distributed between the two regions, which is different from the 2019 program, but continues to be lower in Southern California. The completion rate for the 2018 EBB program was 48%. The rate for the 2019 and 2020 program will not be calculated until the programs close. Given the delay in accepting homeowners into the 2019 program and the current economic impact of COVID-19, EBB is unsure what to expect for the 2019 and 2020 FEMA-funded completion, but as additional retrofits are completed it appears the completion rate may be impacted.

Withdrawn Homeowners (as of 7/31/2022 COB)																				
Program	2021 FEMA (4308 & 4407)		2020 FEMA 4344		2019 FEMA (4308 & 4344)		2019 CRMP		Bay and LA 2018		Bay and LA 2017		Bay and LA & Napa '16		Bay and LA, 1st Qtr & Napa '15		Pilot 2013		Total	
Southern California	1,208	42%	3,487	48%	1,861	38%	128	34%	2,191	52%	1,435	40%	1,110	39%	552	38%	52	38%	12,024	44%
Northern California	1,668	58%	3,707	52%	3,020	62%	252	66%	1,989	48%	2,153	60%	1,772	61%	886	62%	86	62%	15,533	56%
Total	2,876	100%	7,194	100%	4,881	100%	380	100%	4,180	100%	3,588	100%	2,882	100%	1,438	100%	138	100%	27,557	100%

Other Items of Interest

- HMGP DR 4407 – The Earthquake Soft-story Program funded by HMGP 4407 is under development and is expected to open for registration in early 2023. Staff are working with CEA IT to complete the necessary programming and are awaiting the FEMA training module to be completed before outreach to contractors begin. Also, the registration was pushed farther back so it would not compete with the EBB registration scheduled for October 18th - November 29th.
- CRMP has welcomed three new staff members since the last quarterly update, including one Call Center Specialist, one Application Specialist, and one SSM II.
- CRMP was notified in early August that the 2021 \$20M BRIC grant submitted for a multi-family, soft-story program was moved to Round 1 of the process. The application will now undergo review by FEMA’s environmental and historic review process and further programmatic evaluation. Funding is anticipated to be approved.
- CRMP’s marketing contractor, TRAFFIK, has provided a marketing plan for the upcoming EBB registration to begin on October 18th.

CRMP Governing Board Memorandum

August 23, 2022

Agenda Item 8: Overview of SB 189

Recommended Action: Authorize CRMP staff to open up discussions with the CEA regarding appropriate and available mechanisms to fund the expense of planning and developing a multi-family, soft story program, including, among other options, a loan to CRMP from the CEA's Loss Mitigation Fund. If an available mechanism is identified and funding becomes available, the CRMP board delegates authority to the Executive Director to accept the funding on behalf of the CRMP.

Background:

On June 30, 2022, SB 189 was signed by the Governor and added Sections to Chapter 7 of the Government Code (referenced as Article 5.10. Seismic Retrofitting Program for Soft Story Multifamily Housing 8590.15). It provides for the California Residential Mitigation Program (CRMP) to develop and administer a soft-story, multi-family program for the purposes of providing financial assistance for the seismic retrofitting of said buildings (2-20 units) to owners for the protection of individuals residing in buildings that have been determined to be at risk of collapse during an earthquake.

The bill created a fund, the Seismic Retrofitting Program for Soft-Story, Multi-Family Housing Fund, and a subsidiary account, the Seismic Retrofitting Account, within the State Treasury with an allocation of \$250M from the General Fund to be appropriated in the 2023-24 Budget Act. The funds will be available for a 10-year performance period which may be extended by CRMP on an annual basis until July 1, 2042. It also states in Section 8590.19, "(a) The CRMP may accept any federal funds granted by an act of Congress or by executive order for any of the purposes of this article. (b) **Administrative expenses of developing and administering the program shall not be paid from a source other than the funds appropriated pursuant to this article.**"

At a high level, the program to be developed and administered will:

- Encourage cost-effective seismic retrofitting for existing affordable multi-family housing (MFH)
- Provide financial assistance to owners of MFH determined to be at risk of collapse in earthquakes with:
 - Priority to communities with high social vulnerability; and

- Priority to communities with high concentrations of soft-story MFH in areas of high seismicity
- Provide a reasonable amount, not to exceed 10% of funding, for technical assistance to cities and building departments to develop inventories and seismic retrofit programs for MFH in high seismic areas to increase eligibility for the program
- Provide a reasonable amount of funds to CRMP to offset administrative, operational, information technology, and finance costs to administer the program
- May make available up to 5% of funding to provide technical assistance to municipalities for development of inventories of MFH
- Have the ability to require matching funds or other recipient contribution requirements from building owners
- Submit a report annually to the Legislature beginning January 1, 2027, on implementation of the program

Analysis:

Since 2013, CRMP has successfully implemented the Earthquake Brace + Bolt (EBB) Program with the completion of over 17,000 retrofits. In 2022, a supplemental grant was added for income-eligible homeowners and the Earthquake Soft-Story (ESS) Program for single-family residences will open in 2023. The Multi-Family, Soft-Story (MFSS) Program is a new program for CRMP and will require a significant amount of planning and preparation to implement.

While the MFSS Program will utilize the backbone of the CRMP's IT system, which was developed for EBB, modifications will be necessary. In addition, program rules and processes must be developed. Development of the rules, which will include eligibility requirements for participation and selection, must be developed through a well-conceived plan that includes significant stakeholder involvement and expert consultation.

Funding for MFSS from the state budget will not be appropriated until 2023. There also is a possibility that the Legislature will not appropriate funds in the 2023-24 budget for this program. Therefore, state funds are not currently available to support planning efforts and IT programming until July 1, 2023, and to protect CEA policyholder funds, the bill requires only appropriated funds to be used for administrative expenses. The limitations in administrative expenses in the bill language, coupled with the fact that SB 189 merely "allocates" anticipated funding in the 2023-24 budget, but does not yet "appropriate" the funds, is what gives rise to the need to engage with the CEA on a possible loan from the LMF to get a jump start on program development.

Staff have been receiving requests from stakeholders to begin discussions on program implementation. In addition, IT programming will likely take 4-6 months to complete after program development is finalized, but some programming could begin immediately. Because the program will take significant planning and preparation, likely 6-12 months, and SB 189 prohibits administrative expenses be paid from a source other than funds appropriated, staff have been discussing ways in which planning might begin prior to July 1, 2023.

Staff have identified an option for funding administrative expenses this year through the request of a loan from the Loss Mitigation Fund (LMF). This loan would be considered at-risk if the

Legislature failed to appropriate funds for the program and/or it is determined that funds expended prior to July 1, 2023, are not reimbursable. Staff would work with CEA and CRMP legal and finance to further understand these issues before requesting a loan.

Below is an estimation of expenses and a possible funding scenario, an at-risk loan, but other options may be possible. If planning and IT programming efforts were to begin now, staff have developed a high-level range of efforts and associated costs through June 30, 2023, for board consideration.

- Low effort—staff time (Chief Mitigation Officer and Mitigation Director) to prepare an initial implementation plan for the MFSS Program. Approximate hours: 450 (approximately 3 days per month per each executive staff)/ Estimated expenditures: \$95,000
- Medium effort—staff time (Chief Mitigation Officer, Mitigation Director, Program Manager) to prepare a detailed implementation plan for the MFSS Program and initial IT scoping of project. Approximate hours: 1,725 (approximately 5 days per month for each executive staff and full-time for 1 SSM II equivalent; 10 days of IT staff time; consultant contracts)/ Estimated expenditures: \$300,000
- High effort—staff time (Chief Mitigation Officer, Mitigation Director, Program Manager) to prepare a detailed implementation plan for the MFSS Program, consultant contracts and IT scoping of project and initial buildout of backend system. Approximate hours: 3,381 (approximately 7 days per month for each executive staff and full-time for 1 SSM II equivalent; 60 days of IT staff time; consultant contracts)/ Estimated expenditures: \$450,000

Also, it should be noted that CEA/CRMP has been notified that the application for the 2021 Building Resilient Infrastructure and Communities (BRIC) grant has been moved to Phase 2 approval and although additional review will be completed by FEMA for environmental and historical preservation consideration, it will likely be funded. Any work completed on the MFSS program will benefit the development and implementation of the BRIC-funded multi-family, soft-story program.

Recommendation:

Authorize CRMP staff to open up discussions with the CEA regarding appropriate and available mechanisms to fund the expense of planning and developing a multi-family, soft story program, including, among other options, a loan to CRMP from the CEA's Loss Mitigation Fund. If an available mechanism is identified and funding becomes available, the CRMP board delegates authority to the Executive Director to accept the funding on behalf of the CRMP.