

CRMP

California Residential Mitigation Program A Joint Powers Authority

Date of Notice: Friday, August 10, 2018

PUBLIC NOTICE

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

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

LOCATION: **Governor’s Office of Emergency Services
("Cal OES")
3650 Schriever Avenue, MPR1
Mather, California 95655**

DATE: Tuesday, August 21, 2018

TIME: 1:00 p.m.

AGENDA:

1. Call to order and member roll call:

Mitch Ziemer – Chair, Insurance and Claim Director, CEA
Grace Koch, Chief Deputy Director, 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 May 15, 2018 CRMP Governing Board meeting.
3. Consideration and approval of the minutes of the July 16, 2018 CRMP Governing Board meeting.

4. CRMP Executive Director Janiele Maffei will present her executive report.
5. CEA Financial Lead Anthony Tassone will review the CRMP financial statements as of June 30, 2018.
6. CEA Financial Lead Anthony Tassone will review the Report of Audit on CRMP Annual Financial Statements 2017.
7. CRMP Managing Director Annde Ewertzen will present an Earthquake Brace + Bolt update.
8. CRMP Managing Director Annde Ewertzen will present recommendation to transfer money from CEA's Earthquake Loss Mitigation Fund to the California Residential Mitigation Program to fund additional retrofit grants, for approval.
9. CRMP Managing Director Annde Ewertzen will present a new EBB Inspection Services Agreement with Twining Inc., for three years of EBB Inspections, September 1, 2018 to July 31, 2021, for approval.
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.

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

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

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

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

DRAFT

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

**Tuesday, May 15, 2018
1:00 p.m.**

Location: California Earthquake Authority
801 K Street, Suite 1000
Main Conference Room
Sacramento, California

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

Mitch Ziemer, Chair, Insurance Director, California Earthquake Authority (CEA)
Grace Koch, Chief Deputy Director, Cal OES
Christina Curry, Vice Chair, Deputy Director, Cal OES

Members of the CRMP Staff in attendance:

Janiele Maffei, Executive Director
Annde Ewertsen, Managing Director, CRMP
Seth Merewitz, CRMP Counsel
Tim Richison, Treasurer
Jacqueline Ball
Anthony Tassone
D'Anne Ousley

Also Present:

No members of the public addressed the Board.

1. Call to order and member roll call.

Mr. Ziemer called the meeting to order at 1:02 p.m. A quorum was achieved.

2. Consideration and approval of the minutes of the January 30, 2018, CRMP Governing Board Meeting.

MOTION: Ms. Curry moved approval of the January 30, 2018, California Residential Mitigation Program Governing Board Meeting Minutes as presented. Ms. Koch seconded. Motion carried unanimously.

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

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

Guideline Development

ATC 110 Prestandard – This document will be completed in August and published by the Federal Emergency Management Agency (FEMA). The CRMP will then work with the International Code Council (ICC) to create a document that can be adopted by reference into the Building Code. A pilot single-story living space over the garage (ESS) proposal was included in the FEMA grant application.

Research

PEER Cripple Wall House Mitigation - The PEER Project quantifies the damage reduction between unretrofitted and retrofitted cripple wall houses. Ms. Maffei showed a presentation slide photo of a typical cripple-wall setup built at UC San Diego to test the loading protocol that mimics an earthquake in California to measure any differences.

CEA Claim Adjustment Manuals - This is an update of a document written several years ago at the time when it was recommended to put out a supplementary engineering guideline that was not produced. The claim adjusters' guideline is now being updated and the engineering guideline will be created. The idea is to include the best practices and best knowledge of the industry so that, after an earthquake, claim adjustments will be made on the same playing field. The update will also include the ATC Project and the PEER Project lessons learned.

Education

New mitigation information on the CEA website - The End-to-End Mitigation website has not yet been launched, but good information has been posted on the CEA's website, under the Prepare Your House tab.

FEMA P-50

Federal Emergency Management Agency (FEMA) P-50 – The CRMP participated as minor sponsors in the FEMA P-50 Simplified Seismic Assessment of Detached, Single-Family Wood-Frame Dwellings.

QuakeGrade – The CRMP produced the QuakeGrade app, which gives information on what to do when a home has a vulnerability or deficiency. The California Real Estate Inspectors Association (CREIA) and the American Association of Real Estate Inspectors will coordinate with FEMA and ATC to create their own training programs and certificates. These certified home inspectors will be an army of individuals who can assist with the CEA's Insurance Mitigation Discount Evaluation.

Legislation

Assembly Bill 2627 - The California Natural Disaster Resiliency and Earthquake Insurance Affordability Act is moving through the legislative process in its current form.

House Model

Ms. Maffei demonstrated a crawl-space house model for the Board. During an earthquake, the house would topple off the foundation when not anchored or braced.

4. CRMP Treasurer Tim Richison will present a financial report.

Tim Richison, CRMP Treasurer, deferred to Anthony Tassone to present the financial report. Mr. Tassone provided an overview, with a slide presentation, of the CRMP financial information

as of December 31, 2017, and March 31, 2018. He stated the Napa budget is an ongoing budget. There are still funds left in the Napa budget but the full \$100,000 will not be required.

Mr. Ziemer asked about the process for the Napa funds that are unused. Mr. Tassone stated the CRMP was granted an extension and will only receive funding for the amount required.

Mr. Ziemer asked if a formal communication was sent to the Department of Insurance relative to using all their funding. Ms. Maffei stated the CRMP issued interim and final reports that describe how the funding was being used.

5. CRMP Managing Director Annde Ewertsen will present an Earthquake Brace + Bolt update.

Annde Ewertsen, CRMP Managing Director, provided an overview, with a slide presentation, of the program status, contractor status, retrofit costs by region, permit status, and retrofits completed for the Earthquake Brace + Bolt (EBB) Programs. She reviewed the Staff Memo, which was included in the meeting packet:

- Staff put in a Request for Qualifications (RFQ) for site inspection services, which closed yesterday. Two proposals were submitted.
- Staff is closing out the Napa Program, awaiting funding for winter storms from Cal OES, submitting additional Notices of Interest for the October wildfires, and working on applications for the December wildfires.
- The CEA BB program will soon be adding ZIP codes to allow participation of approximately 6,000 policyholders. The 2018 EBB retrofit budget may require augmentation to cover the high number of retrofits completed.
- Staff is working with a certain contractor to ensure compliance with program rules.
- Ms. Curry asked at the last meeting about the number of EBB retrofits completed who were policyholders. 25 to 30 percent have self-reported that they are CEA policyholders. Staff is working with the CEA to update the privacy policy so they can share information with the CRMP.
- The 2018 Program Rules were updated and included in the meeting packet for Board review.
- The CRMP did not get the California Department of Insurance Budget Change Proposal; there will be no additional funding this year.
- A total of 4,800 retrofits will be completed within the next couple of weeks and will be at 5,000 within the month. Staff is working on a marketing media outreach plan for the 5,000th retrofit.

Mr. Ziemer asked how the problem was discovered with the contractor who needs help complying with program rules. Ms. Ewertsen stated it was discovered by several bounced emails during the registration period. The email addresses that were provided were not valid. The contractor canvases his area months before the start of the program asking homeowners if they would like to be part of the program. He signs them up and supplies his email address if they did not have one. If a homeowner is accepted into the program, the contractor goes back and gets a contract signed with them and makes the email address valid. Staff reached out to the contractor

and every homeowner he signed into the program to ensure that they wanted him to be their contractor and that they understood they had the option to hire any contractor that was available to them. The contractor has changed his process and remains enthusiastic about the program. He does quality work for a minimal cost and has performed well over 400 retrofits. He completes the retrofit for no more than \$3,000 so oftentimes there is no money out of pocket for the homeowner.

Ms. Curry asked about the difference in the numbers of retrofits for Northern versus Southern California. She asked if it is because the program is offered per ZIP code and the north is less populated than the south or if less homeowners sign up in the north because it is more expensive.

Ms. Ewertsen stated it is a number of things. Northern California always seems to have less interest. Part of it may be because homeowners have heard it is more expensive. She stated she will look at the next round of statistics to see where the dropouts are and if there are more dropouts in Northern as compared to Southern California. Also, it depends on if it is picked up by the local news.

Mr. Richison stated Northern California does not just need bracing but also requires bolting, which adds to the expense and is more involved.

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

There were no questions or comments from the public.

7. Adjournment.

There being no further business, the meeting was adjourned at 1:43 p.m.

DRAFT

CALIFORNIA EARTHQUAKE AUTHORITY CALIFORNIA RESIDENTIAL MITIGATION PROGRAM GOVERNING BOARD MEETING MINUTES

Monday, July 16, 2018
10:00 a.m.

Location: Governor's Office of Emergency Services
3650 Schriever Avenue
MPR 2
Mather, California

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

Christina Curry, Vice Chair, Deputy Director, Cal OES
Dan Dyce, Consultant, California Earthquake Authority (CEA)
Grace Koch, Chief Deputy Director, Cal OES

Members of the CRMP Staff in attendance:

Janiele Maffei, Executive Director
Annde Ewertsen, Managing Director, CRMP
Danny Marshall, Secretary
Tim Richison, Treasurer
Anthony Tassone, Financial Reporting Lead
Ethan Walsh, CRMP Counsel
Jacqueline Ball
Mark Grissom
Ben Kirwan
D'Anne Ousley

Also Present:

No members of the public addressed the Board.

1. Call to order and member roll call.

Ms. Curry called the meeting to order at 10:00 a.m. A quorum was achieved.

2. CRMP Managing Director Annde Ewertsen will present a recommended Earthquake Brace + Bolt updated budget to provide additional funds from the CEA Earthquake Loss Mitigation Fund to the California Residential Mitigation Program to fund additional retrofit grants for approval.

Annde Ewertsen, CRMP Managing Director, provided an overview, with a slide presentation, of the program status, contractor status, retrofit costs by region, permit status, and retrofits completed for the Earthquake Brace + Bolt (EBB) Programs. She reviewed the Staff Memo, which was included in the meeting packet.

Ms. Curry asked about next steps. Ms. Ewertsen stated, if approved today, the request for additional funds will be presented to the CEA Governing Board this Thursday for approval.

Ms. Curry asked for clarification on the process if the CEA Governing Board does not give its approval. Tim Richison, CRMP Treasurer, stated it will require that the CRMP reconvene because the funds for the expansion side of the house will not have the funds necessary for the expansion. The CRMP will need to discuss options for the 2,500 applicants on the wait list.

Mr. Dyce asked about the amount of funds in the CEA Loss Mitigation Fund. Anthony Tassone, CEA Financial Reporting Lead, stated it is approximately \$16 million. Mr. Richison added that staff will ask the CEA Governing Board at Thursday's meeting for an additional \$4.8 million to be moved over from the CEA Investment Income Fund to the CEA Loss Mitigation Fund, which is the funding source for the CRMP.

Ms. Ewertsen noted that \$3 million in Federal Emergency Management Agency (FEMA) grant funds are expected in 2019.

MOTION: Mr. Dyce moved to approve the updated budget and request the transfer of funds from the CEA Earthquake Loss Mitigation Fund in the amount of \$3.3 million, to fund additional retrofit grants and expand the CRMP EBB program in 2018, as fully described in this memorandum. Ms. Koch seconded. Motion carried unanimously.

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

There were no questions or comments from the public.

4. Adjournment.

There being no further business, the meeting was adjourned at 10:08 a.m.

CRMP Governing Board Memorandum

August 21, 2018

Agenda Item 4: Executive Report by Executive Director Janiele Maffei

Recommended Action: No Action Necessary

Background:

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

Recommendation:

No action necessary.

Governing Board Memorandum

August 21, 2018

Agenda Item #5: Treasurer's Financial Update

Recommended Action: No Action Necessary

Background:

Anthony Tassone, CEA Financial Lead, will review the CRMP financial statements as of June 30, 2018.

Recommendation:

No action is necessary.

California Residential Mitigation Program
(CRMP)

FINANCIAL
REPORT

BOARD MEETING

August 21, 2018

**California Residential Mitigation Program
Balance Sheet
As of June 30, 2018**

Assets

Cash and cash equivalents	\$ 1,055,380
Accounts receivable	<u>18,171</u>
Total assets	<u><u>\$ 1,073,551</u></u>

Liabilities and Fund Balance

Liabilities:

Accounts payable and accrued expenses	<u>\$ 24,760</u>
Total liabilities	<u>24,760</u>

Fund Balance:

Unassigned	<u>1,048,791</u>
Total fund balance	<u>1,048,791</u>
Total liabilities and fund balance	<u><u>\$ 1,073,551</u></u>

**California Residential Mitigation Program
Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year-to-Date Ended June 30, 2018**

Revenues:	
Contributions from members	\$ 3,100,000
Contributions from other governments	4,050
	<hr/>
Total revenues	3,104,050
	<hr/>
Expenditures:	
Administration and office expenses	\$ 23,824
Audit services	30,000
Board services	363
Grants to homeowners	3,492,288
Inspection services	32,858
Insurance	1,900
IT administrative support	4,481
Legal services	30,722
Marketing services	153,236
Program education	32,492
Program support	59,866
Travel	5,684
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Total expenditures	3,867,714
	<hr/>
Net change in fund balance	(763,664)
Fund balance, beginning of year	1,812,455
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Fund balance, end of year to date	\$ 1,048,791
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**California Residential Mitigation Program
Budgeted Expenditures and Actual Expenditures
2018 Budget Year
as of June 30, 2018**

	Approved 2018 Budget 1/1/2018	Adjustments	Augmentations	2018 Budget after Augmentations and Adjustments	Actual Expenditures	Augmented & Adjusted Approved Budget vs. Actual Expenditures	Percentage used of Augmented & Adjusted 2018 Budget
Revenue							
Contribution from Members ²	\$ -	\$ -	\$ 8,900,000	\$ 8,900,000	\$ 3,100,000	\$ 5,800,000	34.83%
Total Revenue	-	-	8,900,000	8,900,000	3,100,000	5,800,000	34.83%
CRMP Administration Expenses							
Travel	32,000			32,000	5,684	26,316	17.76%
Professional Dues and Memberships	800			800	-	800	0.00%
Board Services	2,300			2,300	363	1,937	15.78%
Administration & Office	79,050			79,050	23,824	55,226	30.14%
Insurance	38,000			38,000	1,900	36,100	5.00%
Financial Audit	50,000			50,000	30,000	20,000	60.00%
Legal Services	100,000			100,000	30,722	69,278	30.72%
Total Administration Expenses	302,150	-	-	302,150	92,493	209,657	30.61%
EBB Program Expenses							
Software/Information Technology	25,250			25,250	4,481	20,769	17.75%
Call Center	120,000			120,000	59,866	60,134	49.89%
Home Inspection Services	95,000			95,000	32,858	62,142	34.59%
EBB Marketing	325,000			325,000	153,236	171,764	47.15%
EBB Program Education	75,000			75,000	32,492	42,508	43.32%
Grants to Homeowners ¹	6,000,000		3,300,000	9,300,000	3,492,288	5,807,712	37.55%
Total EBB Program Expenses	6,640,250	-	3,300,000	9,940,250	3,775,221	6,165,029	37.98%
Total Administrative and Program Expenses	\$ 6,942,400	\$ -	\$ 3,300,000	\$ 10,242,400	\$ 3,867,714	\$ 6,374,686	37.76%

¹ Augmentation approved at special July 16, 2018 board meeting for additional retrofits grants.

² California Earthquake Authority board has approved max funding of \$8,900,000 for 2018 as of the CEA board meeting on July 19, 2018.

**California Residential Mitigation Program
Budgeted Expenditures and Actual Expenditures
Main Program
as of June 30, 2018**

	Approved 2018 Budget 1/1/2018	Adjustments	Augmentations	2018 Budget after Augmentations and Adjustments	Actual Expenditures	Augmented & Adjusted Approved Budget vs. Actual Expenditures	Percentage used of Augmented & Adjusted 2018 Budget
Revenue							
Contribution from Members ²	\$ -	\$ -	\$ 8,900,000	\$ 8,900,000	\$ 3,100,000	\$ 5,800,000	34.83%
Total Revenue	-	-	8,900,000	8,900,000	3,100,000	5,800,000	34.83%
CRMP Administration Expenses							
Travel	32,000			32,000	5,684	26,316	17.76%
Professional Dues and Memberships	800			800	-	800	0.00%
Board Services	2,300			2,300	363	1,937	15.78%
Administration & Office	79,050			79,050	23,824	55,226	30.14%
Insurance	38,000			38,000	1,900	36,100	5.00%
Financial Audit	50,000			50,000	30,000	20,000	60.00%
Legal Services	100,000			100,000	30,722	69,278	30.72%
Total Administration Expenses	302,150	-	-	302,150	92,493	209,657	30.61%
EBB Program Expenses							
Software/Information Technology	25,250			25,250	4,481	20,769	17.75%
Call Center	120,000			120,000	59,827	60,173	49.86%
Home Inspection Services	95,000			95,000	32,858	62,142	34.59%
EBB Marketing	325,000			325,000	153,236	171,764	47.15%
EBB Program Education	75,000			75,000	32,492	42,508	43.32%
Grants to Homeowners ¹	6,000,000		3,300,000	9,300,000	3,492,288	5,807,712	37.55%
Total EBB Program Expenses	6,640,250	-	3,300,000	9,940,250	3,775,182	6,165,068	37.98%
Total Administrative and Program Expenses	\$ 6,942,400	\$ -	\$ 3,300,000	\$ 10,242,400	\$ 3,867,675	\$ 6,374,725	37.76%

¹ Augmentation approved at special July 16, 2018 board meeting for additional retrofits grants.

² California Earthquake Authority board has approved max funding of \$8,900,000 for 2018 as of the CEA board meeting on July 19, 2018.

**California Residential Mitigation Program
Project Budget Expenditures
Napa EBB
as of June 30, 2018**

	Project Budget	Used Budget Thru 12/31/17	2018 Used Budget	Total Used Budget	Remaining Budget \$	Used of Budget %
Revenue:						
FEMA Reimbursement Grant	\$ 300,000	\$ 155,142	\$ 4,050	\$ 159,192	\$ 140,808	53.06%
CEA Matching Contribution ¹	100,000	100,249	-	100,249	(249)	100.25%
Total Revenue	\$ 400,000	\$ 255,391	\$ 4,050	\$ 259,441	\$ 140,559	64.86%
Expenses:						
CEA Matching Expenses:						
Staff Time ¹	\$ 36,500	\$ 40,233	\$ -	\$ 40,233	\$ (3,733)	110.23%
Website ¹	3,000	60,016	-	60,016	(57,016)	2000.53%
	39,500	100,249	-	\$ 100,249	\$ (60,749)	253.79%
CRMP Expenses:						
Legal Services	12,500	30,735	-	30,735	(18,235)	245.88%
Call Center	9,000	889	39	928	8,072	10.31%
Marketing	28,000	27,734	-	27,734	266	99.05%
Insurance	1,000	-	-	-	1,000	0.00%
Photos of each house	10,000	-	-	-	10,000	0.00%
	60,500	59,358	39	59,397	1,103	98.18%
Homeowner Incentives:						
Grants to homeowners	300,000	251,142	-	251,142	48,858	83.71%
Total Expenses	\$ 400,000	\$ 410,749	\$ 39	\$ 410,788	\$ (10,788)	102.70%

¹FEMA matching requirements for revenue and expenses are only shown on project budget, they are not part of CRMP overall budget. Amounts are as of last reimbursement request which was 12/31/17.

Note: Closeout documents for this program were submitted to CalOES in July 2018.

Governing Board Memorandum

August 21, 2018

Agenda Item #6: Report of Audit on CRMP Annual Financial Statements (2017)

Recommended Action: No action required – information only

Background:

JLK Rosenberger, LLP California Residential Mitigation Program's independent auditors, has performed audit of CRMP's financial statements for the year ended December 31, 2017.

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

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

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

Analysis:

According to the Independent Auditor's Report, CRMP's 2017 audited GAAP financial statements present fairly, in all material respects, the financial position of CRMP, in conformity with accounting principles generally accepted in the United States of America.

Recommendation Action:

No action required – information only.

California Residential Mitigation Program

Financial Statements and
Independent Auditor's Report

December 31, 2017

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Independent Auditor's Report

To the Governing Board
California Residential Mitigation Program

We have audited the accompanying financial statements of the governmental activities and the General Fund of California Residential Mitigation Program (CRMP) as of December 31, 2017, and the related notes to the financial statements, which collectively comprise CRMP's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the respective financial position of the governmental activities and the General Fund of CRMP as of December 31, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

JLK Rosenberger, LLP

July 2, 2018

CALIFORNIA RESIDENTIAL MITIGATION PROGRAM

Management's Discussion and Analysis

History

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

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

Management Team

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

Program Funding

Funding for CRMP 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 CRMP programs;
- c. Making available an application for dwelling owners who want to participate in the CRMP programs;
- d. Educating contractors about CRMP programs;
- e. Educating building-inspection authorities about CRMP programs; and
- f. Informing, and productively working with, all interested parties about CRMP programs.

Earthquake Brace & Bolt: Funds to Strengthen Your Foundation

The Earthquake Brace + Bolt (EBB) program was designed to encourage homeowners to complete a seismic retrofit of their older house by offering up to the \$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 is actually quite recent.

CALIFORNIA RESIDENTIAL MITIGATION PROGRAM

Management's Discussion and Analysis (Continued)

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

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

EBB began with a pilot program in 2013/14 and has grown each year since, adding more cities and more ZIP Codes. To-date, more than 4,500 grants have been provided to California homeowners.

Using the Report

CRMP's financial statements for the year ended December 31, 2017 have been prepared using accounting standards applicable to governmental entities. This document consists of financial statements with accompanying notes. The government-wide statements consist of a Statement of Net Position and Statement of Activities, which is an economic resources measurement focus and the accrual basis of accounting. The fund financial statements consist of a Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balance that are reported using the current financial resources measurement focus and the modified accrual basis of accounting.

Statement of Net Position

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

	2017	2016
Assets		
Cash and cash equivalents	\$ 2,027,465	\$ 531,164
Due from other governments	32,747	155,142
Prepaid expenses	1,900	-
Total assets	<u>2,062,112</u>	<u>686,306</u>
Liabilities and Net Position		
Accounts payable and accrued expenses	<u>249,657</u>	<u>170,566</u>
Total liabilities	<u>249,657</u>	<u>170,566</u>
Net position, unrestricted	<u>1,812,455</u>	<u>515,740</u>
Total net position	<u>1,812,455</u>	<u>515,740</u>
Total liabilities and net position	<u>\$ 2,062,112</u>	<u>\$ 686,306</u>

CALIFORNIA RESIDENTIAL MITIGATION PROGRAM

Management's Discussion and Analysis (Continued)

Assets, Liabilities and Net Position

Total assets increased by \$1,375,806 (200%) in 2017 due to a significant increase in contributions from members to cover the expansion of the EBB program. Total liabilities increased by \$79,091 (46%) in 2017, as accrued expenses and accounts payable increased from 2016 to 2017, largely due to an increase in program expenses compared to 2016. Total net position increased by \$1,296,715 (251%) in 2017 due to an increase in contributions from its members which were able to cover the increase in program expenses, and provide additional funds to be used in 2018.

Statement of Activities

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

	2017	2016
Program revenues:		
Contributions from other governments	\$ 3,095,998	\$ 3,155,142
Expenses:		
Administration and office expenses	4,582	9,040
Audit services	39,000	37,000
Board meeting	1,105	1,768
Consumer incentives	6,561,142	4,209,663
EDP software	905	798
Information technology	18,593	17,630
Inspection services	77,850	70,500
Insurance	33,535	36,482
Legal services	53,038	75,972
Marketing services	305,038	372,927
Professional development	-	800
Program education	5,356	-
Telecommunications	84,517	47,654
Travel	14,622	12,096
Total expenses	7,199,283	4,892,330
General revenues:		
Contributions from a member	5,400,000	1,000,000
Change in net position	1,296,715	(737,188)
Net position, beginning of year	515,740	1,252,928
Net position, end of year	\$ 1,812,455	\$ 515,740

CALIFORNIA RESIDENTIAL MITIGATION PROGRAM

Management's Discussion and Analysis (Continued)

Program Expenses, General Revenue and Net Position

Total program revenues come from grants received from the Department of Insurance and Federal Emergency Management Agency (FEMA) to cover consumer incentives payments and had an insignificant change in 2017. Total programs expenses increased by \$2,306,953 (47%) in 2017 due to more expenses necessary for the expanded EBB program, especially in consumer incentives, which accounts for the majority of the increase. General revenues from contributions increased by \$4,400,000 (440%) and net position increased by \$1,296,715 (251%).

Budget Analysis

CRMP's original budget and final budget had expenditures of \$8,534,300, so there was no change in budgeted expenditures during the year.

Actual total expenditures for 2017 were \$7,199,283 compared to the final budget of \$8,534,300 a positive variance of \$1,335,017. Consumer incentives for the EBB program had a final budget of \$7,515,000; actual expenditures were \$6,561,142. This positive variance of \$953,858 was due to a lesser amount of retrofits completed than planned, as the exact timing of when retrofits will be completed is based on many factors. Legal services had positive variance of \$146,962 due to less services needed than anticipated as actual legal costs are based on need and can be difficult to determine. Administration and office expenses had a significant positive variance as the homeowners' packets that were budgeted did not need to be prepared and mailed out during the year. The only negative variance in 2017, was from the contributions from other governments, which was caused by not all of the remaining FEMA retrofits being completed during 2017.

Current Economic Factors and Conditions

CRMP continues to expand the EBB program each year, with the 2018 program including ZIP Codes covering more than 50 cities in California. CRMP continues to see significant interest and participation in the program and has seen an increase in the amount of consumer incentives reimbursements each year accordingly. CRMP is consistently monitoring opportunities for funding beyond its members, so that it can continue to grow and meet the program objectives.

Requests for Information

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

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

CALIFORNIA RESIDENTIAL MITIGATION PROGRAM

Statement of Net Position As of December 31, 2017

	<u>2017</u>
Assets:	
Cash and cash equivalents	\$ 2,027,465
Accounts receivable	32,747
Prepaid expenses	<u>1,900</u>
Total assets	<u>2,062,112</u>
Liabilities:	
Accounts payable and accrued expenses	<u>249,657</u>
Total liabilities	<u>249,657</u>
Net position:	
Unrestricted	<u>1,812,455</u>
Total net position	<u><u>\$ 1,812,455</u></u>

See accompanying notes to financial statements.

CALIFORNIA RESIDENTIAL MITIGATION PROGRAM

Statement of Activities For the Year Ended December 31, 2017

	<u>2017</u>
Program revenues:	
Contributions from other governments	<u>\$ 3,095,998</u>
Program expenses:	
Administration and office expenses	4,582
Audit services	39,000
Board meeting	1,105
Consumer incentives	6,561,142
EDP software	905
Information technology	18,593
Inspection services	77,850
Insurance	33,535
Legal services	53,038
Marketing services	305,038
Program education	5,356
Telecommunications	84,517
Travel	14,622
Total program expenses	<u>7,199,283</u>
General revenues:	
Contributions from a member	<u>5,400,000</u>
Change in net position	1,296,715
Net position, beginning of period	<u>515,740</u>
Net position, end of period	<u><u>\$ 1,812,455</u></u>

See accompanying notes to financial statements.

CALIFORNIA RESIDENTIAL MITIGATION PROGRAM

Balance Sheet As of December 31, 2017

	<u>2017</u>
Assets:	
Cash and cash equivalents	\$ 2,027,465
Accounts receivable	32,747
Prepaid expenses	1,900
Total assets	<u>\$ 2,062,112</u>
Liabilities:	
Accounts payable and accrued expenses	<u>\$ 249,657</u>
Total liabilities	<u>249,657</u>
Deferred Inflows of Resources:	
Unavailable revenue	<u>18,171</u>
Total deferred inflows of resources	<u>18,171</u>
Fund Balance:	
Unassigned	<u>1,794,284</u>
Total fund balance	<u>1,794,284</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 2,062,112</u>
Reconciliation of the Balance Sheet to the Statement of Net Position	
Fund Balance - total governmental fund (from above)	\$ 1,794,284
Amounts reported for governmental activities in the statements of net position are different because:	
Unavailable revenues represent amounts that are not available to fund current expenditures and, therefore, are not reported in the governmental funds	<u>18,171</u>
Net position of governmental activities (page 7)	<u>\$ 1,812,455</u>

See accompanying notes to financial statements.

CALIFORNIA RESIDENTIAL MITIGATION PROGRAM

Statement of Revenues, Expenditures and Changes in Fund Balance For the Year Ended December 31, 2017

	<u>2017</u>
Revenues:	
Contributions from a member	\$ 5,400,000
Contributions from other governments	3,232,969
Total revenues	<u>8,632,969</u>
Expenditures:	
Administration and office expenses	4,582
Audit services	39,000
Board meeting	1,105
Consumer incentives	6,561,142
EDP software	905
Information technology	18,593
Inspection services	77,850
Insurance	33,535
Legal services	53,038
Marketing services	305,038
Program education	5,356
Telecommunications	84,517
Travel	14,622
Total expenditures	<u>7,199,283</u>
Net change in fund balance	1,433,686
Fund balance, beginning of period	360,598
Fund balance, end of period	<u>\$ 1,794,284</u>

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities

Net change in fund balance (from above) \$ 1,433,686

Amounts reported for governmental activities in the statements of activities are different because:

 Unavailable revenues in the Statement of Activities do not provide current financial resources and, therefore are not reported as revenue in the governmental funds.

(136,971)

Change in net position of governmental activities (Page 8)

\$ 1,296,715

See accompanying notes to financial statements.

CALIFORNIA RESIDENTIAL MITIGATION PROGRAM

Notes to Financial Statements
December 31, 2017

1. Reporting Entity and Summary of Significant Accounting Policies

Reporting Entity

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

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

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

Basis of Presentation and Accounting

Government-Wide Statements

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

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

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

Fund Financial Statements

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

CALIFORNIA RESIDENTIAL MITIGATION PROGRAM

Notes to Financial Statements (Continued)
December 31, 2017

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

Basis of Presentation and Accounting (Continued)

Fund Financial Statements (Continued)

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

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

Cash and Cash Equivalents

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

Capital Assets

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

Net Position

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

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

Fund Balance

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

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

CALIFORNIA RESIDENTIAL MITIGATION PROGRAM

Notes to Financial Statements (Continued)
December 31, 2017

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

Fund Balance (Continued)

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

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

Use of Estimates

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

2. Cash and Cash Equivalents

Cash and cash equivalents consisted of the following at December 31, 2017:

Cash in bank	\$	2,027,432
Petty cash		33
Total	\$	<u>2,027,465</u>

As of December 31, 2017, CRMP did not have a policy governing deposits to address custodial credit risk.

3. Related-Party Transactions

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

CALIFORNIA RESIDENTIAL MITIGATION PROGRAM

Notes to Financial Statements (Continued)
December 31, 2017

4. Concentrations of Risk

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

5. Risk Management

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

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

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

6. Subsequent Events

Management has evaluated subsequent events through July 2, 2018, which is the date the financial statements were made available to be issued. No events have occurred subsequent to December 31, 2017 requiring recording or disclosure in these financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

CALIFORNIA RESIDENTIAL MITIGATION PROGRAM

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

For the Year Ended December 31, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget</u>
Budgetary fund balances, January 1	\$ 515,740	\$ 515,740	\$ 515,740	\$ -
Revenues:				
Contribution from a member	-	-	5,400,000	5,400,000
Contribution from other governments	3,150,000	3,150,000	3,095,998	(54,002)
Total revenues	<u>3,150,000</u>	<u>3,150,000</u>	<u>8,495,998</u>	<u>5,345,998</u>
Expenditures:				
Travel	37,000	37,000	14,622	22,378
Insurance	38,000	38,000	33,535	4,465
Board meeting	3,500	3,500	1,105	2,395
Administration and office	62,150	62,150	4,582	57,568
EDP software/information technology	23,650	23,650	19,498	4,152
Telecommunications	110,000	110,000	84,517	25,483
Audit services	50,000	50,000	39,000	11,000
Legal services	200,000	200,000	53,038	146,962
Inspection services	95,000	95,000	77,850	17,150
Marketing services	325,000	325,000	305,038	19,962
Program education	75,000	75,000	5,356	69,644
Consumer incentives	7,515,000	7,515,000	6,561,142	938,858
Total expenditures	<u>8,534,300</u>	<u>8,534,300</u>	<u>7,199,283</u>	<u>1,335,017</u>
Deficiency of revenue over expenditures	<u>(5,384,300)</u>	<u>(5,384,300)</u>	<u>1,296,715</u>	<u>6,681,015</u>
Net change in fund balances	<u>(5,384,300)</u>	<u>(5,384,300)</u>	<u>1,296,715</u>	<u>6,681,015</u>
Fund balances, end of year	<u><u>\$ (4,868,560)</u></u>	<u><u>\$ (4,868,560)</u></u>	<u><u>\$ 1,812,455</u></u>	<u><u>\$ 6,681,015</u></u>

CALIFORNIA RESIDENTIAL MITIGATION PROGRAM

Notes to Required Supplementary Information
December 31, 2017

Budget and Budgetary Accounting

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

CRMP Governing Board Memorandum

August 21, 2018

Agenda Item 7: Earthquake Brace + Bolt Update

Recommended Action: No Action Necessary – Information Only

1. Earthquake Brace and Bolt (EBB) Programs

CRMP has two active programs: 2017 and 2018 Earthquake Brace + Bolt. The status of each is presented below.

Earthquake Brace + Bolt Programs (as of 08/02/18 COB)				
Program	Goal	Completed	% of Goal	Status
2018 Earthquake Brace + Bolt	2,000	1,266	63.3%	Opened: March 5 Accepted: 7,525 Permits: 841, Extensions: 117, In-Progress: 135
2017 Earthquake Brace + Bolt	2,000	2,186	109%	Expected to close August 15, 2018 2 awaiting final inspections
Total	4,000	3,452	86%	

The completion of 1,266 retrofits to-date for the 2018 program is far outpacing the 677 retrofits completed for the 2017 program during the same time period. While the reason(s) why the retrofits have been completed at a rapider rate this year are unknown, EBB surmises that the outreach conducted by the program to all participants in a timely manner as well as contractor and public knowledge about the program are at least partially responsible for the uptick.

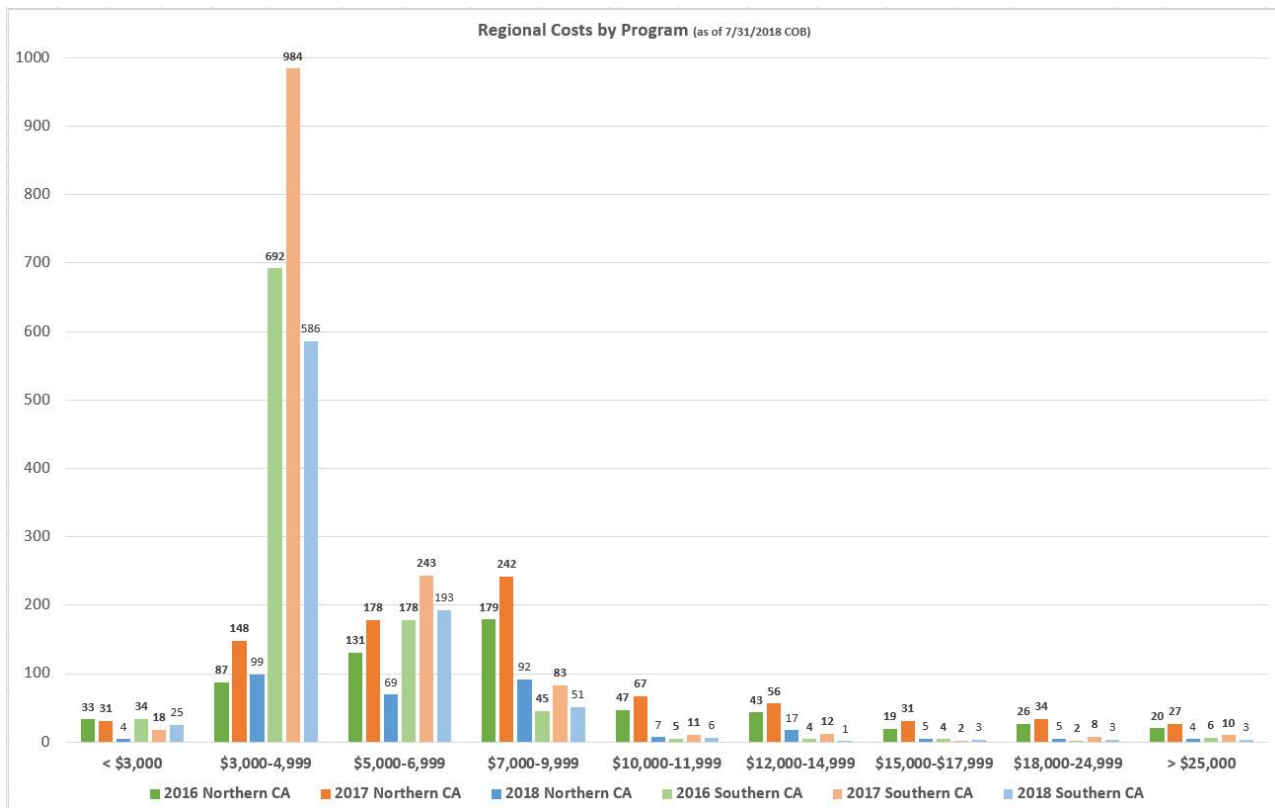
Because interest in the EBB program has grown over the years, with record 7,500+ applicants registering in 2018, staff requested at a special Board Meeting in July 2018, authorization to accept all 2018 wait-listed applicants into the EBB program. The CRMP Board approved the request and more than 2,500 wait-listed applicants were accepted into the program on August 1, 2018.

As of July 25, 2018 (COB), there are 997 FEMA-trained contractors in the EBB directory. Of those, 26% (257) had completed at least one retrofit and 3.4% (34) completed more than 20 retrofits. This data has been corrected since the last board meeting. The previous data included retrofits that were not completed and included withdrawn applications.

Contractors in EBB Directory—range of retrofits paid (as of 7/25/2018 COB)										
Completed retrofits	0	1	2-5	6-10	11-20	21-49	50-99	100-399	400+	Total
# of contractors	740	100	80	29	14	12	8	12	2	997

EBB Northern and Southern Regional Differences

Analyses of the 2016, 2017 and 2018 completed retrofits continues to highlight regional differences and other interesting statistics. While the average and median cost remained relatively stagnant across program years, some of the costs went down slightly in 2017 and 2018. Retrofits in Northern California continue to be more expensive than Southern California, with the median and average cost almost double, predominately because of the type of retrofit completed and labor costs. In Southern California, there are more bolt-only retrofits completed, while Northern California has more engineered retrofits and brace and bolt retrofits. To-date, the average cost for retrofits are lower in both Northern and Southern California, while the average cost in Northern California has decreased by almost 18% from 2017 to 2018. The minimum cost for a retrofit in Northern California in 2018 has increased primarily due to fewer homeowners completing the retrofit themselves. As the 2018 EBB program continues, these statistics may normalize.



Northern CA Retrofits (as of 7/31/2018 COB)				Southern CA Retrofits (as of 7/31/2018 COB)			
Program Year:	2016	2017	2018	Program Year:	2016	2017	2018
Total # of Retrofits:	669	814	302	Total # of Retrofits:	970	1366	871
Average Cost:	\$ 8,699.40	\$ 8,916.60	\$ 7,346.66	Average Cost:	\$ 4,596.95	\$ 4,759.19	\$ 4,661.95
Median Cost:	\$ 7,138.58	\$ 7,360.95	\$ 6,168.13	Median Cost:	\$ 3,950.00	\$ 3,960.00	\$ 4,000.00
Min Cost:	\$ 928.27	\$ 1,142.99	\$ 2,123.95	Min Cost:	\$ 562.01	\$ 1,196.68	\$ 1,391.43
Max Cost:	\$75,464.63	\$54,362.00	\$60,844.00	Max Cost:	\$46,663.94	\$45,390.30	\$ 44,819.16

Engineered and Non-Engineered Retrofits

For the 2017 EBB program, more than 90% of retrofits were non-engineered and in 2018 only 3.5% of completed retrofits are engineered. This is likely to increase as the program continues as engineered retrofits often take longer to complete than non-engineered. Costs, as expected, continue to be substantially more for engineered retrofits. The minimum costs were similar because the engineered retrofit was completed by a homeowner that also was an engineer. The maximum cost for engineered and non-engineered were closer than anticipated. For the 2018 EBB program, the maximum cost for non-engineered has so far exceeded the cost of an engineered retrofit because the non-engineered retrofit included a foundation replacement.

2017-2018 Retrofits by Type (as of 7/31/2018 COB)				
Type of Retrofit	Engineered '17	Non-Engineered '17	Engineered '18	Non-Engineered '18
Total # of Retrofits:	227	1958	41	1132
Average Cost:	\$ 15,335.12	\$ 5,262.57	\$ 12,235.15	\$ 5,103.90
Median Cost:	\$ 28,876.06	\$ 4,500.00	\$ 9,824.25	\$ 4,300.00
Min Cost:	\$ 1,886.76	\$ 1,142.99	\$ 4,090.00	\$ 1,391.43
Max Cost:	\$ 54,362.00	\$ 40,200.00	\$ 36,000.00	\$ 60,844.00

Withdrawn Applications

During each program cycle, a significant number of applicants withdraw from the program. During the 2016 and 2017 program cycle, a higher percentage of applicants withdrew from their respective programs in Northern California, which is likely attributable to the cost of a retrofit being higher than anticipated. To-date, in the 2018 program cycle, the trend is reversed with a larger percentage of withdrawals in Southern California. This may normalize once additional retrofits are completed.

Withdrawn Homeowners (as of 8/2/2018 COB)								
Program	Bay and LA 2016		Bay and LA 2017		Bay and LA 2018		Total	
Southern California	1110	39%	1435	40%	1402	53%	3947	43%
Northern California	1772	61%	2153	60%	1229	47%	5154	57%
Total	2882	100%	3588	100%	2631	100%	9101	100%

2. Additional Funding and Future Funding Opportunities

CEA has applied for and been granted FEMA funds for an EBB program. In addition, CEA is in the process of applying for additional funding currently available.

Hazard Mitigation Grant Program (HGMP) DR-4193

The FEMA Napa Program started April 1, 2016, and closed on May 31, 2018, with 84 completed retrofits. Close-out documentation was submitted to Cal OES on July 18, 2018.

Hazard Mitigation Grant Program (HMGP) DR-4305/08

On April 6, 2018, CEA submitted a revised application for HMGP funding for Project Number DR-4305-0043 to Cal OES. The application was resubmitted under DR-4308 and a letter was received on June 26, 2018, from Cal OES stating the application had been forwarded to FEMA for grant review and funding consideration. CEA is awaiting notification from FEMA and is conducting pre-award work to ensure timely commencement of the program if, or when, the application is approved. CEA expects to open registration to homeowners in early October 2018, if approval is granted.

Hazard Mitigation Grant Program (HMGP) DR-4344

CEA submitted and received acceptance for four Notice of Interests (NOI) submitted for HMGP DR 4344 (October 2017 Wildfires). The program was reopened and was accepting additional NOIs. CEA submitted an additional five NOIs: EBB programs in Los Angeles County and the Inland Empire; an Earthquake Soft-Story Program in Oakland and Berkeley; a Post and Pier Project; and a study on number of vulnerable houses in specific areas of California. All five NOIs were accepted. CEA has submitted the initial four applications and the remaining five applications will be submitted by the September 4, 2018 deadline.

Hazard Mitigation Grant Program (HMGP) DR-4353

CEA submitted and received acceptance for four NOIs for HMGP DR 4353 (December 2017 California Wildfires). Four NOIs were submitted for programs in Northern California ZIP Codes, Southern California ZIP Codes, statewide, and one Notice of Interest for a pilot retrofit project for single-family soft-story houses that adheres to ATC 110. Four applications were submitted to CalOES on July 26, 2018.

3. CEA BB Update

During the CEA's July Board meeting, Executive Director Janiele Maffei requested and received approval to modify the CEA BB program. CEA will be adding over 100 ZIP Codes to the program to allow participation by the approximately 10,000 policyholders who will likely experience a rate increase of least 15% or more, if CEA's recent Rate and Form Filing is accepted. Basic program eligibility criteria would remain the same. Eligible CEA policyholders (1) must have insured their house with CEA for at least three years, (2) own a pre-1940 house in selected ZIP Codes, (3) have an RFF-caused rate increase greater than 15%, and (4) whose house properties are eligible for a code-compliant EBB retrofit.

4. Other Items of Interest

- **Social Media Guideline and Procedures** - CRMP recently recognized the need to establish a social media guideline that would provide guidance for both staff and external users of its social media platforms (Facebook, Twitter and future platforms). The guideline has been uploaded and/or referred to in the EBB accounts. CRMP staff are in the process of finalizing its procedures.

Governing Board Memorandum

August 21, 2018

Agenda Item 8: Recommendation to transfer money from the CEA’s Earthquake Loss Mitigation Fund to the California Residential Mitigation Program to fund additional retrofit grants

Recommended Action: Approve recommended transfer of money

Background:

CEA staff periodically requests that funding be transferred from the CEA Fund to the California Residential Mitigation Program (CRMP), to operate CRMP mitigation programs. To date, these transfers have been made to the CRMP, to fund the Earthquake Brace + Bolt (EBB) program:

- December 2010 \$500,000 initial funding
- May 2013 \$1,000,000 to complete EBB pilot program and begin expansion
- December 2014 \$3,000,000 to expand EBB in 2015
- June 2016 \$1,000,000 to expand EBB in 2016
- March 2017 \$5,400,000 to expand EBB in 2017
- March 2018 \$5,600,000 to expand EBB in 2018

[*Attachment A* is the proposed and updated budget approved by the CRMP governing board at its July 16, 2018 meeting.]

Analysis:

CRMP staff will attend this Board meeting to provide an update on EBB accomplishments.

At the March board meeting, CRMP requested funding to complete 400 retrofits that had been started but remained incomplete as of December 31, 2017, and to support 1,600 additional retrofits in 2018.

- As of July 5, CRMP anticipates approximately 2,600 retrofits will be completed in 2018 (approximately 371 from the 2017 program and 2,200 from 2018 program).
 - More applicants are completing retrofits than in previous program years and are completing them sooner. In early-November 2016 and mid-September 2017, 1,000 retrofits had been completed and paid by the program. CRMP anticipates 1,000 retrofits will be completed and paid by mid-July 2018—four months and two months sooner than in 2016 and 2017, respectively.
- The 2016 and 2017 programs had completion rates of 36% and 38%, respectively. CRMP anticipates a completion rate between 40-44% for the 2018 program.
- In 2016 and 2017, all applicants on the Wait List were brought into the program.

- For the 2018 program, approximately 2,500 applicants remain on the Wait List. CRMP needs additional funding to accept the Wait List into the program.

Interest in the EBB program has grown over the years, with a record 7,500 applicants registering in 2018. To ensure as many Californians as possible complete retrofits before the next damaging earthquake, CRMP is requesting all Wait-listed applicants be accepted into the program.

CRMP anticipates 500 Wait-listed applicants would complete retrofits by December 31, 2018. In addition, approximately 600 more applicants will complete retrofits in 2018 than anticipated.

In order for CRMP to fund the additional retrofit grants and to allow the Wait-listed applicants to participate in the program, CRMP will require additional funding from the CEA Earthquake Loss Mitigation Fund in the amount of \$ 3.3 million.

By continuing agreement with Cal OES, the CEA remains, as between those two entities, the sole funder of CRMP.

Recommendation:

Staff recommends the Governing Board approve a transfer to CRMP of funds from the CEA Earthquake Loss Mitigation Fund in the amount of \$3.3 million, to fund additional retrofit grants and expand the CRMP EBB program in 2018, as described.

California Residential Mitigation Program
Proposed Augmentation - August CRMP Board Meeting
2018 Budget Year

	<u>Approved 2018 Budget 1/1/2018</u>	<u>Adjustments</u>	<u>Augmentations</u>	<u>2018 Budget after Augmentations and Adjustments</u>
Revenue				
Contribution from Members	\$ -	\$ -	\$ -	\$ -
Total Revenue	-	-	-	-
 CRMP Administration Expenses				
Travel	32,000			32,000
Professional Dues and Memberships	800			800
Board Services	2,300			2,300
Administration & Office	79,050			79,050
Insurance	38,000			38,000
Financial Audit	50,000			50,000
Legal Services	100,000			100,000
Total Administration Expenses	302,150	-	-	302,150
 EBB Program Expenses				
Software/Information Technology	25,250			25,250
Call Center	120,000			120,000
Home Inspection Services	95,000			95,000
EBB Marketing	325,000			325,000
EBB Program Education	75,000			75,000
Grants to Homeowners (2,000 payments at \$3,000)	6,000,000		3,300,000	9,300,000
Total EBB Program Expenses	6,640,250	-	3,300,000	9,940,250
 Total Administrative and Program Expenses	 \$ 6,942,400	 \$ -	 \$ 3,300,000	 \$ 10,242,400

CRMP Governing Board Memorandum

August 21, 2018

Agenda Item 9: Approve new EBB Inspection Services Agreement

Recommended Action: Approve Inspection Services Agreement with Twining, Inc., for three years of EBB inspections, September 1, 2018 to July 31, 2021

Background:

CRMP issued an RFQ/P on April 6, 2018, for Site Inspection Services that closed on May 14, 2018. The current contract with Twining, Inc. expires August 31, 2018. Advertisement was mailed to 62 Engineering & Construction organizations and direct email to 13 Engineering & Construction organizations, which included the California State Licensing Board (CSLB). CEA and CSLB also posted the information on their websites. Applications were received, scored and interviews were conducted.

At the May 15, 2018, CRMP Board Meeting, staff indicated the results of the proposal submissions would be presented and an agreement would be provided for the board to motion for approval at the August 21, 2018, board meeting.

Analysis:

CRMP received proposals from two companies for the Site Inspections RFQ/P. Interviews were conducted in early June with both companies. CRMP selected and began contract negotiations with the winning proposer, Twining, Inc. Staff has negotiated a three-year Services Agreement, contract term to expire July 31, 2021. The cost of the proposed agreement was included in the previously board approved 2018 CRMP budget and will be included in future budgets, as required.

Fees for available services upon request of CRMP and additional costs are as follows:

- Initial Inspection - \$775.00/home/visit
- Completed Retrofit Inspection - \$1,030.00/home/visit*; or
- Inaccessible Crawl Space Inspection - \$1,030.00/home/visit*;
- Attempted Inspection - \$475.00/home/visit

*\$200.00/home/visit premium will apply if only one home can be inspected in a given day due to CRMP requirements or due to geographic location of home, with prior written approval of CRMP.

In addition, Contractor will purchase two Crawl Bot 6 remote inspection devices for approximately \$2,500/each on the behalf of CRMP for use when crawl spaces are inaccessible. Contractor will be reimbursed for the direct cost of purchase and for any standard maintenance/upkeep costs (new batteries, replacement parts, repair, etc.) that are incurred during normal use of the device. Devices will remain the property of CRMP and will be returned to CRMP upon request.

Recommendation:

CRMP staff recommends the Governing Board approve CRMP's new Services Agreement with Twining, Inc. for inspection services, as proposed, and authorize Executive Director Janiele Maffei to execute the contract on the CRMP's behalf.