

# CRMP

---

## California Residential Mitigation Program A Joint Powers Authority

**Date of Notice: Friday, August 20, 2021**

### 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 31, 2021 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.

Pursuant to the Executive Order N-29-20, issued March 17, 2020, certain provisions of the Bagley-Keene Open Meeting Act are suspended or waived during the declared State of Emergency in response to the COVID-19 pandemic. Consistent with that Executive Order, and in compliance with guidance from the California Department of Public Health, to promote social distancing and combat the spread of COVID-19, this meeting will be conducted by teleconferencing only. 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 and participate in this meeting and offer comment at this public meeting as described in this Notice.

**DATE: Tuesday, August 31, 2021**

**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: 742 834 528#

**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 is not responsible for unforeseen technical difficulties that may occur with respect to the platform's audio feed of this meeting.

**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 Jacqueline Ball at via email at [jball@calquake.com](mailto:jball@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:** Persons who need assistance in order to participate in this meeting should, prior to the meeting, contact Jacqueline Ball via email at [jball@calquake.com](mailto:jball@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, California Office of Emergency Services  
Alex Pal, Chief Legal Counsel, Cal OES  
Jim Lombard, CEA Appointee, CRMP Governing Board

*Establishment of a quorum*

2. Consideration and approval of the minutes of the June 1, 2021 Governing Board meeting.
3. CRMP independent auditors, Plante Moran, PLLC, will present the Report of Audit on CRMP Annual Financial Statements (2020) and Single Audit (2020).
4. CRMP Treasurer Benjamin Kirwan will review the CRMP financial statements as of June 30, 2021.
5. CRMP Executive Director Janiele Maffei will present her executive report.
6. CRMP Managing Director Annde Ewertzen will present the CRMP Mitigation (Earthquake Brace + Bolt) update.
7. CRMP Managing Director Annde Ewertzen will present the new EBB Inspection Services Agreement, for approval.

8. CRMP Managing Director will present the Supplemental Grant Process and Implementation, for approval.
9. Public comment on items that do not appear on this agenda and public requests that those matters be placed on a future agenda.
10. Adjournment.

**Inquiries/General Information:**

Jacqueline Ball  
[jball@calquake.com](mailto:jball@calquake.com)

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

**\* \* \* \* \***

**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 email at [jball@calquake.com](mailto:jball@calquake.com). We would appreciate hearing from you at least five days before the meeting date to best allow us to meet your needs.**

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



Draft Meeting Minutes  
are not available.

Please see CRMP Governing  
Board Meeting  
Approved Minutes.

## Governing Board Memorandum

August 31, 2021

Agenda Item #3: Report of Audit on CRMP Annual Financial Statements (2020) and Single Audit (2020)

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, 2020.

- 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 2020 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, 2020. 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 Scheduled of Expenditures of Federal Awards
- Schedule of Findings and Questions Costs

Analysis:

According to the Independent Auditor's Report, CRMP's 2020 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 Action:

No action required – information only.

---

# California Residential Mitigation Program

---

**Financial Report  
with Supplemental Information  
December 31, 2020**

|   |      |
|---|------|
| <b>Independent Auditor's Report</b>   | 1-2  |
| <b>Management's Discussion and Analysis</b>   | 3-6  |
| <b>Basic Financial Statements</b>   |      |
| Financial Statements:   |      |
| Statement of Net Position/Governmental Fund Balance Sheet                               | 7    |
| Statement of Activities/Statement of Revenue, Expenditures, and Changes in Fund Balance | 8    |
| Notes to Financial Statements   | 9-12 |
| <b>Required Supplemental Information</b>  | 13   |
| Budgetary Comparison Schedule   | 14   |
| Note to Required Supplemental Information   | 15   |



## **Independent Auditor's Report**

To the Governing Board  
California Residential Mitigation Program

### **Report on the Financial Statements**

We have audited the accompanying 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, 2020 and the related notes to the financial statements, which collectively comprise California Residential Mitigation Program'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 opinions 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the General Fund of the California Residential Mitigation Program as of December 31, 2020 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.

To the Governing Board  
California Residential Mitigation Program

**Other Matter**

*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, 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 23, 2021 on our consideration of California Residential Mitigation Program'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 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 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 California Residential Mitigation Program's internal control over financial reporting and compliance.

*Plante & Moran, PLLC*

June 23, 2021

### ***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 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 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 for 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)

EBB began with a pilot program in 2013-2014 and has grown each year since, adding more cities and more ZIP codes. To date, more than 14,000 grants have been provided to California homeowners.

#### **Using This Report**

CRMP's financial statements for the year ended December 31, 2020 have been prepared using accounting standards applicable to governmental entities. This financial report consists of financial statements with accompanying notes. The government-wide/fund financial statements are reported using a combination of economic resources measurement focus and the accrual basis of accounting for the full accrual fund and the current financial resources measurement focus and the modified accrual basis of accounting for the General Fund.

#### **Government-wide Overall Financial Analysis**

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

|  | 2020                | 2019                |
|--|---------------------|---------------------|
| <b>Assets</b>                            |                     |                     |
| Current and other assets:                |                     |                     |
| Cash                                     | \$ 3,002,536        | \$ 2,689,111        |
| Receivables - Due from other governments | 3,241,338           | 683,235             |
| Prepaid expenses and other assets        | 5,770               | -                   |
| Total assets                             | 6,249,644           | 3,372,346           |
| <b>Liabilities - Current</b>             | 129,416             | 195,273             |
| <b>Net Position - Unrestricted</b>       | <b>\$ 6,120,228</b> | <b>\$ 3,177,073</b> |

#### **Assets, Liabilities, and Net Position**

Total assets increased by \$2,877,298 (85 percent) in 2020 due to a significant increase in the due from other governments balance associated with the consumer incentives reimbursement. This increase was driven by a full year for the EBB program funded from FEMA grants in 2020, compared to the partial year in 2019, which was caused by unanticipated delays in the start of the EBB program funded from FEMA grants. Total liabilities had an insignificant change between 2020 and 2019. Total net position increased by \$2,943,155 (93 percent) in 2020. This increase was due to the \$4 million contribution from the CEA offset by approximately only \$1 million in expenses (the remaining expenses were covered by the consumer incentives reimbursements for the EBB program funded from FEMA grants).

## California Residential Mitigation Program

### Management's Discussion and Analysis (Continued)

#### **Statement of Activities**

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

|  | <u>2020</u>         | <u>2019</u>         |
|--|---------------------|---------------------|
| <b>Revenue</b>   |                     |                     |
| Program revenue - Contributions from other governments | \$ 11,704,308       | \$ 732,094          |
| General revenue - Contributions from a member          | 4,000,000           | 6,300,000           |
| Total revenue  | 15,704,308          | 7,032,094           |
| <b>Expenses</b>  |                     |                     |
| Administration and office expenses                     | 2,394               | 13,252              |
| Audit services   | 34,900              | 43,000              |
| Board meeting  | 1,311               | 1,502               |
| Consumer incentives                                    | 11,988,285          | 3,462,073           |
| Information technology                                 | 20,926              | 27,961              |
| Inspection services                                    | 164,800             | 88,980              |
| Insurance  | 27,033              | 25,755              |
| Legal services   | 42,242              | 52,991              |
| Marketing services                                     | 428,025             | 223,552             |
| Program education                                      | 45,267              | 27,633              |
| Telecommunications                                     | 4,928               | 61,913              |
| Travel   | 1,042               | 6,017               |
| Total expenses   | 12,761,153          | 4,034,629           |
| <b>Change in Net Position</b>                          | 2,943,155           | 2,997,465           |
| <b>Net Position - Beginning of year</b>                | 3,177,073           | 179,608             |
| <b>Net Position - End of year</b>                      | <u>\$ 6,120,228</u> | <u>\$ 3,177,073</u> |

#### **Program Expenses, General Revenue, and Net Position**

Total program revenue comes from grants received from the Federal Emergency Management Agency (FEMA) to cover consumer incentives payments. The grants are received on a reimbursement basis, and the 2020 revenue represents the consumer incentives processed for the FEMA programs. CRMP was awarded \$23 million in grant awards during 2019. Each grant has a three-year term to fully administer those funds. Total programs expenses increased by \$8,726,524 (216 percent) in 2020 due to a significant increase in consumer incentives. General revenue from contributions by CEA decreased by \$2,300,000 (37 percent) and net position increased by \$2,943,155 (93 percent). The decrease in contributions by CEA was associated with the increases in revenue from FEMA grant awards.

#### **Budget Analysis**

The CRMP original budget had expenditures of \$22,925,300, and the final budget had expenditures of \$14,275,241. The \$8,650,059 decrease was driven by the impact of COVID-19 restrictions.

Actual total expenditures for 2020 were \$12,761,153 compared to the final budget of \$14,275,241 for positive variance of \$1,514,088. Consumer incentives for the Earthquake Brace + Bolt program had a final budget of \$13,384,941; actual expenditures were \$11,988,285. This positive variance of \$1,396,656 was due to the lower-than-anticipated number of retrofits completed in 2020. Due to COVID-19 restrictions, it was difficult to determine the exact timing of when retrofits would be completed.

# 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 anticipates that in 2021, like 2020, it will continue to rely more on funding from FEMA than contributions from CEA.

During 2020, the large-scale COVID-19 pandemic had an impact on CRMP's business operations and caused disruptions in commerce and economic activity in California. However, with an expected significant reduction in the restrictions associated with COVID-19, especially in the second half of 2021, it is likely that COVID-19 will have a limited impact in 2021.

### ***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, 2020

|  | General Fund -<br>Modified Accrual | Adjustments         | Statement of Net<br>Position - Full<br>Accrual |
|--|------------------------------------|---------------------|--|
| <b>Assets</b>  |                                    |                     |  |
| Cash   | \$ 3,002,536                       | \$ -                | \$ 3,002,536                                   |
| Receivables - Due from other governments                   | 3,241,338                          | -                   | 3,241,338                                      |
| Prepaid expenses and other assets                          | 5,770                              | -                   | 5,770  |
| Total assets   | <u>\$ 6,249,644</u>                | -                   | 6,249,644                                      |
| <b>Liabilities</b> - Accounts payable and accrued expenses | \$ 129,416                         | -                   | 129,416  |
| <b>Deferred Inflows of Resources</b> - Unavailable revenue | 1,129,991                          | (1,129,991)         | -  |
| <b>Equity</b>  |                                    |                     |  |
| Fund balance:  |                                    |                     |  |
| Nonspendable   | 5,770                              | (5,770)             | -  |
| Unassigned   | 4,984,467                          | (4,984,467)         | -  |
| Total fund balance   | <u>4,990,237</u>                   | <u>(4,990,237)</u>  | <u>-</u>                                       |
| Total liabilities and fund balance                         | <u>\$ 6,249,644</u>                |                     |  |
| Net position - Unrestricted                                |                                    | <u>\$ 6,120,228</u> | <u>\$ 6,120,228</u>                            |

# California Residential Mitigation Program

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

Year Ended December 31, 2020

|  | General Fund -<br>Modified Accrual | Adjustments         | Statement of<br>Activities - Full<br>Accrual |
|--|------------------------------------|---------------------|--|
| <b>Revenue</b>                                       |                                    |                     |  |
| Contributions from a member                          | \$ 4,000,000                       | \$ -                | \$ 4,000,000                                 |
| Contributions from other governments                 | 11,257,552                         | 446,756             | 11,704,308                                   |
| Total revenue  | 15,257,552                         | 446,756             | 15,704,308                                   |
| <b>Expenditures</b>                                  |                                    |                     |  |
| Administration and office expenses                   | 2,394                              | -                   | 2,394  |
| Audit services                                       | 34,900                             | -                   | 34,900                                       |
| Board meeting  | 1,311                              | -                   | 1,311  |
| Consumer incentives                                  | 11,988,285                         | -                   | 11,988,285                                   |
| Information technology                               | 20,926                             | -                   | 20,926                                       |
| Inspection services                                  | 164,800                            | -                   | 164,800                                      |
| Insurance  | 27,033                             | -                   | 27,033                                       |
| Legal services                                       | 42,242                             | -                   | 42,242                                       |
| Marketing services                                   | 428,025                            | -                   | 428,025                                      |
| Program education                                    | 45,267                             | -                   | 45,267                                       |
| Telecommunications                                   | 4,928                              | -                   | 4,928  |
| Travel   | 1,042                              | -                   | 1,042  |
| Total expenditures                                   | 12,761,153                         | -                   | 12,761,153                                   |
| <b>Net Change in Fund Balance/Net Position</b>       | 2,496,399                          | 446,756             | 2,943,155                                    |
| <b>Fund Balance/Net Position - Beginning of year</b> | 2,493,838                          | 683,235             | 3,177,073                                    |
| <b>Fund Balance/Net Position - End of year</b>       | <b>\$ 4,990,237</b>                | <b>\$ 1,129,991</b> | <b>\$ 6,120,228</b>                          |



December 31, 2020 and 2019

### Note 1 - Nature of Business

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.

### 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, 2020 and 2019

### 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, 2020, the grant money recognized as part of program revenue and accounts receivable was \$3,241,338.

#### **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, 2020 and 2019

**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:

|   |                            |
|---|----------------------------|
| <b>Fund Balance Reported in Governmental Fund</b>   | \$ 4,990,237               |
| 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>1,129,991</u>           |
| <b>Net Position of Governmental Activities</b>  | <u><u>\$ 6,120,228</u></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:

|  |                            |
|--|----------------------------|
| <b>Net Change in Fund Balance Reported in Governmental Fund</b>  | \$ 2,496,399               |
| 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>446,756</u>             |
| <b>Change in Net Position of Governmental Activities</b>   | <u><u>\$ 2,943,155</u></u> |

**Note 4 - Deposits**

CRMP's deposits consisted of the following at December 31, 2020:

|              |                            |
|--------------|----------------------------|
| Cash in bank | \$ 3,002,503               |
| Petty cash   | <u>33</u>                  |
| Total        | <u><u>\$ 3,002,536</u></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, 2020, approximately \$3.5 million of CRMP deposits were not covered by FDIC insurance.

December 31, 2020 and 2019

### 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 addition, transfers approved by the CEA governing board from the CEA Mitigation Fund to CRMP for fiscal year 2020 totaled \$4,000,000 and was fully transferred in 2020.

As of December 31, 2020, the receivables balance of \$3,241,338 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:

|                                  | <u>Claim Limit</u> | <u>Policy Limit</u> |
|----------------------------------|--------------------|---------------------|
| 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 23, 2021, 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, 2020 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, 2020

|  | Original<br>Budget     | Final Budget        | Actual              | Over Final<br>Budget |
|--|------------------------|---------------------|---------------------|----------------------|
| <b>Revenue</b>                           |                        |                     |                     |                      |
| Contributions from a member              | \$ -                   | \$ 4,000,000        | \$ 4,000,000        | \$ -                 |
| Contributions from other governments     | -                      | 11,704,308          | 11,704,308          | -                    |
| Total revenue                            | -                      | 15,704,308          | 15,704,308          | -                    |
| <b>Expenditures</b>                      |                        |                     |                     |                      |
| Administration and office expenses       | 15,000                 | 15,000              | 2,394               | 12,606               |
| Audit services                           | 34,900                 | 34,900              | 34,900              | -                    |
| Board meeting                            | 1,700                  | 1,700               | 1,311               | 389                  |
| Consumer incentives                      | 22,020,000             | 13,384,941          | 11,988,285          | 1,396,656            |
| Information technology                   | 34,900                 | 34,900              | 20,926              | 13,974               |
| Inspection services                      | 190,000                | 190,000             | 164,800             | 25,200               |
| Insurance                                | 30,000                 | 30,000              | 27,033              | 2,967                |
| Legal services                           | 100,000                | 50,000              | 42,242              | 7,758                |
| Marketing services and program education | 475,000                | 525,000             | 473,292             | 51,708               |
| Professional dues and memberships        | 800                    | 800                 | -                   | 800                  |
| Telecommunications                       | 6,000                  | 6,000               | 4,928               | 1,072                |
| Travel                                   | 17,000                 | 2,000               | 1,042               | 958                  |
| Total expenditures                       | 22,925,300             | 14,275,241          | 12,761,153          | 1,514,088            |
| <b>Net Change in Fund Balance</b>        | (22,925,300)           | 1,429,067           | 2,943,155           | 1,514,088            |
| <b>Fund Balance - Beginning of year</b>  | 3,177,073              | 3,177,073           | 3,177,073           | -                    |
| <b>Fund Balance - End of year</b>        | <b>\$ (19,748,227)</b> | <b>\$ 4,606,140</b> | <b>\$ 6,120,228</b> | <b>\$ 1,514,088</b>  |

# California Residential Mitigation Program

## Note to Required Supplemental Information

December 31, 2020

### ***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  | \$ | 15,704,308               |
| Unavailable revenue from prior fiscal year received in current fiscal year  |    | 683,235                  |
| Unavailable revenue does not provide current financial resources and, therefore, are not reported as revenue in the governmental fund |    | <u>(1,129,991)</u>       |
| General Fund revenue per statement of revenue, expenditures, and changes in fund balance  | \$ | <u><u>15,257,552</u></u> |

---

# California Residential Mitigation Program

---

**Federal Awards  
Supplemental Information  
December 31, 2020**



### **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   | 4-5 |
| <b>Schedule of Expenditures of Federal Awards</b>   | 6   |
| <b>Notes to Schedule of Expenditures of Federal Awards</b>  | 7   |
| <b>Schedule of Findings and Questioned Costs</b>  | 8   |

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 California Residential Mitigation Program (CRMP) as of and for the year ended December 31, 2020 and the related notes to the financial statements, which collectively comprise CRMP's basic financial statements. We issued our report thereon dated June 23, 2021, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions 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 23, 2021.

The accompanying schedule of expenditures of federal awards is presented for the purpose of additional analysis, as required by the Uniform Guidance, and is 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 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 information is fairly stated in all material respects in relation to the basic financial statements as a whole.

*Plante & Moran, PLLC*

July 15, 2021

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 financial statements of the governmental activities and the General Fund of California Residential Mitigation Program (CRMP) as of and for the year ended December 31, 2020 and the related notes to the financial statements, which collectively comprise CRMP's basic financial statements, and have issued our report thereon dated June 23, 2021.

**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) to determine the 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 may exist that have not been identified.

**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 determination of 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 23, 2021

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**

We have audited California Residential Mitigation Program's (CRMP) compliance with the types of compliance requirements described in the U.S. 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, 2020. CRMP's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal program.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of CRMP's major federal programs based on our audit of the types of compliance requirements referred to above.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; 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"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about CRMP's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of CRMP's compliance.

***Opinion on Each Major Federal Program***

In our opinion, CRMP complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the major federal program for the year ended December 31, 2020.

**Report on Internal Control Over Compliance**

Management of CRMP is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered CRMP's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of CRMP's internal control over compliance.

To the Governing Board  
California Residential Mitigation Program

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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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*

July 15, 2021

## California Residential Mitigation Program

### Schedule of Expenditures of Federal Awards

| Federal Agency/Pass-through Agency/Program Title                               | CFDA Number | Pass-through<br>Entity Identifying<br>Number | Provided to<br>Subrecipients | Federal<br>Expenditures |
|--|-------------|--|------------------------------|-------------------------|
| U.S. Department of Homeland Security, Federal Emergency<br>Management Agency - |             |  |                              |                         |
| Passed through California Earthquake Authority:                                |             |  |                              |                         |
| Hazard Mitigation Grant Program  | 97.039      | FEMA-4308                                    | \$ -                         | 2,492,841               |
| Hazard Mitigation Grant Program  | 97.039      | FEMA-4344                                    | -                            | 9,211,467               |
| Total  |             |  | \$ -                         | <b>11,704,308</b>       |

## California Residential Mitigation Program

---

# Notes to Schedule of Expenditures of Federal Awards

---

Year Ended December 31, 2020

### Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of California Residential Mitigation Program (CRMP) under programs of the federal government for the year ended December 31, 2020. 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 not elected 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, 2020

### 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:

| CFDA 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

## Governing Board Memorandum

August 31, 2021

Agenda Item #4: Treasurer's Financial Update

Recommended Action: No Action Necessary

---

### Background:

CRMP Treasurer, Ben Kirwan, will review the CRMP financial statements as of June 30, 2021.

### Recommendation:

No action is necessary.

California Residential Mitigation Program  
(CRMP)

FINANCIAL  
REPORT

BOARD MEETING  
Tuesday, August 31, 2021

**California Residential Mitigation Program**  
**Balance Sheet**  
**As of June 30, 2021**  
**Unaudited**

**Assets**

|                           |                         |
|---------------------------|-------------------------|
| Cash and cash equivalents | \$ 2,513,602            |
| Accounts receivable       | <u>3,505,932</u>        |
| Total assets              | <u><u>6,019,534</u></u> |

**Liabilities and Fund Balance**

Liabilities:

|                                       |                |
|---------------------------------------|----------------|
| Accounts payable and accrued expenses | <u>123,682</u> |
| Total liabilities                     | <u>123,682</u> |

Fund Balance:

|                                    |                            |
|------------------------------------|----------------------------|
| Unassigned                         | <u>5,895,852</u>           |
| Total fund balance                 | <u>5,895,852</u>           |
| Total liabilities and fund balance | <u><u>\$ 6,019,534</u></u> |

**California Residential Mitigation Program**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**For the Six months ended June 30, 2021**

**Unaudited**

|                                      |              |
|--------------------------------------|--------------|
| Revenues:                            |              |
| Contributions from other governments | \$ 5,417,471 |
|                                      | 5,417,471    |
| Total revenues                       | 5,417,471    |
| Expenditures:                        |              |
| Audit services                       | 55,635       |
| Grants to homeowners                 | 5,429,471    |
| Inspection services                  | 77,250       |
| IT administrative support            | 5,770        |
| Legal services                       | 21,041       |
| Marketing services                   | 34,227       |
| Program education                    | 16,495       |
| Program support                      | 1,958        |
|                                      | 5,641,847    |
| Total expenditures                   | 5,641,847    |
| Net change in fund balance           | (224,376)    |
| Fund balance, beginning of year      | 6,120,228    |
| Fund balance, end of year-to-date    | \$ 5,895,852 |

**California Residential Mitigation Program  
Budgeted Expenditures and Actual Expenditures  
2021 Budget Year  
as of June 30, 2021**

|  | Approved<br>2021 Budget<br>1/1/2021 | Adjustments | Augmentations | 2021 Budget after<br>Augmentations<br>and Adjustments | Actual<br>Revenues and<br>Expenditures | Augmented & Adjusted<br>Approved Budget vs.<br>Actual | Percentage used of<br>Augmented & Adjusted<br>2021 Budget |
|--|-------------------------------------|-------------|---------------|---|--|---|---|
| <b>Revenue</b>                                   |                                     |             |               |   |  |   |   |
| Contribution from Members <sup>1</sup>           | \$ 3,000,000                        | \$ -        | \$ -          | \$ 3,000,000  | \$ -                                   | \$ 3,000,000  | 0.00%   |
| FEMA - 4308 <sup>2</sup>                         | 1,000,000                           | -           | -             | 1,000,000   | 679,396                                | 320,604   | 67.94%  |
| FEMA - 4344 <sup>2</sup>                         | 12,000,000                          | -           | -             | 12,000,000  | 4,738,075                              | 7,261,925   | 39.48%  |
| FEMA - 4407 ESS <sup>2</sup>                     | 2,500,000                           | -           | -             | 2,500,000   | -                                      | 2,500,000   | 0.00%   |
| FEMA - 4407 EBB <sup>2</sup>                     | 2,500,000                           | -           | -             | 2,500,000   | -                                      | 2,500,000   | 0.00%   |
| <b>Total Revenue</b>                             | <b>\$ 21,000,000</b>                | <b>\$ -</b> | <b>\$ -</b>   | <b>\$ 21,000,000</b>                                  | <b>\$ 5,417,471</b>                    | <b>\$ 15,582,529</b>                                  | <b>25.80%</b>   |
| <b>CRMP Administration Expenses</b>              |                                     |             |               |   |  |   |   |
| Travel   | \$ 10,000                           | \$ -        | \$ -          | \$ 10,000   | \$ -                                   | \$ 10,000   | 0.00%   |
| Professional Dues and Memberships                | 800                                 | -           | -             | 800   | -                                      | 800   | 0.00%   |
| Board Services                                   | 1,800                               | -           | -             | 1,800   | 335                                    | 1,465   | 18.61%  |
| Administration & Office                          | 20,000                              | -           | -             | 20,000  | -                                      | 20,000  | 0.00%   |
| Insurance  | 28,000                              | -           | -             | 28,000  | -                                      | 28,000  | 0.00%   |
| Financial Audit                                  | 65,500                              | -           | -             | 65,500  | 55,300                                 | 10,200  | 84.43%  |
| Legal Services                                   | 75,000                              | -           | -             | 75,000  | 21,041                                 | 53,959  | 28.05%  |
| <b>Total Administration Expenses</b>             | <b>201,100</b>                      | <b>-</b>    | <b>-</b>      | <b>201,100</b>  | <b>76,676</b>                          | <b>124,424</b>  | <b>38.13%</b>   |
| <b>EBB Program Expenses</b>                      |                                     |             |               |   |  |   |   |
| Software/Information Technology                  | 53,300                              | -           | -             | 53,300  | 5,770                                  | 47,530  | 10.83%  |
| Call Center                                      | 6,500                               | -           | -             | 6,500   | 1,958                                  | 4,542   | 30.12%  |
| Home Inspection Services                         | 190,000                             | -           | -             | 190,000   | 77,250                                 | 112,750   | 40.66%  |
| EBB Marketing / Program Education                | 525,000                             | -           | -             | 525,000   | 50,722                                 | 474,278   | 9.66%   |
| Grants to Homeowners - EBB                       | 2,700,000                           | -           | -             | 2,700,000   | 12,000                                 | 2,688,000   | 0.44%   |
| Grants to Homeowners - FEMA 4308                 | 1,000,000                           | -           | -             | 1,000,000   | 679,396                                | 320,604   | 67.94%  |
| Grants to Homeowners - FEMA 4344                 | 12,000,000                          | -           | -             | 12,000,000  | 4,738,075                              | 7,261,925   | 39.48%  |
| Grants to Homeowners - FEMA 4407 ESS             | 2,500,000                           | -           | -             | 2,500,000   | -                                      | 2,500,000   | 0.00%   |
| Grants to Homeowners - FEMA 4407 EBB             | 2,500,000                           | -           | -             | 2,500,000   | -                                      | 2,500,000   | 0.00%   |
| <b>Total EBB Program Expenses</b>                | <b>21,474,800</b>                   | <b>-</b>    | <b>-</b>      | <b>21,474,800</b>                                     | <b>5,565,171</b>                       | <b>15,909,629</b>                                     | <b>25.91%</b>   |
| <b>Total Administrative and Program Expenses</b> | <b>\$ 21,675,900</b>                | <b>\$ -</b> | <b>\$ -</b>   | <b>\$ 21,675,900</b>                                  | <b>\$ 5,641,847</b>                    | <b>\$ 16,034,053</b>                                  | <b>26.03%</b>   |

<sup>1</sup> California Earthquake Authority board approved max funding of \$3,000,000 for 2021 at the CEA board meeting on December 10, 2020.

<sup>2</sup> FEMA revenue is direct reimbursement based, so revenue is adjusted monthly to match incentive payments paid.

## **CRMP Governing Board Memorandum**

August 31, 2021

Agenda Item 5: 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.

## CRMP Governing Board Memorandum

August 31, 2021

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

Recommended Action: No action required—information only

### CRMP Earthquake Brace + Bolt Programs

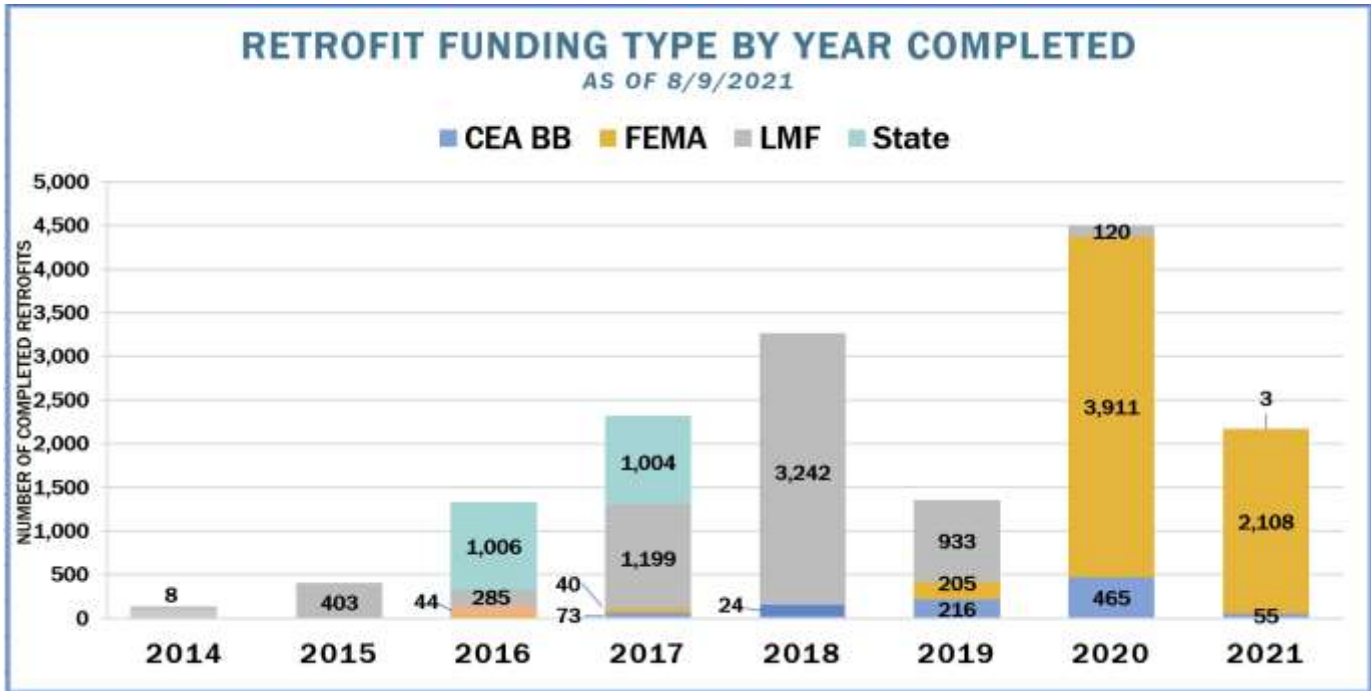
Within the next few weeks, more than 15,500 retrofits will have been completed.

The CRMP-funded program, with 1,000 grants available, has 582 retrofits completed, 12 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 permits (1,333) in the initial HMGP DR-4308 grant have been filled and approved by FEMA: 1,326 retrofits completed, 7 in-progress and no extensions. The HMGP DR 4344 program (registrations completed in 2019 and 2020), with 6,667 grants available, has 4,948 retrofits completed, 1,639 in-progress, which includes 247 extensions and 565 in accepted status. The program is available in 355 ZIP Codes.

| <b>Earthquake Brace + Bolt Program 8/18/21 CRMP and CEA by Program Cycle</b> |                  |                    |               |
|--|------------------|--------------------|---------------|
| <b>Program</b>   | <b>Completed</b> | <b>In Progress</b> | <b>Status</b> |
| 2014-2018 EBB  | 7,628            | N/A                | Closed        |
| FEMA Napa EBB  | 84               | N/A                | Closed        |
| CRMP 2019 EBB  | 582              | 12                 | Open          |
| FEMA – funded HMGP DR 4308 & 4344  | 6,274            | 1,646              | Open          |
| CEA BB   | 834              | 79                 | Open          |
| <b>Total</b>   | <b>15,402</b>    | <b>1,737</b>       | <b>N/A</b>    |

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 FEMA through the 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 to July):

- 3,266 Incoming Calls – (Average of 50 calls per day)
- 514 Outbound Calls to Program Participants
- 1,135 Emails Answered
- 469 Applications sent to FEMA
- 829 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 and enhancements for the supplemental grant initiative.

### Future Funding Opportunities

CRMP continues to look beyond present funding sources—the primary source has been the CEA Earthquake Loss Mitigation Fund—for additional funding sources, including available FEMA *Hazard Mitigation Grant Program* (HMGP) and *Building Resilient Infrastructure and Communities* (BRIC) grants.

Current HMGP and BRIC applications include requests for \$235M in funding:

| <b>Cal OES/FEMA Grant Funding Applications</b> |                        |                     |  |
|--|------------------------|---------------------|--|
| <b>Grant Program</b>                           | <b>Funding Request</b> | <b>Program Type</b> | <b>Status</b>  |
| HMGP DR 4308                                   | \$4M                   | EBB                 | Approved   |
| HMGP DR 4344                                   | \$20M                  | EBB                 | Approved   |
| HMGP DR 4407                                   | \$5M                   | EBB                 | FEMA review  |
| HMGP DR 4407                                   | \$5M                   | ESS                 | FEMA review  |
| HMGP DR 4431                                   | \$3M                   | EBB                 | Waitlisted   |
| HMGP DR 4434                                   | \$3M                   | EBB                 | Waitlisted   |
| BRIC   | \$25M                  | ESS                 | Notified 7/26/21 application was not selected to move forward.   |
| BRIC   | \$30M                  | Multi-family        |  |
| HMGP DR 4558                                   | \$20M                  | EBB                 | Application submitted 3/5/21. Received Request for Information (RFI) April 21, 2021. Submitted response to RFI April 30, 2021. |
| HMGP DR 4558 Round II                          | \$50M                  | ESS                 | Notice of Interest submitted May 4, 2021. Application submitted June 11, 2021. RFI received 8/6/2021. Response due 8/25/2021.  |
| HMGP DR 4569                                   | \$50M                  | ESS                 | Application submitted April 29, 2021. Submitted response to RFI on July 21, 2021.  |
| HMGP DR 4569                                   | \$20M                  | EBB                 | Application submitted April 29, 2021. Submitted response to RFI on July 21, 2021.  |

### **Supplemental Grant Program Development**

CRMP has been developing a supplementary grant for low-income homeowners in ZIP Codes where the EBB program is available. CRMP is hopeful that FEMA funding will soon be awarded and registration for a new program will open in the 4<sup>th</sup> quarter of 2021. As additional funding over and above the EBB \$3,000 grant to homeowners, this supplemental grant will meet most of the requirements of CA Insurance Code 10089.396 (embodies AB 548 (Rodriguez, 2019), which requires **state-funded** programs to conduct outreach to low-income households and to award on a first-come-first-served basis an amount as necessary to provide the homeowner with 90% percent of the retrofit costs remaining after payment of the grant is awarded pursuant to the EBB Program. Currently, CRMP has no state funding. Detailed information about the new grant initiative is provided in Agenda Item 8.

## EBB Program Contractors

Of the contractors on the EBB Directory (Directory), 394 have completed at least one retrofit – an increase of 6 contractors since the last report. 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.

| <b>Contractors in EBB Directory- Range of Retrofits Paid (as of 7/31/2021 COB)</b> |          |          |            |             |              |              |              |                |             |              |
|--|----------|----------|------------|-------------|--------------|--------------|--------------|----------------|-------------|--------------|
| <b>Paid Retrofits</b>  | <b>0</b> | <b>1</b> | <b>2-5</b> | <b>6-10</b> | <b>11-20</b> | <b>21-49</b> | <b>50-99</b> | <b>100-399</b> | <b>400+</b> | <b>Total</b> |
| 14,327   | 752      | 124      | 108        | 48          | 34           | 31           | 18           | 20             | 11          | 1,146        |

|  |     |
|--|-----|
| Contractors with 1 or more paid retrofits: | 394 |
| Average Retrofits/Contractor:              | 36  |

## EBB Northern and Southern Regional Differences

Retrofit costs in Northern California have increased since the last report from \$6,866 to \$7,940 and remain more expensive than Southern California. In Southern California, there was a slight increase in the average cost from \$4,773 to \$4,815 in the 2020 program. Costs continue to be lower than in recent years but remain relatively insignificant in Southern California. The overall average cost remained the same since the last report. CRMP is seeing increased costs that are likely attributable to the steep increase in the cost of wood products and labor. The Executive Director will provide additional detail in her executive report and future data.

| <b>Northern CA Retrofits (as of 07/31/2021 COB)</b> |          |          |          |          |          |
|---|----------|----------|----------|----------|----------|
| Program Year:                                       | 2016     | 2017     | 2018     | 2019     | 2020     |
| Total # of Retrofits:                               | 585      | 828      | 1,173    | 1,737    | 1,345    |
| Average Cost:                                       | \$9,167  | \$8,899  | \$8,496  | \$7,578  | \$6,923  |
| Median Cost:  | \$7,500  | \$7,361  | \$6,670  | \$6,280  | \$5,979  |
| Min Cost:   | \$928    | \$1,143  | \$955    | \$646    | \$716    |
| Max Cost:   | \$75,465 | \$54,362 | \$63,430 | \$86,198 | \$57,038 |

\*only includes EBB 2016, EBB 2017, EBB 2018, EBB 2019 ICRMP, FEMA 4308 & 43441, FEMA 2020

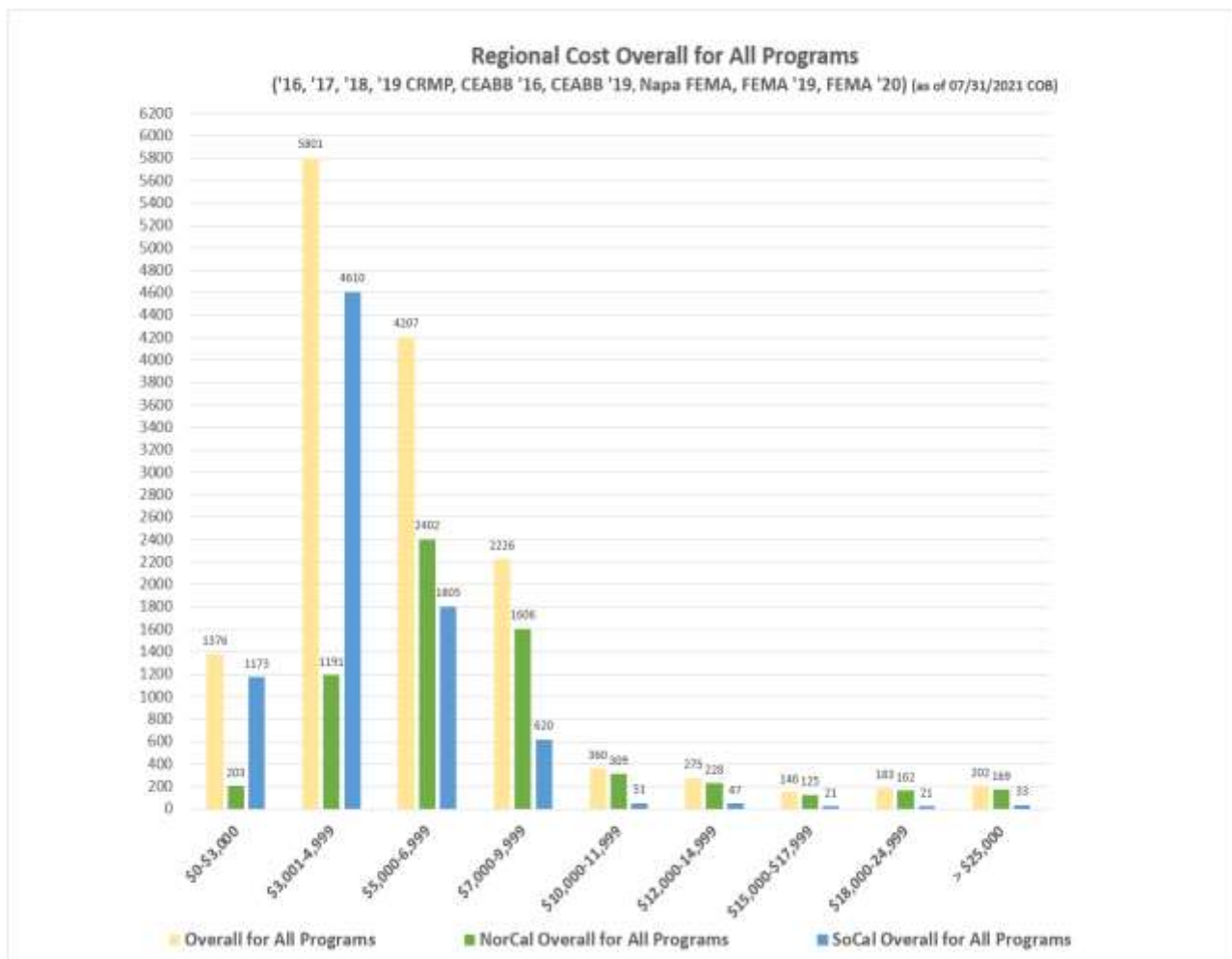
| <b>Southern CA Retrofits (as of 07/31/2021 COB)</b> |          |          |          |          |          |
|---|----------|----------|----------|----------|----------|
| Program Year:                                       | 2016     | 2017     | 2018     | 2019     | 2020     |
| Total # of Retrofits:                               | 970      | 1,357    | 2,177    | 1,850    | 1,837    |
| Average Cost:                                       | \$4,597  | \$4,726  | \$4,936  | \$4,838  | \$4,809  |
| Median Cost:  | \$3,950  | \$3,934  | \$4,160  | \$4,250  | \$4,275  |
| Min Cost:   | \$562    | \$1,197  | \$877    | \$724    | \$912    |
| Max Cost:   | \$46,664 | \$45,390 | \$54,096 | \$61,684 | \$52,400 |

\*only includes EBB 2016, EBB 2017, EBB 2018, EBB 2019 ICRMP, FEMA 4308 & 43441, FEMA 2020

| <b>All Program Overall Retrofits (as of 07/31/2021 COB)</b> |  |
|---|--|
| <b>Program Year:</b>  | '16, '17, '18, '19 CRMP, CEABB '16, CEABB '19, Napa FEMA, FEMA '19, FEMA '20 |
| <b>Total # of Retrofits:</b>                                | <b>14,776</b>  |
| <b>Average Cost:</b>  | <b>\$6,163</b>   |
| <b>Median Cost:</b>   | <b>\$5,026</b>   |
| <b>Min Cost:</b>  | <b>\$562</b>   |
| <b>Max Cost:</b>  | <b>\$93,541</b>  |

For all retrofits completed, 9% cost less than \$3,001. Of the completed retrofits 3% were under \$3,001 in Northern California and 14% 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 in Northern California and 69% in Southern California fell in this category. More than 77% of all retrofits cost less than \$7,000, 59% in Northern California and 91% in Southern California and 92% cost less than \$10,000.

\*Updated data through 07/31/2021



## Engineered and Non-Engineered Retrofits

Engineered retrofits continue to be substantially more costly than non-engineered retrofits. With 177 engineered retrofits completed in the 2020 program, the average cost is slightly higher than the previous quarterly update, which was expected due to increasing material costs.

| Retrofits by Type (as of 07/31/21) |              |                |              |                |               |                |              |                |
|------------------------------------|--------------|----------------|--------------|----------------|---------------|----------------|--------------|----------------|
| Type of Retrofit                   | 2017 Program |                | 2018 Program |                | 2019 Programs |                | 2020 Program |                |
|                                    | Engineered   | Non-Engineered | Engineered   | Non-Engineered | Engineered    | Non-Engineered | Engineered   | Non-Engineered |
| Total # of Retrofits:              | 227          | 1,958          | 312          | 3,037          | 278           | 3,309          | 177          | 3,005          |
| Average Cost:                      | \$15,335     | \$5,263        | \$15,187     | \$5,249        | \$14,481      | \$5,466        | \$12,310     | \$5,314        |
| Median Cost:                       | \$13,541     | \$4,500        | \$12,070     | \$4,510        | \$10,262      | \$5,143        | \$9,018      | \$5,000        |
| Min Cost:                          | \$1,887      | \$1,143        | \$1,673      | \$877          | \$1,540       | \$646          | \$1,747      | \$716          |
| Max Cost:                          | \$54,362     | \$40,200       | \$63,430     | \$60,844       | \$86,198      | \$18,853       | \$57,038     | \$52,400       |

## 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 2019 and 2020 programs, continues the expected trend and is lower in Southern California. The completion rate for the 2018 EBB program at 45% has been the highest for all program years. 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 substantially impacted.

| Withdrawn Homeowners (as of 07/31/2021 COB) |                |             |                         |             |            |             |                 |             |                 |             |                       |             |                                 |             |            |             |               |             |
|---|----------------|-------------|-------------------------|-------------|------------|-------------|-----------------|-------------|-----------------|-------------|-----------------------|-------------|---------------------------------|-------------|------------|-------------|---------------|-------------|
| Program                                     | 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 2015 |             | Pilot 2013 |             | Total         |             |
|   |                |             |                         |             |            |             |                 |             |                 |             |                       |             |                                 |             |            |             |               |             |
| Southern California                         | 2,832          | 48%         | 1,835                   | 38%         | 128        | 34%         | 2,191           | 52%         | 1,435           | 40%         | 1,110                 | 39%         | 552                             | 38%         | 52         | 38%         | 10,135        | 44%         |
| Northern California                         | 3,026          | 52%         | 2,990                   | 62%         | 249        | 66%         | 1,989           | 48%         | 2,153           | 60%         | 1,772                 | 61%         | 886                             | 62%         | 86         | 62%         | 13,151        | 56%         |
| <b>Total</b>                                | <b>5,858</b>   | <b>100%</b> | <b>4,825</b>            | <b>100%</b> | <b>377</b> | <b>100%</b> | <b>4,180</b>    | <b>100%</b> | <b>3,588</b>    | <b>100%</b> | <b>2,882</b>          | <b>100%</b> | <b>1,438</b>                    | <b>100%</b> | <b>138</b> | <b>100%</b> | <b>23,286</b> | <b>100%</b> |

## **Other Items of Interest**

The EBB 1 website and backend system was migrated to EBB 2 in January 2021, and the team continues to work with IT on enhanced functionalities. EBB staff is also working with CEA IT on the programming needed to rollout the supplemental grant initiative.

### Legal Services Update

CRMP entered into a third amendment with Best, Best & Krieger, LLP, for legal services on July 20, 2021. The new term for this legal services agreement is through December 31, 2024

### HMGP DR 4344 – Extension

Due to continued COVID-related delays affecting program building departments and continued delays with FEMA processing of applicant files, CEA will submit a Request for Extension no later than September 30, 2021.

## CRMP Governing Board Memorandum

August 31, 2021

Agenda Item 7: Approve new EBB Inspection Services Agreement

Recommended Action: Approve Inspection Services Agreement with Twining, Inc., Inc., for three years of EBB inspections, September 16, 2021 to July 31, 2024

---

### Background:

CRMP issued an RFQ/P for Site Inspection Services on April 12, 2021, which was amended on May 19, 2021, and closed on June 7, 2021. The current contract with Twining, Inc. expires September 15, 2021. Advertisement was mailed to 78 Engineering & Construction organizations and direct email to 12 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.

### 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, 2024.

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

- Initial Inspection - \$1,080/home/visit
- Completed Retrofit Inspection - \$1,080.00/home/visit\*; or
- Inaccessible Crawl Space Inspection - \$1,080.00/home/visit\*;
- Attempted Inspection - \$500.00/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 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 crawlbots. These 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.



## CRMP Governing Board Memorandum

August 31, 2021

Agenda Item 8: Supplemental Grant Process and Approval

Recommended Actions: Action required—Approve the supplemental grants amount and process for implementation

### Background

CEA enabling legislation requires the CEA board to set aside 5% of investment income or five million dollars, whichever is less, each year into a subaccount of the CEA fund called the Loss Mitigation Fund (LMF). The LMF was intended for programs that provide grants and loans or loan guarantees to dwelling owners who complete seismic retrofits. The fund is intended to serve all Californians.

The California Residential Mitigation Program (CRMP) was established to carry out mitigation programs to assist California homeowners who wish to seismically retrofit their houses and is funded by the LMF, federal grants, when awarded, and occasionally state funds. CRMP's goal is to provide grants and other types of assistance and incentives for these mitigation efforts. Since 2014, the Earthquake Brace + Bolt (EBB) program, CRMP's first retrofit program, has awarded more than 15,000 grants in 355 ZIP Codes to homeowners to assist with the completion of a code-compliant seismic retrofit for their residences.

Roughly 7.5 million Californians — about 19 percent of the state population — live in poverty and may reside in a house that would not be habitable after a damaging earthquake. Recognizing that the most vulnerable populations may not have the resources to complete a seismic retrofit, that these populations are often the most adversely affected by natural disasters and that according to the National Institute of Building Sciences, each \$1 spent on mitigation saves society \$6 in future disaster costs, CRMP has been developing a supplementary grant for low-income homeowners in ZIP Codes where the EBB program is available. As additional funding over and above the EBB \$3,000 grant to homeowners, this supplemental grant will meet most of the requirements of CA Insurance Code 10089.396 (embodies AB 548 (Rodriguez, 2019), which requires **state-funded** programs to conduct outreach to low-income households and to award on a first-come-first-served basis an amount as necessary to provide the homeowner with 90% percent of the retrofit costs remaining after payment of the grant is awarded pursuant to the EBB Program. Currently, CRMP has no state funding.

Staff is requesting \$1M to be available for the supplementary grants from the LMF for implementation with the next open registration period. These much-needed supplementary grants, will in most cases, be able to provide up to 100% of the funds needed to help strengthen houses in disadvantaged communities, and help neighborhoods be more resilient after an earthquake.

## **Analysis**

In 2021, the EBB program is available in 7 of the top 25 poorest California ZIP Codes in Los Angeles and San Bernardino and in the city of Arcata, the tenth poorest city in California. Although these are areas for which the supplemental grant will be available, it will be available to all eligible low-income homeowners participating in the EBB program within the constraints of funding limitations.

**Income Eligibility**—CA Insurance Code 1008.396 defines, “low-income household” for the purpose of the EBB program as a household that has an income at or below 80 percent of the median household income in California. Eighty percent of California’s median income for 2021 is \$72,080. CRMP will use this figure as the basis of determining eligibility for receiving a supplemental grant.

CRMP staff completed a review of a number of state and federal benefit programs (e.g., Section 8 Housing, TANF, WIC, SNAP, Headstart, CalWorks) to learn how those programs verified income for participation and the amounts of allowable income. Most programs were based on verified income (i.e., federal tax returns) or enrollment in other federal/state benefit programs. All of these programs use a household income level that is considerably lower than the \$72,080 prescribed by Code, which means a significant number of additional households would qualify for the EBB program based on income. To receive a supplemental grant, EBB participants will be required to verify household income. A process to reduce the accessibility of personally identifiable information (PII) has been established and vetted with CRMP’s legal team and CEA’s IT team. CRMP intends to contract with a consulting firm with experience in verifying household income so we will not be collecting sensitive income documents or information.

## **Maximum Grant Amounts by Region**

To implement and administer a supplemental grant for low-income homeowners efficiently and effectively, CRMP must set a grant amount to track and administer available funds. Staff analyzed the cost of retrofits that were funded through the EBB program. Costs associated with the CEA BB program were excluded because costs for those retrofits, on average, are higher than those in the EBB program. As previously identified in board meetings, costs of completed retrofits differ significantly between Northern and Southern

California. Further analysis of the data shows the type of retrofit (bolt only (BO) or brace & bolt (BB)) also significantly impacts the cost.

A review of data indicates that retrofits in many EBB ZIP-codes with large numbers of low-income residents, especially in Southern California, would require modest to no investment by homeowners eligible to receive the supplemental grant. For example, EBB retrofits in the San Bernardino area have an average cost of \$3,341, which is slightly higher than the maximum EBB grant of \$3,000. In the city of Arcata, the tenth poorest city in California, the average retrofit cost is \$4,267. In other low-income areas, the EBB retrofit has a median cost around \$5,000.

Establishing a maximum grant amount by geographic location and type of retrofit that does not exceed the average cost of all retrofits, will provide 90-100% of the retrofit cost to 72-77% of participants and will allow CRMP to efficiently manage the program by providing a cap for the supplemental grants. It will provide parity to applicants because a cap on each grant will be based on region and type of retrofit completed. In addition, it will establish a maximum amount which will assist with reducing the likelihood that the cost to retrofit will be adversely impacted by an artificial inflation of costs based on a grant amount set by CRMP that is higher than the average.

| % of Total Retrofits that Supplemental Grant covers 90% of Retrofit Cost |                       |                                  |                         |                                    |
|--|-----------------------|----------------------------------|-------------------------|------------------------------------|
|  | Average Retrofit Cost | Retrofits Covered at $\geq 90\%$ | Mean Grant Amount (MGA) | Supplemental Grant (MGA - \$3,000) |
| NorCal BO  | \$ 6,450              | 72%                              | \$ 5,800                | \$ 2,800                           |
| SoCal BO   | \$ 4,600              | 75%                              | \$ 4,125                | \$ 1,125                           |
| NorCal BB  | \$ 11,100             | 77%                              | \$ 10,000               | \$ 7,000                           |
| SoCal BB   | \$ 6,275              | 75%                              | \$ 5,650                | \$ 2,650                           |

If the supplemental grants are based on the retrofit costs in the “Mean Grant Amount” (MGA) column (see charts above), homeowners would receive up to the following for a supplemental grant (MGA minus \$3,000 EBB grant): Northern CA BO—\$2,800 and \$7,000 for BB; and Southern CA BO—\$1,125 and \$2,650 for BB.

If \$1M is available for supplemental grants, with an average supplemental grant of \$3,394 assuming an equal number of max grants per type and \$15,000 is set aside to cover the cost of verifying income, up to 290 supplemental grants should be available to fund.

### **Increasing accessibility to the EBB Program**

The EBB outreach process for these supplementary grants will include the typical EBB media and social media marketing efforts utilized during registration. Additional outreach to potential low-income registrants will utilize local governmental, social, religious, and community organizations wherever possible by providing marketing materials and support to these trusted local organizations. They will help identify, recruit, and support low-income registrations in their communities, which assists with increasing accessibility because the information comes from a trusted source.

The EBB program also will implement the availability to be reimbursed for some costs before the project is completed. Specifically, the program will provide reimbursement for the cost of a bid and the permit upon request by the homeowner. This should help reduce an impediment to participation associated with the outlay of funds by the homeowner.

### **Supplemental Grant Adherence to the Insurance Code**

As currently designed the supplemental grant meets most of the requirements of the CA Insurance Code 10089.396 (“Code”); as follows:

1. EBB will be conducting outreach to low-income households to increase awareness of the supplemental grant in those communities where the EBB program is offered.
2. If it is rolled out with the expected \$5M Hazard Mitigation Grant Program (HMGP) grant award, which has a slated registration period in the 4<sup>th</sup> quarter of 2021, it will exceed the requirement that at least 10 percent of the funds are set aside for the supplemental grant.
3. Applicants will be awarded on a first-come, first-served basis after they have been randomly selected to participate in the EBB program.

4. The Code requires 90% of the costs be reimbursed. The supplemental grant will provide most applicants (72-77%) with a minimum of 90% of the retrofit costs remaining after payment of the EBB grant. This does not align with the current code, but should state funds become available for future programs, the grant amounts will be adjusted to meet the requirement.
5. The Code requires unused supplemental grant funding to be used for other eligible applicants on the waiting list. Any unused supplemental grant funds will be used for other low-income eligible applicants on the wait list. It will not be used to supplement or fund homeowners that are ineligible to participate.
6. The definition of low-income household mirrors the Code.

## **Potential Future Program Enhancement**

Understanding that a large numbers of low-income California residents live in rental units and, therefore, do not have direct control over the decision to retrofit, EBB is considering a change to future programs to allow for the participation of rental properties. Staff are evaluating how to implement a program that will allow owners with small property holdings with an emphasis on buildings where low-income renters reside to participate. Challenges to implement this change include the amount of available funding, verification of landlords with a small number of properties, verification that renters that reside in the building are low-income, potential state of disrepair of the buildings and the need to mitigate those issues before a retrofit can be performed.

## **Summary**

EBB staff will continue the implementation of a supplemental grant for low-income homeowners, for which household income eligibility requirements are defined by the CA Insurance Code, that will provide additional funding above the \$3,000 EBB grant to help strengthen houses in vulnerable communities become more resilient. The grants will have a maximum amount determined by region and type of retrofit (BO or BB) and combined with the \$3,000 EBB grant will provide 72-77% of applicants with grants that will cover 90-100% of their retrofit costs. One million dollars will be available to fund approximately 290 supplemental grants.

## Recommendations

1. Approve staff to continue implementation of a pilot funding source that will provide a supplementary grant to low-income EBB participants as defined by CA Insurance Code 10089.396. The low-income household threshold will be \$72,080 for the 2022 program year.
2. Approve maximum grant amounts based on region and retrofit type, as follows: Northern California—bolt-only supplemental grant will be a maximum of \$2,800 and brace and bolt will be a maximum of \$7,000; and Southern California—bolt-only supplemental grant will be a maximum of \$1,125 and brace and bolt will be a maximum of \$2,650.
3. Approve the addition of one million dollars to be added to 2022 CRMP budget. The supplemental grants will be available in the program beginning with the next open EBB program.