

CRMP

California Residential Mitigation Program A Joint Powers Authority

Date of Notice: Friday, September 4, 2020

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, September 15, 2020 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, September 15, 2020

TIME: 1:00pm

TELECONFERENCE ACCESS:*

Dial-in-Number: [+1 323-886-4439](tel:+13238864439) United States, Los Angeles (Toll)
Enter Conference ID Number: 586 847 361#

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 916-661-5607 or via email at 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 at 916-661-5607 or via email at 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:

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

Establishment of a quorum

2. Consideration and approval of the minutes of the June 2, 2020 Governing Board meeting.
3. CRMP Executive Director Janiele Maffei will present her executive report.
4. Plante Moran, PLLC California Residential Mitigation Program's independent auditors, will present the CRMP Annual Financial Statements for the year ended December 31, 2019.
5. CRMP Treasurer Benjamin Kirwan will review the CRMP financial statements as of July 31, 2020.
6. CRMP Managing Director Annde Ewertson will present the CRMP Mitigation (Earthquake Brace + Bolt) update.
7. Public comment on items that do not appear on this agenda and public requests that

8. Adjournment.

Inquiries/General Information:

Jacqueline Ball
(916) 661-5607 (Direct)
Toll free (877)797-4300
jball@calquake.com

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

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

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

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



Draft Meeting Minutes
are not available.

Please see CRMP Governing
Board Meeting
Approved Minutes.

CRMP Governing Board Memorandum

September 15, 2020

Agenda Item 3: Executive Report by Executive Director Janiele Maffei

Recommended Action: No Action Necessary

Background:

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

Recommendation:

No action necessary.

Governing Board Memorandum

September 15, 2020

Agenda Item #4: Report of Audit on CRMP Annual Financial Statements (2019)

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, 2019.

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

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

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

Analysis:

According to the Independent Auditor’s Report, CRMP’s 2019 audited GAAP financial statements present fairly, in all material respects, the financial position of CRMP, in conformity with accounting principles generally accepted in the United States of America.

Recommendation Action:

No action required – information only.

California Residential Mitigation Program

Financial Statements and
Independent Auditor's Report

December 31, 2019

Table of Contents

	<u>Page</u>
Independent Auditor's Report	1
Management's Discussion and Analysis	3
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	7
Statement of Activities	8
Fund Financial Statements:	
Balance Sheet	9
Statement of Revenues, Expenditures and Changes in Fund Balance	10
Notes to Financial Statements	11
Required Supplementary Information:	
Budgetary Comparison Schedule	15
Notes to Required Supplementary Information	16

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, 2019 and the related notes to the financial statements, which collectively comprise the 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. 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, 2019 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.

Other Matters

Report on Prior Year Financial Statements and Restatement

The basic financial statements of the governmental activities and the General Fund of the California Residential Mitigation Program as of and for the year ended December 31, 2018 were audited by a predecessor auditor, which expressed an unmodified opinion on the governmental activities and the General Fund. The predecessor auditor's report was dated July 12, 2019.

To the Governing Board
California Residential Mitigation Program

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.

Plante & Moran, PLLC

June 15, 2020

CALIFORNIA RESIDENTIAL MITIGATION PROGRAM

Management's Discussion and Analysis

History

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

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

Management Team

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

Program Funding

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

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

CRMP Focus

CRMP will primarily focus its effort on the following:

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

Earthquake Brace + Bolt: Funds to Strengthen Your Foundation

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

CALIFORNIA RESIDENTIAL MITIGATION PROGRAM

Management's Discussion and Analysis (Continued)

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

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

EBB began with a pilot program in 2013/14 and has grown each year since, adding more cities and more ZIP Codes. To-date, more than 10,000 grants have been provided to California homeowners.

Using the Report

The CRMP's financial statements for the year ended December 31, 2019 have been prepared using accounting standards applicable to governmental entities. This financial report consists of financial statements with accompanying notes. The government-wide statements consist of a Statement of Net Position and Statement of Activities, which is an economic resources measurement focus and the accrual basis of accounting. The fund financial statements consist of a Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balance that are reported using the current financial resources measurement focus and the modified accrual basis of accounting.

Statement of Net Position

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

	2019	2018
Assets		
Cash and cash equivalents	\$ 2,689,111	\$ 355,519
Due from other governments	683,235	14,121
Total assets	<u>3,372,346</u>	<u>369,640</u>
Liabilities and Net Position		
Accounts payable and accrued expenses	195,273	190,032
Total liabilities	<u>195,273</u>	<u>190,032</u>
Net position, unrestricted	3,177,073	179,608
Total net position	<u>3,177,073</u>	<u>179,608</u>
Total liabilities and net position	<u>\$ 3,372,346</u>	<u>\$ 369,640</u>

CALIFORNIA RESIDENTIAL MITIGATION PROGRAM

Management's Discussion and Analysis (Continued)

Assets, Liabilities and Net Position

Total assets increased by \$3,002,706 (812%) in 2019 due to a significant decrease in consumer incentives in 2019 compared to 2018. This decrease was driven by unanticipated delays in the start of the EBB program funded from FEMA grants. Total liabilities had an insignificant change between 2019 and 2018. Total net position increased by \$2,997,465 (1669%) in 2019 due to the significant decrease in consumer incentives as noted above.

Statement of Activities

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

	<u>2019</u>	<u>2018</u>
Program revenues:		
Contributions from other governments	\$ 732,094	\$ -
Expenses:		
Administration and office expenses	13,252	34,849
Audit services	43,000	41,000
Board meeting	1,502	1,509
Consumer incentives	3,462,073	9,621,834
Information technology	27,961	18,372
Inspection services	88,980	109,502
Insurance	25,755	39,546
Legal services	52,991	68,375
Marketing services	223,552	386,962
Program education	27,633	71,486
Telecommunications	61,913	131,923
Travel	6,017	7,489
Total expenses	<u>4,034,629</u>	<u>10,532,847</u>
General revenues:		
Contributions from a member	<u>6,300,000</u>	<u>8,900,000</u>
Change in net position	2,997,465	(1,632,847)
Net position, beginning of year	<u>179,608</u>	<u>1,812,455</u>
Net position, end of year	<u>\$ 3,177,073</u>	<u>\$ 179,608</u>

CALIFORNIA RESIDENTIAL MITIGATION PROGRAM

Management's Discussion and Analysis (Continued)

Program Expenses, General Revenue and Net Position

Total program revenues come from grants received from the Federal Emergency Management Agency (FEMA) to cover consumer incentives payments. The grants are received on a reimbursement basis, and the 2019 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 decreased by \$6,498,218 (62%) in 2019 due to a significant decrease in consumer incentives driven by unanticipated delays in the start of the EBB program funded from FEMA grants. General revenues from contributions by CEA decreased by \$2,600,000 (29%) and net position increased by \$2,997,465 (1669%). The decrease in contributions by CEA was associated with expected increases in revenue from FEMA grant awards.

Budget Analysis

The CRMP original budget had expenditures of \$8,519,750 and the final budget had expenditures of \$5,793,550. The \$2,726,200 decrease was driven by the slow rollout of the FEMA program during 2019.

Actual total expenditures for 2019 were \$4,034,629 compared to the final budget of \$5,793,550 for positive variance of \$1,758,921. Consumer incentives for the Earthquake Brace & Bolt program had a final budget of \$5,000,000; actual expenditures were \$3,462,073. This positive variance of \$1,537,927 was due to the lower than anticipated number of retrofits completed in 2019. Once the FEMA program was started in full, it was difficult to determine the exact timing of when retrofits would be completed, as it is based on many factors. Telecommunications had positive variance of \$88,087 as the customer service call center was brought in-house with four months remaining in 2019.

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 receiving more revenue from FEMA in 2020 than contributions from CEA.

During 2020, the large-scale COVID-19 pandemic may have adverse effects on CRMP's business operations and may cause disruptions in commerce, liquidity, and economic activity in California over an extended period of time. While it is not yet possible to estimate the financial impact, a large-scale pandemic could have a material adverse effect on CRMP's financial position and results of operations.

Requests for Information

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

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

CALIFORNIA RESIDENTIAL MITIGATION PROGRAM

Statement of Net Position As of December 31, 2019

	<u>2019</u>
Assets:	
Cash and cash equivalents	\$ 2,689,111
Accounts receivable	<u>683,235</u>
Total assets	<u>\$ 3,372,346</u>
Liabilities:	
Accounts payable and accrued expenses	<u>195,273</u>
Total liabilities	<u>195,273</u>
Net position:	
Unrestricted	<u>3,177,073</u>
Total net position	<u>\$ 3,177,073</u>

See accompanying notes to financial statements.

CALIFORNIA RESIDENTIAL MITIGATION PROGRAM

Statement of Activities For the Year Ended December 31, 2019

	<u>2019</u>
Program revenues:	
Contributions from other governments	<u>\$ 732,094</u>
Program expenses:	
Administration and office expenses	13,252
Audit services	43,000
Board meeting	1,502
Consumer incentives	3,462,073
Information technology	27,961
Inspection services	88,980
Insurance	25,755
Legal services	52,991
Marketing services	223,552
Program education	27,633
Telecommunications	61,913
Travel	6,017
Total program expenses	<u>4,034,629</u>
General revenues:	
Contributions from a member	<u>6,300,000</u>
Change in net position	2,997,465
Net position, beginning of period	<u>179,608</u>
Net position, end of period	<u><u>\$ 3,177,073</u></u>

See accompanying notes to financial statements.

CALIFORNIA RESIDENTIAL MITIGATION PROGRAM

Balance Sheet As of December 31, 2019

	<u>2019</u>
Assets:	
Cash and cash equivalents	\$ 2,689,111
Accounts receivable	<u>683,235</u>
Total assets	<u>\$ 3,372,346</u>
Liabilities and deferred inflows of resources:	
Accounts payable and accrued expenses	\$ 195,273
Unavailable revenue	<u>683,235</u>
Total liabilities and deferred inflows of resources	<u>878,508</u>
Fund balance:	
Unassigned	<u>2,493,838</u>
Total fund balance	<u>2,493,838</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 3,372,346</u>
Reconciliation of the Balance Sheet to the Statement of Net Position	
Fund Balance - total governmental fund (from above)	\$ 2,493,838
Amounts reported for governmental activities in the statements of net position are different because:	
Unavailable revenues represent amounts that are not available to fund current expenditures and, therefore, are not reported in the governmental fund	<u>683,235</u>
Net position of governmental activities (page 7)	<u>\$ 3,177,073</u>

See accompanying notes to financial statements.

CALIFORNIA RESIDENTIAL MITIGATION PROGRAM

Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended December 31, 2019

	2019
Revenues:	
Contributions from a member	\$ 6,300,000
Contributions from other governments	48,859
Total revenues	<u>6,348,859</u>
Expenditures:	
Administration and office expenses	\$ 13,252
Audit services	43,000
Board meeting	1,502
Consumer incentives	3,462,073
Information technology	27,961
Inspection services	88,980
Insurance	25,755
Legal services	52,991
Marketing services	223,552
Program education	27,633
Telecommunications	61,913
Travel	6,017
Total expenditures	<u>4,034,629</u>
Net change in fund balance	2,314,230
Fund balance, beginning of period	179,608
Fund balance, end of period	<u>\$ 2,493,838</u>
 Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities	
Net change in fund balance (from above)	\$ 2,314,230
Amounts reported for governmental activities in the statements of activities are different because:	
Unavailable revenues in the Statement of Activities do not provide current financial resources and, therefore are not reported as revenue in the governmental fund	<u>683,235</u>
Change in net position of governmental activities (Page 8)	<u>\$ 2,997,465</u>

See accompanying notes to financial statements.

CALIFORNIA RESIDENTIAL MITIGATION PROGRAM

Notes to Financial Statements
December 31, 2019

1. Reporting Entity and Summary of Significant Accounting Policies

Reporting Entity

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

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

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

Basis of Presentation and Accounting

Government-Wide Statements

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

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

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

Fund Financial Statements

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

CALIFORNIA RESIDENTIAL MITIGATION PROGRAM

Notes to Financial Statements (Continued)
December 31, 2019

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

Basis of Presentation and Accounting (Continued)

Fund Financial Statements (Continued)

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

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

Cash and Cash Equivalents

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

Accounts Receivables

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 the CRMP upon the receipt of funds by the CEA. On a modified accrual basis, revenues 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 sixty days after the end of the fiscal year.

For the fiscal year ended December 31, 2019, the grant money recognized as part of program revenues and accounts receivable was \$683,235.

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:

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

CALIFORNIA RESIDENTIAL MITIGATION PROGRAM

Notes to Financial Statements (Continued)
December 31, 2019

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

Fund Balance (Continued)

- **Committed** – Amounts constrained to specific purposes by CRMP itself by its highest level of decision-making authority (CRMP Board). Committed amounts cannot be used for any other purpose unless CRMP Board takes the same highest-level action to remove or change the constraint.
- **Assigned** – Amounts CRMP intends to use for a specific purpose. Intent can only be expressed by formal CRMP Board action.
- **Unassigned** – Amounts that cannot be classified into any other categories.

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

Use of Estimates

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

2. Cash and Cash Equivalents

Cash and cash equivalents consisted of the following at December 31, 2019:

Cash in bank	\$ 2,689,078
Petty cash	33
Total	<u>\$ 2,689,111</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, 2019, approximately \$2.7 million of CRMP deposits were not covered by FDIC insurance.

3. Related-Party Transactions

CRMP has an agreement to accept personnel, equipment, and office space from CEA. These include the services of CRMP's executive director, secretary and treasurer. If CRMP had been autonomous, the operating results and financial position for this year would have been significantly different. In addition, transfers approved by the CEA governing board from the CEA Mitigation Fund to the CRMP for fiscal year 2019 totaled \$6,300,000 and was fully transferred in 2019.

As of December 31, 2019, the accounts receivable balance of \$683,235, 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.

CALIFORNIA RESIDENTIAL MITIGATION PROGRAM

Notes to Financial Statements (Continued)
December 31, 2019

4. 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.

5. Risk Management

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

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

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

6. Subsequent Events

Management has evaluated subsequent events through June 15, 2020, 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, 2019 requiring recording or disclosure in these financial statements.

The large-scale COVID-19 pandemic may have adverse effects on CRMP's business operations and may cause disruptions in commerce, liquidity, and economic activity in California over an extended period of time. While it is not yet possible to estimate the financial impact, a large-scale pandemic could have a material adverse effect on the CRMP's financial position and results of operations.

REQUIRED SUPPLEMENTARY INFORMATION

REQUIRED SUPPLEMENTARY INFORMATION

CALIFORNIA RESIDENTIAL MITIGATION PROGRAM

Budgetary Comparison Schedule Budget and Actual For the Year Ended December 31, 2019

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget</u>
Budgetary fund balance, January 1	\$ 179,608	\$ 179,608	\$ 179,608	\$ -
Revenues:				
Contribution from a member	-	6,300,000	6,300,000	-
Contributions from other governments	-	1,548,859	732,094	(816,765)
Total revenues	<u>-</u>	<u>7,848,859</u>	<u>7,032,094</u>	<u>(816,765)</u>
Expenditures:				
Administration and office	25,100	25,100	13,252	11,848
Audit services	50,000	50,000	43,000	7,000
Board meeting	2,200	2,200	1,502	698
Consumer incentives	7,500,000	5,000,000	3,462,073	1,537,927
Information technology	27,650	35,450	27,961	7,489
Inspection services	95,000	95,000	88,980	6,020
Insurance	45,000	26,000	25,755	245
Legal services	150,000	100,000	52,991	47,009
Marketing services	350,000	240,000	223,552	16,448
Program education	50,000	50,000	27,633	22,367
Professional dues and memberships	800	800	-	800
Telecommunications	200,000	150,000	61,913	88,087
Travel	24,000	19,000	6,017	12,983
Total expenditures	<u>8,519,750</u>	<u>5,793,550</u>	<u>4,034,629</u>	<u>1,758,921</u>
Deficiency of revenue over expenditures	<u>(8,519,750)</u>	<u>2,055,309</u>	<u>2,997,465</u>	<u>(942,156)</u>
Net change in fund balances	<u>(8,519,750)</u>	<u>2,055,309</u>	<u>2,997,465</u>	<u>(942,156)</u>
Budgetary fund balance, end of year	<u>\$ (8,340,142)</u>	<u>\$ 2,234,917</u>	<u>\$ 3,177,073</u>	<u>\$ (942,156)</u>

Difference Between Revenue on Budgetary Fund Balance and Governmental Fund

Actual amounts (budgetary basis) total revenues (from above)	\$ 7,032,094
Adjustments:	
Unavailable revenues do not provide current financial resources and, therefore are not reported as revenue in the governmental fund	<u>(683,235)</u>
Total governmental fund revenues on the statement of revenues, expenditures and changes in fund balance	<u>\$ 6,348,859</u>

CALIFORNIA RESIDENTIAL MITIGATION PROGRAM

Notes to Required Supplementary Information
December 31, 2019

Budget and Budgetary Accounting

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.

Governing Board Memorandum

September 15, 2020

Agenda Item #5: Treasurer's Financial Update

Recommended Action: No Action Necessary

Background:

CRMP Treasurer, Ben Kirwan, will review the CRMP financial statements as of July 31, 2020.

Recommendation:

No action is necessary.

California Residential Mitigation Program
(CRMP)

FINANCIAL
REPORT

BOARD MEETING

Tuesday, September 15, 2020

California Residential Mitigation Program
Balance Sheet
As of July 31, 2020

Assets

Cash and cash equivalents	\$ 3,796,440
Accounts receivable	<u>2,739,460</u>
Total assets	<u><u>\$ 6,535,900</u></u>

Liabilities and Fund Balance

Liabilities:

Accounts payable and accrued expenses	<u>\$ 28,072</u>
Total liabilities	<u>28,072</u>

Fund Balance:

Unassigned	<u>6,507,828</u>
Total fund balance	<u>6,507,828</u>
Total liabilities and fund balance	<u><u>\$ 6,535,900</u></u>

California Residential Mitigation Program
Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year-to-Date Ended July 31, 2020

Revenues:	
Contributions from members	\$ 4,000,000
Contributions from other governments	6,497,544
	<hr/>
Total revenues	10,497,544
	<hr/>
Expenditures:	
Administration and office expenses	\$ 2,394
Audit services	29,900
Board services	730
Grants to homeowners	6,694,341
Inspection services	70,040
IT administrative support	17,901
Legal services	8,179
Marketing services	339,330
Program support	2,933
Travel	1,042
	<hr/>
Total expenditures	7,166,790
	<hr/>
Net change in fund balance	3,330,754
	<hr/>
Fund balance, beginning of year	3,177,074
	<hr/>
Fund balance, end of year to date	<u>\$ 6,507,828</u>

**California Residential Mitigation Program
Budgeted Expenditures and Actual Expenditures
2020 Budget Year
as of July 31, 2020**

	Approved 2020 Budget 1/1/2020	Adjustments ^A	Augmentations ^B	2020 Budget after Augmentations and Adjustments	Actual Revenues and Expenditures	Augmented & Adjusted Approved Budget vs. Actual	Percentage used of Augmented & Adjusted 2020 Budget
Revenue							
Contribution from Members ¹	\$ -	\$ -	\$ 4,000,000	\$ 4,000,000	\$ 4,000,000	\$ -	100.00%
FEMA - 4308 ²	-	-	2,114,941	2,114,941	2,114,941	-	100.00%
FEMA - 4344 ²	-	-	4,382,603	4,382,603	4,382,603	-	100.00%
Total Revenue	\$ -	\$ -	\$ 10,497,544	\$ 10,497,544	\$ 10,497,544	\$ -	100.00%
CRMP Administration Expenses							
Travel	\$ 17,000	\$ -	\$ (15,000)	\$ 2,000	\$ 1,042	\$ 958	52.10%
Professional Dues and Memberships	800	-	-	800	-	800	0.00%
Board Services	1,700	-	-	1,700	730	970	42.94%
Administration & Office	15,000	-	-	15,000	2,394	12,606	15.96%
Insurance	30,000	-	-	30,000	-	30,000	0.00%
Financial Audit	34,900	-	-	34,900	29,900	5,000	85.67%
Legal Services	100,000	(50,000)	-	50,000	8,179	41,821	16.36%
Total Administration Expenses	199,400	(50,000)	(15,000)	134,400	42,245	92,155	31.43%
EBB Program Expenses							
Software/Information Technology	34,900	-	-	34,900	17,901	16,999	51.29%
Call Center	6,000	-	-	6,000	2,933	3,067	48.88%
Home Inspection Services	190,000	-	-	190,000	70,040	119,960	36.86%
EBB Marketing / Program Education	475,000	50,000	-	525,000	339,330	185,670	64.63%
Grants to Homeowners - EBB	270,000	-	-	270,000	196,797	73,203	72.89%
Grants to Homeowners - FEMA 4308	1,950,000	164,941	-	2,114,941	2,114,941	-	100.00%
Grants to Homeowners - FEMA 4344	19,800,000	(164,941)	(8,635,059)	11,000,000	4,382,603	6,617,397	39.84%
Total EBB Program Expenses	22,725,900	50,000	(8,635,059)	14,140,841	7,124,545	398,899	50.38%
Total Administrative and Program Expenses	\$ 22,925,300	\$ -	\$ (8,650,059)	\$ 14,275,241	\$ 7,166,790	\$ 7,108,451	50.20%

¹ California Earthquake Authority board has approved max funding of \$4,000,000 for 2020 as of the CEA board meeting on December 11, 2019.

² FEMA 4308 and 4344 are reimbursement based, so revenue is adjusted monthly to match incentive payments paid.

^A Adjustments between categories to meet end of year projections estimates.

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

Governing Board Memorandum

September 15, 2020

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

Recommended Actions: No action required—information only

CRMP Earthquake Brace + Bolt Programs

EBB staff continue to work from home in an effort to slow the COVID 19 curve. While the issuance of permits and final reviews from building departments and FEMA review of applications has slowed, CEA has been extremely busy. Since the beginning of the year, EBB has processed 3,084 applications. Each application has a minimum of 24 documents and is reviewed a minimum of five times.

EBB Program Statistics for 2020

- 3,084 completed retrofits
- 15,420 (#of apps * 5 reviews) completed reviews
- 74,016 (# of apps * 24 documents) documents reviewed

The CRMP-funded program, with 1,000 grants available, has 561 retrofits completed, 25 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 (1,000) for the HMGP DR-4308 grant have been filled and approved by FEMA: 990 retrofits completed, 10 in-progress and no extensions.

The HMGP DR-4344 program (registrations completed in 2019 and 2020), with 6,667 grants available, has 1,675 retrofits completed, 1,693 in-progress, 886 extensions and 2,401 newly accepted applicants. The program is available in 355 ZIP Codes.

Earthquake Brace + Bolt Programs 8/24/20 (CRMP and FEMA-funded)			
Program	Completed	In Progress	Status
2014-2017 CRMP	4,285	N/A	Closed
2018 CRMP	3,350	N/A	Closed
FEMA Napa	84	N/A	Closed
2019 CRMP	561	25	984 transfers 0 extensions
FEMA – HMGP DR 4308	990	10	0 extensions
FEMA – HMGP DR 4344 (2019)	1,464	343	28 extensions
FEMA- HMGP DR 4344 (2020)	211	1,350	858 extensions
Total	10,945	1,728	N/A

EBB Program Contractors

Of the contractors on the EBB Directory (Directory), 357 have completed at least one retrofit – an increase of 11 contractors since the last report and as of the last board meeting, there are an additional 41 contractors on the Directory. EBB’s outreach campaign continues to encourage more contractors to join the Directory with 82 contractors registering since the campaign began. Contractors must first register for the Directory and then must complete a FEMA training before they are listed on the Directory. As contractors withdraw from the Directory, license is not renewed or a contractor has not completed the training will cause there to be a discrepancy between registered contractors and contractors on the Directory.

Contractors in EBB Directory- Range of Retrofits Paid (as of 08/23/2020 COB)										
Paid Retrofits	0	1	2-5	6-10	11-20	21-49	50-99	100-399	400+	Total
10,651	786	123	105	39	30	20	17	16	7	43

Contractors with 1 or more paid retrofits:	357
Average Retrofits/Contractor:	30

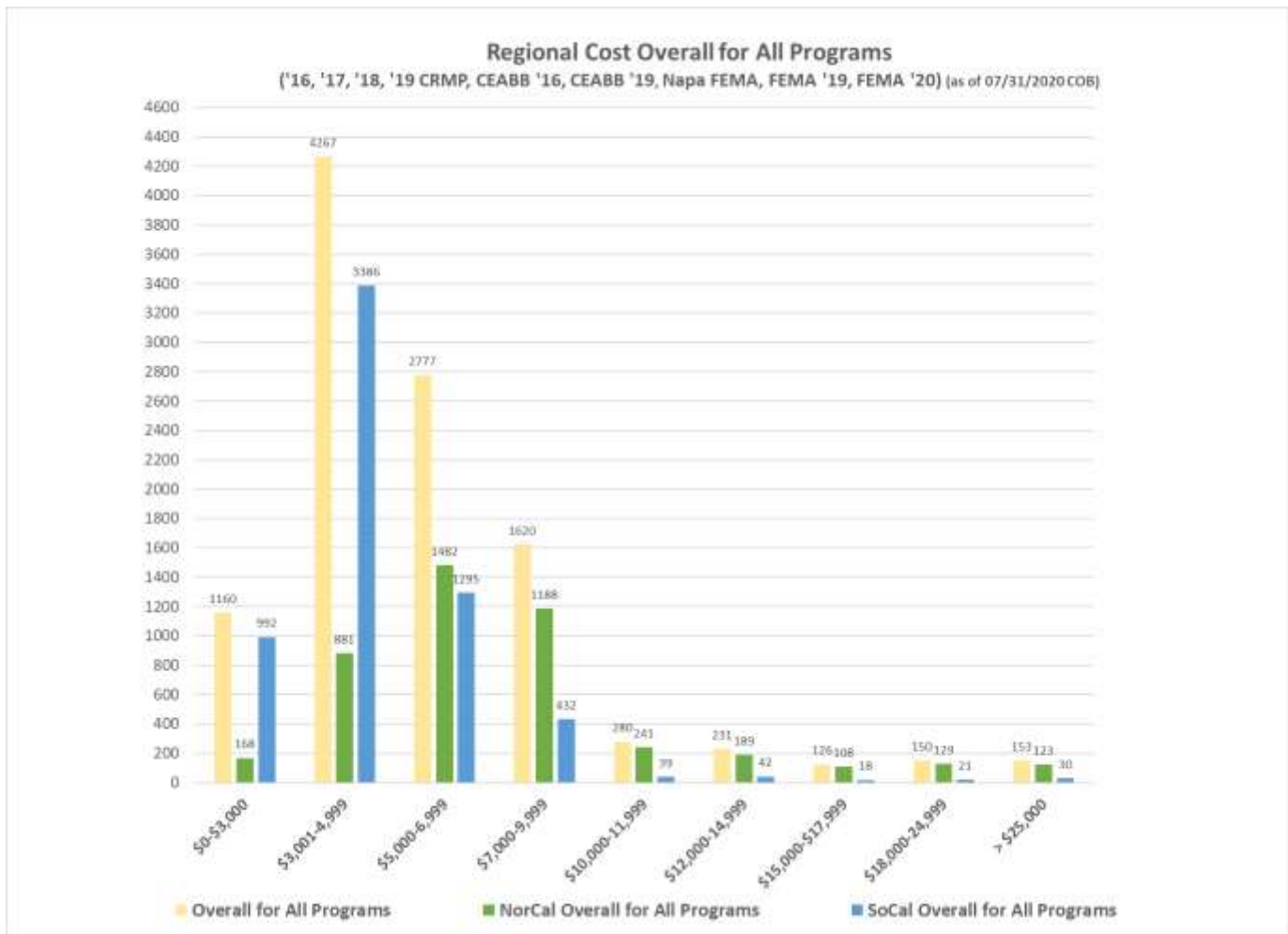
EBB Northern and Southern Regional Differences

Retrofits in Northern California continue to be more expensive than Southern California. Retrofit costs over all programs, range from \$562 to \$75,465, with an average cost of \$6,137. Current data for 2019 and 2020 programs indicate costs are slightly lower than previous years in Northern California and slightly higher for 2019 program in Southern California. However, the costs are not significantly different.

Northern CA Retrofits (as of 07/31/2020 COB)						Southern CA Retrofits (as of 07/31/2020 COB)					
Program Year:	2016	2017	2018	2019	2020	Program Year:	2016	2017	2018	2019	2020
Total # of Retrofits:	585	828	1,172	1,316	0	Total # of Retrofits:	970	1357	2177	1,543	50
Average Cost:	\$9,167	\$8,899	\$8,475	\$7,150	0	Average Cost:	\$4,597	\$4,726	\$4,936	\$4,797	4,654
Median Cost:	\$7,500	\$7,361	\$6,661	\$6,164	0	Median Cost:	\$3,950	\$3,934	\$4,160	\$4,200	4,127
Min Cost:	\$928	\$1,143	\$955	\$646	0	Min Cost:	\$562	\$1,197	\$877	\$724	3,000
Max Cost:	\$75,465	\$54,362	\$63,430	\$37,163	0	Max Cost:	\$46,664	\$45,390	\$54,096	\$61,684	8,274

All Program Overall Retrofits (as of 07/31/2020 COB)	
Program Year:	2013-2020
Total # of Retrofits:	11,300
Average Cost:	\$6,137
Median Cost:	\$4,930
Min Cost:	\$562
Max Cost:	\$76,191

For all retrofits completed, 11% cost less than \$3,001. Of the completed retrofits 4% were under \$3,001 in Northern California and 16% are in Southern California. A total of 50% of the completed retrofits cost less than \$5,000. A further breakdown of this data shows 23% of completed retrofits are in Northern California and 70% are in Southern California fell in this category. More than 75% of all retrofits cost less than \$7,000 and 91% cost less than \$10,000.



Engineered and Non-Engineered Retrofits

Engineered retrofits continue to be substantially more than non-engineered retrofits. For the 2019 programs, as expected, engineered costs have now normalized and are no longer lower than previous years. With only 50 retrofits completed in the 2020 program, this data has not been provided.

Retrofits by Type (as of 07/31/20)							
		2017 Program		2018 Program		2019 Programs	
Type of Retrofit		Engineered	Non-Engineered	Engineered	Non-Engineered	Engineered	Non-Engineered
Total # of Retrofits:		227	1,958	312	3,037	185	2,674
Average Cost:		\$15,335	\$5,263	\$15,187	\$5,249	\$12,784	\$5,402
Median Cost:		\$13,541	\$4,500	\$12,070	\$4,510	\$9,061	\$5,000
Min Cost:		\$1,887	\$1,143	\$1,673	\$877	\$1,540	\$646
Max Cost:		\$54,362	\$40,200	\$63,430	\$60,844	\$61,684	\$18,853

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 programs, continues the expected trend and is lower in Southern California. The completion rate for the 2018 EBB program has been the highest for all program years, at 45%; the rate for the 2019 program will not be calculated until the program closes. EBB is unsure what to expect for the 2019 and 2020 FEMA-funded completion rates given the delay in accepting homeowners into the 2019 program and the current economic impact of COVID-19.

Withdrawn Homeowners (as of 08/31/2020 COB)														
Program	Bay and LA & Napa 2016		Bay and LA 2017		Bay and LA 2018		2019 FEMA (4308 & 4344)		2019 CRMP		2020 FEMA 4344		Total	
Southern California	1,110	39%	1,435	40%	2,191	52%	1,880	38%	123	34%	1,191	47%	7,930	43%
Northern California	1,772	61%	2,153	60%	1,989	48%	3,039	62%	240	66%	1,335	53%	10,528	57%
Total	2,882	100%	3,588	100%	4,180	100%	4,919	100%	363	100%	2,526	100%	18,458	100%

Future Funding Opportunities

Current HMGP applications include:

FEMA – Hazard Mitigation Grant Program (HMGP)

- HMGP DR 4407 (EBB Multi-County) \$5M was \$20M: Currently under FEMA review-expect approval – received RFI (Request for Information) from CalOES on April 23,2020, submitted response on Monday, May 11, 2020.
- HMGP DR 4431 (EBB Multi-County) \$3M: Application submitted January 13, 2020 – under review – received RFI on February 13, 2020 and submitted response on March 10, 2020. Added to the wait list on 8/11.

- HMGP DR 4434 (EBB Multi-County) \$3M: Application submitted January 13, 2020 – under review – received RFI on February 21, 2020 and submitted response on March 10, 2020. Added to the wait list on 8/11.
- HMGP DR 4308 (EBB Multi-County) \$1M: CEA will be submitting an updated application requesting additional funding for 333 retrofits.

CEA Brace + Bolt Program

CEA continues to engage in outreach efforts to CEA policyholders on the benefits and value of participating in the CEA BB program. CE Invitations were sent, in late June and early July, to more than 6,000 policyholders, who have or will see an impact from the second-year implementation of the rate and form filing. As of August 24, 95 policyholders have responded to the letter and have registered for the program.

CEA Brace +Bolt Program (08/24/20): CEA BB			
Program	Completed	In Progress	Status
Pilot CEA BB	98	N/A	Closed
2019 CEA BB	608	106	48,694 invited 485 accepted 38 extensions
TOTAL	614	127	N/A

Other Items of Interest

EBB has been working on upgrading database functionality, the EBB program website and user experience for more than a year. The new system was expected to rollout in mid-July, but due to outstanding programming issues, it is now expected to rollout in mid-to-late October.

CRMP’s Executive Risk, Business Owners and Cyber insurance policies were bound on August 25, 2020 for a one-year term.

Additional funding will be requested to be transferred to CRMP from the Loss Mitigation Fund to cover cash flow needs as a result of the timing of reimbursements for the FEMA grants.