

CRMP

California Residential Mitigation Program

A Joint Powers Authority

Date of Notice: Friday, November 3, 2017

PUBLIC NOTICE

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

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

LOCATION: **CALIFORNIA EARTHQUAKE AUTHORITY**
801 K Street
10th Floor, Main Conference Room
Sacramento, California 95814

DATE: Tuesday, November 14, 2017

TIME: 1:00 p.m.

AGENDA:

1. Call to order and member roll call:

Mitch Ziemer – Chair, Insurance Director, CEA
Christina Curry – Vice Chair, Deputy Director, California Office of Emergency Services
Dan Dyce – Consultant, CEA

Establishment of a quorum

2. Consideration and approval of the minutes of the May 16, 2017 CRMP Governing Board meeting.
3. CRMP Executive Director Janiele Maffei will present her executive report.

4. Ms. Maffei will present an update on the FEMA Application 4305, Earthquake Brace + Bolt Program Rules and Earthquake Brace + Bolt programs.
5. CRMP Treasurer Tim Richison will present a report on the Audit of CRMP Annual Financial Statements (2016).
6. Mr. Richison will present a financial update.
7. Mr. Richison will present for Board approval the CRMP Proposed 2018 Budget.
8. Mr. Richison will present an insurance update.
9. Mr. Richison will present for Board approval an amendment of the Financial Audit Contract.
10. Ms. Maffei will present for Board approval a proposed 2018 Governing Board Meeting calendar.
11. Public comment on items that do not appear on this agenda and public requests that those matters be placed on a future agenda.
12. Adjournment.

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

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

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

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



Draft Meeting Minutes
are not available.

Please see CRMP Governing
Board Meeting
Approved Minutes.

CRMP Governing Board Memorandum

November 14, 2017

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.

CRMP Governing Board Memorandum

November 14, 2017

Agenda Item 4: Earthquake Brace + Bolt Update

Recommended Action: No Action Necessary – Information Only

Hazard Mitigation Grant Program DR-4305

On June 14, 2017, Notice of Interest was submitted to the California Emergency Management Agency in response to HMGP DR 4301, 4305 and 4308. On July 28, 2017, we received letter of eligibility and invitation to develop full application for consideration of HMGP funding for Project Number DR-4305-0043.

The project includes 16 California counties: Del Norte, Humboldt, Mendocino, Alameda, Contra Costa, Marin, Napa, San Francisco, San Mateo, Santa Clara, Solano, Sonoma, Santa Barbara, Ventura, Los Angeles and San Bernardino. These counties are in the areas with the highest seismic risk in the State of California.

Full application was due on November 1, 2017. However, due to the recent wildfires in Northern California, we submitted request for extension to rethink the strategy and process for the affected area. Request was granted until November 15, 2017.

2016 Earthquake Brace + Bolt Program

2016 EBB Program:

Closed: May 31, 2017 (1 outstanding, waiting on final building inspection)

Goal: 1600

Completed retrofits: 1554

Napa Earthquake Brace + Bolt Program:

Closed: October 31, 2017

Goal: 100

Completed retrofits: 82

Extensions requested: 9

2017 EBB Program

Open date: March 15, 2017

Goal: 2,000

Completed retrofits: 1535

Permits received: 676

Extensions requested: 125

Governing Board Memorandum

November 14, 2017

Agenda Item #5: Report of Audit on CRMP Annual Financial Statements (2016)

Recommended Action: No action required – information only

Background:

JLK Rosenberger, LLP California Residential Mitigation Program's independent auditors, has performed audit of CRMP's financial statements for the year ended December 31, 2016.

- 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 2016 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, 2016

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Independent Auditor's Report

To the Governing Board
California Residential Mitigation Program

We have audited the accompanying financial statements of the governmental activities and the General Fund of California Residential Mitigation Program (CRMP) as of December 31, 2016, and the related notes to the financial statements, which collectively comprise CRMP's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the respective financial position of the governmental activities and the General Fund of CRMP as of December 31, 2016, and the respective changes in financial position for the year ended December 31, 2016 in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

JLK Rosenberger, LLP

Glendale, California
August 11, 2017

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

Earthquake Brace & Bolt: Funds to Strengthen Your Foundation

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

CALIFORNIA RESIDENTIAL MITIGATION PROGRAM

Management's Discussion and Analysis (Continued)

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

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

EBB began with a pilot program in 2013/14 and has grown each year since, adding more cities and more Zip Codes. To-date, more than 2,300 grants have been provided to California homeowners.

Using the Report

CRMP's financial statements for the year ended December 31, 2016 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

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

	2016	2015
Assets		
Cash and cash equivalents	\$ 531,164	\$ 1,391,034
Due from other governments	155,142	-
Total assets	<u>686,306</u>	<u>1,391,034</u>
Liabilities and Net Position		
Accounts payable and accrued expenses	<u>170,566</u>	<u>138,106</u>
Total liabilities	<u>170,566</u>	<u>138,106</u>
Net position, unrestricted	<u>515,740</u>	<u>1,252,928</u>
Total net position	<u>515,740</u>	<u>1,252,928</u>
Total liabilities and net position	<u>\$ 686,306</u>	<u>\$ 1,391,034</u>

CALIFORNIA RESIDENTIAL MITIGATION PROGRAM

Management's Discussion and Analysis (Continued)

Assets, Liabilities and Net Position

Total assets decreased by \$704,728 (51%) in 2016 due to an increased utilization of cash as the Earthquake Brace & Bolt program has expanded. Total liabilities increased by \$32,460 (24%) in 2016, as accrued expenses and accounts payable increased from 2016 to 2015, largely due to an increase in program expenses compared to 2015. Total net position decreased by \$737,188 (59%) in 2016 due to an increase in program expenses which were not fully covered by contributions from its members and other governments.

Statement of Activities

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

	<u>2016</u>	<u>2015</u>
Program revenues:		
Contributions from other governments	\$ 3,155,142	\$ -
Expenses:		
Administration and office expenses	9,040	322
Audit services	37,000	73,000
Board meeting	1,768	1,620
Consumer incentives	4,209,663	1,196,529
EDP software	798	3,564
Information technology	17,630	15,196
Inspection services	70,500	-
Insurance	36,482	36,356
Legal services	75,972	152,963
Marketing services	372,927	309,162
Pilot program evaluation	800	-
Telecommunications	47,654	32,500
Travel	12,096	17,173
Total expenses	<u>4,892,330</u>	<u>1,838,385</u>
General revenues:		
Contributions from members	<u>1,000,000</u>	<u>-</u>
Change in net position	(737,188)	(1,838,385)
Net position, beginning of year	<u>1,252,928</u>	<u>3,091,313</u>
Net position, end of year	<u>\$ 515,740</u>	<u>\$ 1,252,928</u>

Program Expenses, General Revenue and Net Position

Total program revenues increased by \$3,155,142 (100%) in 2016 due to grants received from the Department of Insurance and FEMA to cover consumer incentives payments. Total programs expenses increased by \$3,023,945 (164%) in 2016 due to more expenses necessary for the expanded Earthquake Brace & Bolt program, especially in consumer incentives, which accounts for the majority of the increase. General revenues from contributions increased by \$1,000,000 (100%) and net position decreased by \$737,188 (59%).

CALIFORNIA RESIDENTIAL MITIGATION PROGRAM

Management's Discussion and Analysis (Continued)

Budget Analysis

CRMP original budget and final budget had expenditures of \$6,337,685, so there was no change in budgeted expenditures during the year.

Actual total expenditures for 2016 were \$4,892,330 compared to the final budget of \$6,337,685 a positive variance of \$1,445,355. Consumer Incentives for the Earthquake Brace & Bolt program had a final budget of \$5,400,000; actual expenditures were \$4,209,663. This positive variance of \$1,190,337 was due to a lesser amount of retrofits completed than planned. Legal services had positive variance of \$124,028 due to less services needed than anticipated as actual legal costs are based on need and can be difficult to determine. There were two negative variances in 2016, none of which was significant.

Current Economic Factors and Conditions

CRMP expanded the Earthquake Brace & Bolt program statewide in 2016 and 2017 marks EBB's fourth year in operation and it is on track to complete 2,000 retrofits in 33 cities in Northern and Southern California.

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, 2016

	<u>2016</u>
Assets:	
Cash and cash equivalents	\$ 531,164
Accounts receivable	<u>155,142</u>
Total assets	<u>686,306</u>
Liabilities:	
Accounts payable and accrued expenses	<u>170,566</u>
Total liabilities	<u>170,566</u>
Net position:	
Unrestricted	<u>515,740</u>
Total net position	<u><u>\$ 515,740</u></u>

See accompanying notes to financial statements.

CALIFORNIA RESIDENTIAL MITIGATION PROGRAM

Statement of Activities For the Year Ended December 31, 2016

	<u>2016</u>
Program revenues:	
Contributions from other governments	<u>\$ 3,155,142</u>
Program expenses:	
Administration and office expenses	9,040
Audit services	37,000
Board meeting	1,768
Consumer incentives	4,209,663
EDP software	798
Information technology	17,630
Inspection services	70,500
Insurance	36,482
Legal services	75,972
Marketing services	372,927
Professional development	800
Telecommunications	47,654
Travel	12,096
Total program expenses	<u>4,892,330</u>
General revenues:	
Contributions from member	<u>1,000,000</u>
Change in net position	(737,188)
Net position, beginning of period	<u>1,252,928</u>
Net position, end of period	<u><u>\$ 515,740</u></u>

See accompanying notes to financial statements.

CALIFORNIA RESIDENTIAL MITIGATION PROGRAM

Balance Sheet As of December 31, 2016

	<u>2016</u>
Assets:	
Cash and cash equivalents	\$ 531,164
Accounts receivable	155,142
Total assets	<u>\$ 686,306</u>
Liabilities:	
Accounts payable and accrued expenses	<u>\$ 170,566</u>
Total liabilities	<u>170,566</u>
Deferred Inflows of Resources:	
Unavailable revenue	<u>155,142</u>
Total deferred inflows of resources	<u>155,142</u>
Fund Balance:	
Unassigned	<u>360,598</u>
Total fund balance	<u>360,598</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 686,306</u>
Reconciliation of the Balance Sheet to the Statement of Net Position	
Fund Balance - total governmental fund (from above)	\$ 360,598
Amounts reported for governmental activities in the statements of net position are different because:	
Unavailable revenues represent amounts that are not available to fund current expenditures and, therefore, are not reported in the governmental funds	<u>155,142</u>
Net position of governmental activities (page 7)	<u>\$ 515,740</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, 2016

	2016
Revenues:	
Contributions from members	\$ 1,000,000
Contributions from other governments	3,000,000
Total revenues	4,000,000
Expenditures:	
Administration and office expenses	9,040
Audit services	37,000
Board meeting	1,768
Consumer incentives	4,209,663
EDP software	798
Information technology	17,630
Inspection services	70,500
Insurance	36,482
Legal services	75,972
Marketing services	372,927
Professional development	800
Telecommunications	47,654
Travel	12,096
Total expenditures	4,892,330
Net change in fund balance	(892,330)
Fund balance, beginning of period	1,252,928
Fund balance, end of period	\$ 360,598

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

Net change in fund balance (from above) \$ (892,330)

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

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

155,142

Change in net position of governmental activities (Page 8) \$ (737,188)

See accompanying notes to financial statements.

CALIFORNIA RESIDENTIAL MITIGATION PROGRAM

Notes to Financial Statements
December 31, 2016

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, 2016

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

Basis of Presentation and Accounting (Continued)

Fund Financial Statements (Continued)

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

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

Cash and Cash Equivalents

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

Capital Assets

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

Net Position

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

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

Fund Balance

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

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

CALIFORNIA RESIDENTIAL MITIGATION PROGRAM

Notes to Financial Statements (Continued)
December 31, 2016

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

Fund Balance (Continued)

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

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

Use of Estimates

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

2. Cash and Cash Equivalents

Cash and cash equivalents consisted of the following at December 31, 2016:

Cash in bank	\$	531,131
Petty cash		33
Total	\$	<u>531,164</u>

As of December 31, 2016, CRMP did not have a policy governing deposits to address custodial credit risk.

3. Related-Party Transactions

CRMP has agreements 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.

During 2016 CEA contributed \$4,155,142 to CRMP, of which \$3,000,000 and \$155,142 was contributed to CEA by the California Department of Insurance and Federal Emergency Management Agency, respectively, for purposes of funding CRMP.

CALIFORNIA RESIDENTIAL MITIGATION PROGRAM

Notes to Financial Statements (Continued)
December 31, 2016

4. Concentrations of Risk

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

5. Risk Management

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

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

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

6. Subsequent Events

Management has evaluated subsequent events through August 11, 2017, which is the date the financial statements were made available to be issued. No events have occurred subsequent to December 31, 2016 requiring recording or disclosure in these financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

CALIFORNIA RESIDENTIAL MITIGATION PROGRAM

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

For the Year Ended December 31, 2016

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amount</u>	<u>Variance with Final Budget</u>
Budgetary fund balances, January 1	\$ 1,252,928	\$ 1,252,928	\$ 1,252,928	\$ -
Revenues:				
Contribution from members	-	-	1,000,000	1,000,000
Contribution from other governments	3,300,000	3,300,000	3,155,142	(144,858)
Total revenues	<u>3,300,000</u>	<u>3,300,000</u>	<u>4,155,142</u>	<u>855,142</u>
Expenditures:				
Travel	26,500	26,500	12,096	14,404
Professional development	-	-	800	(800)
Insurance	55,065	55,065	36,482	18,583
Board meeting	3,900	3,900	1,768	2,132
Administration and office expenses	17,000	17,000	9,040	7,960
Software/information technology	23,120	23,120	18,428	4,692
Telecommunications	64,800	64,800	47,654	17,146
Audit services	50,000	50,000	37,000	13,000
Legal services	200,000	200,000	75,972	124,028
Public relations	20,000	-	-	-
Program evaluations	50,000	-	-	-
Inspection services	87,300	87,300	70,500	16,800
Marketing services	300,000	370,000	372,927	(2,927)
Program education	40,000	40,000	-	40,000
Consumer incentives	5,400,000	5,400,000	4,209,663	1,190,337
Total expenditures	<u>6,337,685</u>	<u>6,337,685</u>	<u>4,892,330</u>	<u>1,445,355</u>
Deficiency of revenue over expenditures	<u>(3,037,685)</u>	<u>(3,037,685)</u>	<u>(737,188)</u>	<u>2,300,497</u>
Net change in fund balances	<u>(3,037,685)</u>	<u>(3,037,685)</u>	<u>(737,188)</u>	<u>2,300,497</u>
Fund balances, end of year	<u><u>\$(1,784,757)</u></u>	<u><u>\$(1,784,757)</u></u>	<u><u>\$ 515,740</u></u>	<u><u>\$ 2,300,497</u></u>

CALIFORNIA RESIDENTIAL MITIGATION PROGRAM

Notes to Required Supplementary Information
December 31, 2016

Budget and Budgetary Accounting

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

Governing Board Memorandum

November 14, 2017

Agenda Item #6: Treasurer's Financial Update

Recommended Action: No Action Necessary

Background:

CRMP Treasurer, Tim Richison, will review the CRMP financial statements as of September 30, 2017.

Recommendation:

No action is necessary.

California Residential Mitigation Program
(CRMP)

FINANCIAL
REPORT

BOARD MEETING

Tuesday, November 14, 2017

California Residential Mitigation Program
Balance Sheet
As of September 30, 2017

Assets

Cash and cash equivalents	\$ 801,303
Accounts receivable	-
	<hr/>
Total assets	<u><u>\$ 801,303</u></u>

Liabilities and Fund Balance

Liabilities:

Accounts payable and accrued expenses	<u>\$ 20,176</u>
Total liabilities	<u>20,176</u>

Fund Balance:

Unassigned	<u>781,127</u>
Total fund balance	<u>781,127</u>
Total liabilities and fund balance	<u><u>\$ 801,303</u></u>

California Residential Mitigation Program
Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year-to-Date Ended September 30, 2017

Revenues:	
Contributions from members	\$ 2,350,000
Contributions from other governments	2,749,888
	<hr/>
Total revenues	5,099,888
	<hr/>
Expenditures:	
Administration and office expenses	\$ 3,264
Audit services	39,000
Board services	736
Grants to homeowners	4,380,168
Insurance	33,535
IT administrative support	7,163
Legal services	46,322
Marketing services	245,174
Program support	64,517
Travel	14,622
	<hr/>
Total expenditures	4,834,501
	<hr/>
Net change in fund balance	265,387
Fund balance, beginning of year	515,740
	<hr/>
Fund balance, end of year to date	\$ 781,127
	<hr/> <hr/>

California Residential Mitigation Program
Budgeted Expenditures and Actual Expenditures
2017 Budget Year
as of September 30, 2017

	Approved 2017 Budget 1/1/2017	Adjustments	Augmentations	2017 Budget after Augmentations and Adjustments	Actual Expenditures	Augmented & Adjusted Approved Budget vs. Actual Expenditures	Percentage used of Augmented & Adjusted 2017 Budget
Revenue							
Contribution from Members	\$ -	\$ -	\$ -	\$ -	\$ 2,350,000	\$ (2,350,000)	100.00%
FEMA	150,000			150,000	-	150,000	0.00%
Department of Insurance	3,000,000			3,000,000	2,749,888	250,112	91.66%
Total Revenue	3,150,000	-	-	3,150,000	5,099,888	(1,949,888)	161.90%
CRMP Administration Expenses							
Travel	37,000			37,000	14,622	22,378	40%
Board Services	3,500			3,500	736	2,764	21.03%
Administration & Office	62,150			62,150	3,263	58,887	5.25%
Insurance	38,000			38,000	33,535	4,465	88.25%
Financial Audit	50,000			50,000	39,000	11,000	78.00%
Legal Services	200,000			200,000	46,322	153,678	23.16%
Total Administration Expenses	390,650	-	-	390,650	137,478	253,172	35.19%
EBB Program Expenses							
Software/Information Technology	23,650			23,650	7,163	16,487	30.29%
Call Center	110,000			110,000	64,517	45,483	58.65%
Home Inspection Services	95,000			95,000	-	95,000	0.00%
EBB Marketing	325,000			325,000	245,174	79,826	75.44%
EBB Program Education	75,000			75,000	-	75,000	0.00%
Grants to Homeowners (2,505 payments at \$3,000)	7,515,000			7,515,000	4,380,168	3,134,832	58.29%
Total EBB Program Expenses	8,143,650	-	-	8,143,650	4,697,022	3,446,628	57.68%
Total Administrative and Program Expenses	\$ 8,534,300	\$ -	\$ -	\$ 8,534,300	\$ 4,834,500	\$ 3,699,800	56.65%

**California Residential Mitigation Program
Budgeted Expenditures and Actual Expenditures
Main Program
as of September 30, 2017**

	Approved 2017 Budget 1/1/2017	Adjustments	Augmentations	2017 Budget after Augmentations and Adjustments	Actual Expenditures	Augmented & Adjusted Approved Budget vs. Actual Expenditures	Percentage used of Augmented & Adjusted 2017 Budget
Revenue							
Contribution from Members	\$ -	\$ -	\$ -	\$ -	\$ 2,350,000	\$ (2,350,000)	100%
Total Revenue	-	-	-	-	2,350,000	(2,350,000)	100%
CRMP Administration Expenses							
Travel	37,000			37,000	14,622	22,378	39.52%
Board Services	3,500			3,500	736	2,764	21.03%
Administration & Office	62,150			62,150	3,263	58,887	5.25%
Insurance	38,000			38,000	33,535	4,465	88.25%
Financial Audit	50,000			50,000	39,000	11,000	78.00%
Legal Services	200,000			200,000	46,322	153,678	23.16%
Total Administration Expenses	390,650	-	-	390,650	137,478	253,172	35.19%
EBB Program Expenses							
Software/Information Technology	23,650			23,650	7,163	16,487	30.29%
Call Center	108,500			108,500	64,209	44,291	59.18%
Home Inspection Services	95,000			95,000	-	95,000	0.00%
EBB Marketing	325,000			325,000	243,722	81,278	74.99%
EBB Program Education	75,000			75,000	-	75,000	0.00%
Grants to Homeowners (1,455 payments at \$3,000)	4,365,000			4,365,000	1,290,168	3,074,832	29.56%
Total EBB Program Expenses	4,992,150	-	-	4,992,150	1,605,262	3,386,888	32.16%
Total Administrative and Program Expenses	\$ 5,382,800	\$ -	\$ -	\$ 5,382,800	\$ 1,742,740	\$ 3,640,060	32.38%

**California Residential Mitigation Program
Project Budget Expenditures
Napa EBB
as of September 30, 2017**

	Project Budget	Used Budget Thru 12/31/16	2017 Used Budget	Total Used Budget	Remaining Budget \$	Remaining Budget %
Revenue:						
FEMA Reimbursement Grant	\$ 300,000	\$ 155,142	\$ -	\$ 155,142	\$ 144,858	52%
CEA Matching Contribution ¹	100,000	96,920	3,329	100,249	(249)	100%
Total Revenue	\$ 400,000	\$ 252,062	\$ 3,329	\$ 255,391	\$ 144,609	64%
Expenses:						
CEA Matching Expenses:						
Staff Time ¹	\$ 36,500	\$ 37,333	\$ 2,900	\$ 40,233	\$ (3,733)	110%
Website ¹	3,000	59,587	429	60,016	(57,016)	2001%
	<u>39,500</u>	<u>96,920</u>	<u>3,329</u>	<u>\$ 100,249</u>	<u>\$ (60,749)</u>	<u>254%</u>
CRMP Expenses:						
Legal Services	12,500	30,735	-	30,735	(18,235)	246%
Call Center	9,000	538	308	846	8,154	9%
Marketing	28,000	26,283	1,451	27,734	266	99%
Insurance	1,000	-	-	-	1,000	0%
Photos of each house	10,000	-	-	-	10,000	0%
	<u>60,500</u>	<u>57,556</u>	<u>1,759</u>	<u>59,315</u>	<u>1,185</u>	<u>98%</u>
Homeowner Incentives:						
Grants to homeowners (100 payments at \$3,000)	300,000	155,142	90,000	245,142	54,858	82%
Total Expenses	\$ 400,000	\$ 309,618	\$ 95,088	\$ 404,706	\$ (4,706)	101%

¹ FEMA matching requirements for revenue and expenses are only shown on project budget, they are not part of CRMP overall budget. Amounts are as of last reimbursement request which was 9/30/17.

**California Residential Mitigation Program
Project Budget Expenditures
State of California - Department of Insurance
as of September 30, 2017**

	<u>Project Budget</u>	<u>Used Budget Thru 12/31/16</u>	<u>2017 Used Budget</u>	<u>Total Used Budget¹</u>	<u>Remaining Budget \$</u>	<u>Used of Budget %</u>
Revenue:						
Appropriation - 2016/2017 Program	\$3,000,000	\$ -	\$2,749,888	\$2,749,888	\$ 250,112	92%
Total Revenue	\$3,000,000	\$ -	\$2,749,888	\$2,749,888	\$ 250,112	92%
Expenses:						
Grants to homeowners (1,000 payments at \$3,000)	\$3,000,000	\$ -	\$3,000,000	\$3,000,000	\$ -	100%
Total Expenses	\$3,000,000	\$ -	\$3,000,000	\$3,000,000	\$ -	100%

¹ Revenues do not equal expenses as there is a timing difference between payments made to Homeowners and when CEA transfers DOI funds to CRMP.

Governing Board Memorandum

November 14, 2017

Agenda Item #7: 2018 CRMP Proposed Budget

Recommended Action: Board Approval Needed

Background:

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

Analysis:

Staff has prepared attachment A to assist the board in reviewing the proposed 2018 budget for the Earthquake Brace and Bolt program. The first page is the proposed 2018 budget. The second page compares the 2017 budget to the proposed 2018 budget. The third page compares the 2017 projected results to the proposed 2018 budget.

Conclusion:

CRMP staff recommends approval of the 2018 CRMP Budget as presented.

**California Residential Mitigation Program
2018 Proposed Budget**

Revenue¹

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

¹ Contributions from the CEA Mitigation Fund will cover the budgeted expenses.

**California Residential Mitigation Program
2018 Proposed Budget vs 2017 Budget¹**

	2017 Budget	2018 Budget	Difference
Revenue			
FEMA	\$ 150,000	\$ -	\$ (150,000)
Department of Insurance	3,000,000	-	(3,000,000)
Total Revenue	\$ 3,150,000	\$ -	\$ (3,150,000)
CRMP Administration Expenses			
Travel	\$ 37,000	\$ 32,000	\$ 5,000
Professional Due and Memberships	-	800	(800)
Board Services	3,500	2,300	1,200
Administration & Office	62,150	79,050	(16,900)
Insurance	38,000	38,000	-
Financial Audit	50,000	50,000	-
Legal Services	200,000	100,000	100,000
Total Administration Expenses	390,650	302,150	84,300
EBB Program Expenses			
Software/Information Technology	23,650	25,250	(1,600)
Call Center	110,000	120,000	(10,000)
Home Inspection Services	95,000	95,000	-
EBB Marketing	325,000	325,000	-
EBB Program Education	75,000	75,000	-
Grants to Homeowners	7,515,000	6,000,000	1,515,000
Total EBB Program Expenses	8,143,650	6,640,250	1,503,400
Total Administrative and Program Expenses	\$ 8,534,300	\$ 6,942,400	\$ 1,587,700

¹ There was no adjustments during the year from the original approved 2017 budget.

**California Residential Mitigation Program
2018 Proposed Budget vs 2017 Projected Actuals**

	2017 Projected	2018 Budget	Difference
Revenue			
FEMA	\$ 150,000	\$ -	\$ (150,000)
Department of Insurance	3,000,000	-	(3,000,000)
Total Revenue	\$ 3,150,000	\$ -	\$ (3,150,000)
CRMP Administration Expenses			
Travel	\$ 28,000	\$ 32,000	\$ (4,000)
Professional Due and Memberships	-	800	(800)
Board Services	1,500	2,300	(800)
Administration & Office	49,250	79,050	(29,800)
Insurance	38,000	38,000	-
Financial Audit	50,000	50,000	-
Legal Services	100,000	100,000	-
Total Administration Expenses	266,750	302,150	(30,600)
EBB Program Expenses			
Software/Information Technology	23,650	25,250	(1,600)
Call Center	110,000	120,000	(10,000)
Home Inspection Services	95,000	95,000	-
EBB Marketing	325,000	325,000	-
EBB Program Education	75,000	75,000	-
Grants to Homeowners	7,515,000	6,000,000	1,515,000
Total EBB Program Expenses	8,143,650	6,640,250	1,503,400
Total Administrative and Program Expenses	\$ 8,410,400	\$ 6,942,400	\$ 1,472,800

Governing Board Memorandum

November 14, 2017

Agenda Item #8: Insurance Update

Recommended Action: No Action Necessary

Background:

CRMP Treasurer, Tim Richison, will provide a recap of the CRMP insurance policies.

Recommendation:

No action is necessary.

**California Residential Mitigation Program
Summary of Insurance Coverage**

Policy Type	Carrier	Effective Dates	Premium	Coverage
General Liability with Umbrella	Foremost	8/15/17-8/15/18	\$ 2,102	Covers Property, General Liability, Employment Practices and Umbrella policy. Limit of Coverage varies based on type of coverage
Directors & Officers including Employment Practice and Liability	Westchester	8/15/17-8/15/18	\$ 11,361	D&O aggregate limit of \$2 million, Employment Practices aggregate limit of \$2 million
Excess Directors & Officers	Landmark	8/15/17-8/15/18	\$ 19,708	Limit of \$3 million, in excess of \$2 million
Cyber ¹	Beazley	1/12/17-1/12/18	\$ 2,952	Aggregate Limit of \$2 million

¹When we renew the Cyber Insurance in 2018, we are going to extend for seven months to align all policy insurance effective dates.

Governing Board Memorandum

November 14, 2017

Agenda Item #9: Amendment of Financial Audit Contract

Recommended Action: Board Approval Needed

Background:

The financial auditing services agreement between JLK Rosenberger, LLP (JLK) and CRMP became effective March 19, 2013, and expires with the completion of the 2016 annual audit, which occurred during the presentation at this board meeting.

The contract allows for amending the contract by mutual consent of both parties. Given the past positive experience with JLK and the future transition to a new CRMP Managing Director, CRMP staff believe that amending the contract to allow JLK to audit the 2017 and 2018 financial statements would be more beneficial than doing an RFP for audit services.

The amendment for each of the next two audit periods would be for the same compensation as the most recent audit period as defined in attachment B in the current agreement, which is a cap of \$50,000.

Recommendation:

CRMP staff recommends approval of amending the financial audit contract for JLK to audit the 2017 and 2018 financial statements.

CRMP Governing Board Memorandum

November 14, 2017

Agenda Item 10: Proposed 2018 Governing Board Meeting Calendar

Recommended Action: Approval of Governing Board Meeting Calendar

Ms. Maffei will present a proposed 2018 Governing Board Meeting calendar for approval.

CALIFORNIA RESIDENTIAL MITIGATION PROGRAM

GOVERNING BOARD MEETING DATES 2018

MEETING DATE	LOCATION
JANUARY 22 1:00pm	Governor’s Office of Emergency Services (“Cal OES”) 3650 Schriever Avenue MPR1 Mather, California 95655
MAY 15 1:00pm	California Earthquake Authority 801 K Street, Suite 1000 Sacramento, CA 95814
AUGUST 21 1:00pm	Governor’s Office of Emergency Services (“Cal OES”) 3650 Schriever Avenue MPR1 Mather, California 95655
DECEMBER 11 1:00pm	California Earthquake Authority 801 K Street, Suite 1000 Sacramento, CA 95814
INQUIRIES & GENERAL INFO: Jacqueline Ball 916-661-5607 (Direct) jball@Calquake.com	MEDIA CONTACT: D’Anne Ousley 916-661-5524 (Direct) dousley@calquake.com

Persons with disabilities may request special accommodations at any 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, toll free, at (877) 232-4300 or by email at Jacqueline_ball@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.