

CRMP

California Residential Mitigation Program A Joint Powers Authority

Date of Notice: Friday, August 4, 2023

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
Suite 1000, 10th Floor
Sacramento, CA 95814

DATE: Tuesday, August 15, 2023

TIME: 1:00 p.m.

TEAMS ACCESS TO MEETING: *

By Computer (Open the Microsoft Teams App, or navigate to [Join a Microsoft Teams Meeting by ID | Microsoft Teams](#)):

Enter Meeting ID: 227 027 299 293

Passcode: FtPxWS

Direct Link: [Click here to join the meeting](#)

Dial-in-Number: +1 323-886-4439 United States, Los Angeles (Toll)
Enter Conference ID Number: 527 798 716#

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

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

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

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

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

AGENDA:

1. Call to order and member roll call:

Lori Nezhura, Vice Chair Appointee, Deputy Director, Cal OES
Jennifer Bollinger, Chief Counsel, Cal OES
Tom Welsh, CEA Appointee, CRMP Governing Board
George Sittner, CEA Appointee, CRMP Governing Board

Establishment of a quorum

2. Consideration and acceptance of appointment letter designating George Sittner, CEA Chief Insurance Operations & Claims Officer, as a member of the CRMP Governing Board.
3. Nomination and vote to determine new Chair, CRMP Governing Board, and nomination and vote to determine new Vice Chair, CRMP Governing Board.
4. Consideration and approval of the minutes of the May 30, 2023, CRMP Governing Board meeting.
5. CRMP independent auditors, Plante Moran, PLLC, will present the Report of Audit on CRMP Annual Financial Statements (2022) and Single Audit (2022).

6. CRMP Treasurer Benjamin Kirwan will review the CRMP financial statements as of June 30, 2023.
7. Daniel Zepeda and David Bonowitz will present on their past and current work with California cities who have or are developing mandatory soft-story seismic retrofit programs.
8. CRMP Executive Director Janiele Maffei will present her executive report.
9. CRMP Managing Director Jennifer Hogan will present the CRMP Mitigation update.
10. Public comment on items that do not appear on this agenda and public requests that those matters be placed on a future agenda.
11. Adjournment.

Inquiries/General Information:

Maura White

mwhite@calquake.com

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

*** * * * ***

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

Please contact Maura White by email at mwhite@calquake.com. We would appreciate hearing from you at least five days before the meeting date to best allow us to meet your needs.

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

CRMP Governing Board Memorandum

August 15, 2023

Agenda Item 2: CRMP Governing Board Member Appointment

Recommended Action: No action required – information only

Background:

CRMP Executive Director, Janiele Maffei, will present the letter dated July 31, 2023, for designation of George Sittner, Chief Insurance Operations & Claims Officer, CEA, to act for Governing Board member Laurie Johnson, Chief Catastrophe Response & Resiliency Officer, CEA, at meetings of the Governing Board beginning August 15, 2023. This designation is effective indefinitely unless it is revoked by another letter to the CRMP Board members.

Recommendation:

No action required – information only.



July 31, 2023

To the California Residential Mitigation Program:

Please be advised that California Residential Mitigation Program (CRMP) Governing Board Chair, Laurie Johnson, will be departing California Earthquake Authority (CEA) effective August 18, 2023. This will confirm that I hereby designate CEA Chief Insurance Operations & Claims Officer, George Sittner, to serve on the CRMP Governing Board, effective immediately.

Sincerely,

A handwritten signature in black ink, appearing to read 'Glenn Pomeroy', is positioned above a horizontal blue line.

Glenn Pomeroy (Aug 3, 2023 21:41 PDT)

Glenn Pomeroy
CEO
California Earthquake Authority

California Earthquake Authority
801 K Street, Suite 1000
Sacramento, CA 95814

CRMP Governing Board Memorandum

August 15, 2023

Agenda Item 3: Nomination and vote
Chair and Vice Chair, CRMP Governing Board

Recommended Action: Nominate and vote for Chair and Vice Chair
CRMP Governing Board

Background:

Governing Board will nominate and select through voting process the Chair and Vice-Chair, CRMP Governing Board.

Recommendation:

Nominate and select Chair and Vice-Chair, CRMP Governing Board.

CRMP Governing Board Memorandum

August 15, 2023

Agenda Item 4: Consideration and Approval of Board Minutes

Recommended Action: Review and approve Board minutes

Background:

Approval of Board minutes from May 30, 2023.

Recommendation:

Staff recommends approval of the Board teleconference minutes from May 30, 2023.



Draft Meeting Minutes
are not available.

Please see CRMP Governing
Board Meeting
Approved Minutes.

CRMP Governing Board Memorandum

August 15, 2023

Agenda Item 5: Report of Audit on CRMP Annual Financial Statements (2022) and Single Audit (2022)

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, 2022.

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

The 2022 CRMP Audit Report that contains financial statements prepared in accordance with accounting principles generally accepted in the United States of America are found in Attachment A and consist of the following:

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

Plante Moran also performed a Single Audit of CRMP’s federal awards for the year ended December 31, 2022. The Single Audit is found in Attachment B and consists of the following:

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

Analysis:

According to the Independent Auditor's Report, CRMP's 2022 audited financial statements present fairly, in all material respects, the financial position of CRMP, in conformity with accounting principles generally accepted in the United States of America.

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

Recommendation:

No action required – information only.

California Residential Mitigation Program

**Financial Report
with Supplementary Information
December 31, 2022**

California Residential Mitigation Program

Contents

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

Independent Auditor's Report

To the Governing Board
California Residential Mitigation Program

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities and the General Fund of the California Residential Mitigation Program (CRMP) as of and for the year ended December 31, 2022 and the related notes to the financial statements, which collectively comprise CRMP's basic financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the General Fund of CRMP as of December 31, 2022 and the respective changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

To the Governing Board
California Residential Mitigation Program

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of CRMP's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about CRMP's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplementary information, as identified in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required 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 responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 16, 2023 on our consideration of CRMP's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of CRMP's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering CRMP's internal control over financial reporting and compliance.



June 16, 2023

California Residential Mitigation Program

Management's Discussion and Analysis

History

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

In August 2011, the Governor's Office of Emergency Services (Cal OES) and the California Earthquake Authority (CEA) entered into a joint exercise of powers agreement to create the California Residential Mitigation Program 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 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 retrofitting 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 CRMP programs
- d. Educating contractors about CRMP programs
- e. Educating building inspection authorities about CRMP programs
- 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 \$3,000 toward the cost. EBB provides grants only for a specific "building-code-compliant" or an engineer-designed and engineer-approved seismic retrofit to ensure the retrofit will perform as designed and keep the house on its foundation. Although new house construction in California has benefitted from seismic building codes for many years, the availability of a seismic retrofit building code for existing houses has only been in existence within the past decade.

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

California Residential Mitigation Program

Management's Discussion and Analysis (Continued)

Using This Report

CRMP's financial statements for the year ended December 31, 2022 have been prepared using accounting standards applicable to governmental entities. This financial report consists of financial statements with accompanying notes. The government-wide statements consist of a statement of net position and statement of activities, which are reported using an economic resources measurement focus and the accrual basis of accounting. The fund financial statements consist of a balance sheet and statement of revenue, expenditures, and changes in fund balance, which are reported using the current financial resources measurement focus and the modified accrual basis of accounting.

Government-wide Overall Financial Analysis

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

	2022	2021
Assets		
Current and other assets:		
Cash	\$ 1,315,696	\$ 4,131,322
Receivables - Due from other governments	5,759,054	1,487,758
Prepaid expenses and other assets	6,026	5,851
Total assets	7,080,776	5,624,931
Liabilities - Current	167,249	167,591
Net Position - Unrestricted	\$ 6,913,527	\$ 5,457,340

Asset, Liabilities, and Net Position

Total assets increased by \$1,455,845 (26 percent) in 2022, driven by a significant increase in the accounts receivable balance associated with the consumer incentives reimbursement. This increase was offset by a decrease in cash during the year associated with consumer incentive payments to the Federal Emergency Management Agency (FEMA). However, since all current funding for EBB is reimbursement based, and additional incentives are being paid every week, there will always be timing differences between cash outlays and the associated cash receipts for reimbursements. Total liabilities decreased by \$342 between 2022 and 2021 due to a decrease in the accounts payable balance at year end due to timing. Total net position increased by \$1,456,187 (27 percent) in 2022. This increase is due to a contribution to CRMP of \$2,000,000 in 2022.

California Residential Mitigation Program

Management's Discussion and Analysis (Continued)

Statement of Activities

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

	<u>2022</u>	<u>2021</u>
Revenue		
Program revenue - Contributions from other governments	\$ 8,155,980	\$ 8,139,165
General revenue - Contributions from a member	2,000,000	-
Total revenue	10,155,980	8,139,165
Expenses		
Administration and office expenses	2,786	-
Audit services	62,750	63,250
Board meeting	1,644	1,005
Consumer incentives	7,783,096	8,186,630
Information technology	26,205	5,877
Inspection services	189,405	191,920
Insurance	56,079	43,662
Legal services	68,874	38,508
Marketing services	460,922	232,469
Program education	25,000	34,295
Telecommunications	6,243	4,437
Income verification	16,789	-
Total expenses	8,699,793	8,802,053
Change in Net Position	1,456,187	(662,888)
Net Position - Beginning of year	5,457,340	6,120,228
Net Position - End of year	<u>\$ 6,913,527</u>	<u>\$ 5,457,340</u>

Program Expenses, General Revenue, and Net Position

Total program revenue comes from grants received from FEMA to cover consumer incentives payments. The grants are received on a reimbursement basis, and the 2022 revenue represents the consumer incentives processed for the FEMA programs. Revenue totaling \$3,258,742 was for FEMA grant 4344, \$1,961,078 was for FEMA grant 4308, and \$2,936,160 was for FEMA grant 4407.

There were \$2,000,000 in contributions made by CEA in 2022.

Total program expenses decreased by \$102,260 (1 percent) in 2022. This decrease is driven by the consumer incentives decrease, which makes up approximately 90 percent of total CRMP expense. As the consumer incentives are driven by FEMA funding, the timing of when programs begin and end and the size of such programs will impact the expenses each year.

Budget Analysis

CRMP's original and final budget had expenditures of \$13,470,700.

California Residential Mitigation Program

Management's Discussion and Analysis (Continued)

Actual total expenditures for 2022 were \$8,699,793 compared to the final budget of \$13,470,700 for positive variance of \$4,770,907. Consumer incentives for the Earthquake Brace + Bolt program had a final budget of \$12,400,000; actual expenditures were \$7,783,096. This positive variance of \$4,616,904 was due to the lower than anticipated number of retrofits completed in 2022. A total of \$3,500,000 of the decrease in retrofits was driven by FEMA 4407 ESS, which will not begin program rollout until 2023. In addition, the general CRMP EBB retrofit program had \$2,300,000 budgeted, but only had expenditures of \$24,350, as this program is only used if a retrofit does not fall into a FEMA funded program. These decreases were offset by an increase in FEMA 4308 expenditures, which had no budget amount, but actual expenditures of \$1,560,844. No budget amount was assigned to FEMA 4308, as additional funding was expected for 2022, but the actual amount was not known when the original 2022 budget was prepared. Once funding amount was determined, no adjustment was made to the 2022 budget, as the overall consumer incentives budget line item was determined to have enough budget money to accommodate 2022 expenditures.

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. Driven by \$80 million in additional funding for FEMA 4308 in early 2022, it is anticipated that 2023 will have significant increased activity compared to 2022.

Depending upon the total cost of the retrofit, a consumer may have their entire retrofit covered by CRMP. However, for those retrofits that are not covered in full, it is possible the current inflation impacting the United States in 2023 may impact the decision to move forward with a retrofit for some consumers. Additionally, although CRMP has received significant additional funding, the timing of a retrofit being completed depends upon the availability of contractors, and the volume of incentives that can be completed at one time is currently not known.

Requests for Further Information

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

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

California Residential Mitigation Program

Statement of Net Position/Governmental Fund Balance Sheet

December 31, 2022

	General Fund - Modified Accrual	Adjustments	Statement of Net Position - Full Accrual
Assets			
Cash	\$ 1,315,696	\$ -	\$ 1,315,696
Receivables - Due from other governments	5,759,054	-	5,759,054
Prepaid expenses and other assets	6,026	-	6,026
Total assets	<u><u>\$ 7,080,776</u></u>	-	7,080,776
Liabilities - Accounts payable and accrued expenses			
	\$ 167,249	-	167,249
Deferred Inflows of Resources - Unavailable revenue			
	4,803,814	(4,803,814)	-
Equity			
Fund balance:			
Nonspendable	6,026	(6,026)	-
Unassigned	2,103,687	(2,103,687)	-
Total fund balance	<u>2,109,713</u>	<u>(2,109,713)</u>	<u>-</u>
Total liabilities and fund balance	<u><u>\$ 7,080,776</u></u>		
Net position - Unrestricted	<u><u>\$ 6,913,527</u></u>		<u><u>\$ 6,913,527</u></u>

California Residential Mitigation Program

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

Year Ended December 31, 2022

	General Fund - Modified Accrual	Adjustments	Statement of Activities - Full Accrual
Revenue			
Contributions from a member	\$ 2,000,000	\$ -	\$ 2,000,000
Contributions from other governments	4,263,494	3,892,486	8,155,980
Total revenue	6,263,494	3,892,486	10,155,980
Expenditures			
Administration and office expenses	2,786	-	2,786
Audit services	62,750	-	62,750
Board meeting	1,644	-	1,644
Consumer incentives	7,783,096	-	7,783,096
Information technology	26,205	-	26,205
Inspection services	189,405	-	189,405
Insurance	56,079	-	56,079
Legal services	68,874	-	68,874
Marketing services	460,922	-	460,922
Program education	25,000	-	25,000
Telecommunications	6,243	-	6,243
Income verification	16,789	-	16,789
Total expenditures	8,699,793	-	8,699,793
Net Change in Fund Balance/Net Position	(2,436,299)	3,892,486	1,456,187
Fund Balance/Net Position - Beginning of year	4,546,012	911,328	5,457,340
Fund Balance/Net Position - End of year	\$ 2,109,713	\$ 4,803,814	\$ 6,913,527

December 31, 2022 and 2021

Note 1 - Nature of Business

The California Residential Mitigation Program (CRMP) is a public entity established on August 16, 2011 by a Joint Exercise of Powers Agreement (JPA) between two members: California Earthquake Authority, a public instrumentality of the State of California (CEA), and the Governor's Office of Emergency Services (Cal OES). The JPA is effective until December 31, 2031 unless extended or terminated by written agreement of the members. A four-member board governs CRMP. Two board members are appointed by Cal OES, and the other two are appointed by CEA.

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

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

Note 2 - Significant Accounting Policies

Accounting and Reporting Principles

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

Report Presentation

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

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

Fund Accounting

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

Basis of Accounting

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

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

December 31, 2022 and 2021

Note 2 - Significant Accounting Policies (Continued)

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

Cash and Cash Equivalents

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

Receivables - Due from Other Governments

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

For the fiscal year ended December 31, 2022, the grant money recognized as part of program revenue and accounts receivable was \$5,759,054.

Net Position

Net position represents the difference between assets and liabilities. Net position is reported as restricted when there are limitations imposed on its use either through constitutional provisions or enabling legislations of other governments when those restrictions are more restrictive than the normal activities of CRMP.

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

Fund Balance

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

- **Nonspendable** - The category includes elements of the fund balance that cannot be spent because of their form (such as inventory) or because they must be maintained intact.
- **Restricted** - Amounts that are subject to external constraints that are legally enforceable restrictions, such as funding from other governments that are legally restricted for a specific use
- **Committed** - Amounts constrained to specific purposes by CRMP itself by its highest level of decision-making authority (CRMP Board). Committed amounts cannot be used for any other purpose unless CRMP Board takes the same highest-level action to remove or change the constraint.
- **Assigned** - Amounts CRMP intends to use for a specific purpose. Intent can only be expressed by formal CRMP Board action.
- **Unassigned** - Amounts that cannot be classified into any other categories

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

December 31, 2022 and 2021

Note 2 - Significant Accounting Policies (Continued)

Use of Estimates

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

Upcoming Accounting Pronouncement

In May 2020, the Governmental Accounting Standards Board issued Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*, which defines SBITAs and provides accounting and financial reporting for SBITAs by governments. This statement requires a government to recognize a subscription liability and an intangible right-to-use subscription asset for SBITAs. CRMP is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for CRMP's financial statements for the year ending December 31, 2023.

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

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

Fund Balance Reported in Governmental Fund	\$ 2,109,713
Amounts reported for governmental activities in the statement of net position are different because receivables that are not collected soon after year end are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the fund	4,803,814
Net Position of Governmental Activities	\$ 6,913,527

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

Net Change in Fund Balance Reported in Governmental Fund	\$ (2,436,299)
Amounts reported for governmental activities in the statement of activities are different because revenue in the statement of activities that does not provide current financial resources is not reported as revenue in the funds until it is available	3,892,486
Change in Net Position of Governmental Activities	\$ 1,456,187

Note 4 - Deposits

CRMP had cash deposits of \$1,315,696 at December 31, 2022.

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, 2022, CRMP deposits of approximately \$1.8 million were not covered by FDIC insurance.

Note 5 - Related Party Transactions

CRMP has an agreement to accept personnel, equipment, and office space from CEA. These include the services of CRMP's executive director, secretary, and treasurer. If CRMP had been autonomous, the operating results and financial position for this year would have been significantly different. In the fiscal year 2022, transfers from the CEA Mitigation Fund to CRMP totaled \$2,000,000.

As of December 31, 2022, the receivables balance of \$5,759,054 is due from Cal OES as reimbursement for the FEMA grants. The balance is paid after Cal OES has approved the request for reimbursement of eligible expenditures.

Note 6 - Concentrations of Risk

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

Note 7 - Risk Management

CRMP is exposed to various risks of loss: theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

CRMP has insurance policies with private insurance companies for the following policies:

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

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

Required Supplementary Information

California Residential Mitigation Program

Required Supplementary Information Budgetary Comparison Schedule

Year Ended December 31, 2022

	Original Budget	Final Budget	Actual	Over (Under) Final Budget
Revenue				
Contributions from a member	\$ -	\$ -	\$ 2,000,000	\$ 2,000,000
Contributions from other governments	10,100,000	10,100,000	8,155,980	(1,944,020)
Total revenue	10,100,000	10,100,000	10,155,980	55,980
Expenditures				
Administration and office expenses	11,800	11,800	2,786	(9,014)
Audit services	65,500	65,500	62,750	(2,750)
Board meeting	1,800	1,800	1,644	(156)
Consumer incentives	12,400,000	12,400,000	7,783,096	(4,616,904)
Information technology	54,600	54,600	26,205	(28,395)
Inspection services	190,000	190,000	189,405	(595)
Insurance	28,200	28,200	56,079	27,879
Legal services	50,000	50,000	68,874	18,874
Marketing services and program education	650,000	650,000	485,922	(164,078)
Professional dues and memberships	800	800	-	(800)
Telecommunications	10,000	10,000	6,243	(3,757)
Travel	8,000	8,000	-	(8,000)
Income verification	-	-	16,789	16,789
Total expenditures	13,470,700	13,470,700	8,699,793	(4,770,907)
Net Change in Fund Balance	(3,370,700)	(3,370,700)	1,456,187	4,826,887
Fund Balance - Beginning of year	5,457,340	5,457,340	5,457,340	-
Fund Balance - End of year	\$ 2,086,640	\$ 2,086,640	\$ 6,913,527	\$ 4,826,887

California Residential Mitigation Program

Note to Required Supplementary Information

December 31, 2022

Budget and Budgetary Information

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

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

Total General Fund revenue per budgetary comparison schedule	\$ 10,155,980
Unavailable revenue from prior fiscal year received in current fiscal year	911,328
Unavailable revenue does not provide current financial resources and, therefore, is not reported as revenue in the governmental fund	<u>(4,803,814)</u>
General Fund revenue per statement of revenue, expenditures, and changes in fund balance	<u><u>\$ 6,263,494</u></u>

California Residential Mitigation Program

**Federal Awards
Supplemental Information
December 31, 2022**

Independent Auditor's Reports

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

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

Independent Auditor's Report

To the Governing Board
California Residential Mitigation Program

We have audited the financial statements of the governmental activities and the General Fund of California Residential Mitigation Program (CRMP) as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise CRMP's basic financial statements. We issued our report thereon dated June 16, 2023, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. We have not performed any procedures with respect to the audited financial statements subsequent to June 16, 2023.

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

Plante & Moran, PLLC

July 18, 2023

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

Independent Auditor's Report

To Management and the Governing Board
California Residential Mitigation Program

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the basic financial statements of the governmental activities and the General Fund of California Residential Mitigation Program (CRMP) as of and for the year ended December 31, 2022 and the related notes to the basic financial statements, which collectively comprise CRMP's basic financial statements, and have issued our report thereon dated June 16, 2023.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

To Management and the Governing Board
California Residential Mitigation Program

Purpose of This Report

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

Plante & Moran, PLLC

June 16, 2023

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

Independent Auditor's Report

To the Governing Board
California Residential Mitigation Program

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited California Residential Mitigation Program's (CRMP) compliance with the types of compliance requirements identified as subject to audit in the Office of Management and Budget (OMB) Compliance Supplement that could have a direct and material effect on CRMP's major federal program for the year ended December 31, 2022. CRMP's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, CRMP complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the major federal program for the year ended December 31, 2022.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

To the Governing Board
California Residential Mitigation Program

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control Over Compliance

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

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

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

To the Governing Board
California Residential Mitigation Program

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

Plante & Moran, PLLC

July 18, 2023

California Residential Mitigation Program

Schedule of Expenditures of Federal Awards

Year Ended December 31, 2022

Federal Agency/Pass-through Agency/Program Title	Assistance Listing Number	Pass-through Entity Identifying Number	Provided to Subrecipients	Federal Expenditures
U.S. Department of Homeland Security, Federal Emergency Management Agency - Passed through California Earthquake Authority:				
Hazard Mitigation Grant	97.039	FEMA-4308	\$ -	\$ 1,961,079
Hazard Mitigation Grant	97.039	FEMA-4344	-	3,261,742
Hazard Mitigation Grant	97.039	FEMA-4407	-	2,936,160
Total			\$ -	\$ 8,158,981

California Residential Mitigation Program

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

Year Ended December 31, 2022

Revenue from federal sources - As reported on financial statements (includes all funds)	\$ 4,263,494
Deferred revenue not reported for year ended December 31, 2021	(911,328)
Deferred revenue not reported for year ended December 31, 2022	4,803,814
Other	<u>3,001</u>
Federal expenditures per the schedule of expenditures of federal awards	<u><u>\$ 8,158,981</u></u>

California Residential Mitigation Program

Notes to Schedule of Expenditures of Federal Awards

Year Ended December 31, 2022

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of California Residential Mitigation Program (CRMP) under programs of the federal government for the year ended December 31, 2022. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of CRMP, it is not intended to and does not present the financial position, changes in net position, or cash flows of CRMP.

Note 2 - Summary of Significant Accounting Policies

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

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

California Residential Mitigation Program

Schedule of Findings and Questioned Costs

Year Ended December 31, 2022

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? Yes None reported

Federal Awards

Internal control over major programs:

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

Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516(a)? Yes No

Identification of major programs:

Assistance Listing Number	Name of Federal Program or Cluster	Opinion
97.039	FEMA Hazard Mitigation Grant Program	Unmodified

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? Yes No

Section II - Financial Statement Audit Findings

None

Section III - Federal Program Audit Findings

None

CRMP Governing Board Memorandum

August 15, 2023

Agenda Item 6: Treasurer's Financial Update

Recommended Action: No Action Necessary

Background:

CRMP Treasurer, Ben Kirwan, will review the CRMP financial statements as of June 30, 2023.

Recommendation:

No action is necessary.

California Residential Mitigation Program
(CRMP)

FINANCIAL
REPORT

BOARD MEETING
Tuesday, August 15, 2023

California Residential Mitigation Program
Balance Sheet
As of June 30, 2023
Unaudited

Assets

Cash and cash equivalents	\$ 5,267,357
Accounts receivable	<u>4,640,749</u>
Total assets	<u><u>9,908,106</u></u>

Liabilities and Fund Balance

Liabilities:

Accounts payable and accrued expenses	<u>121,274</u>
Total liabilities	<u>121,274</u>

Fund Balance:

Unassigned	<u>9,786,832</u>
Total fund balance	<u>9,786,832</u>
Total liabilities and fund balance	<u><u>\$ 9,908,106</u></u>

California Residential Mitigation Program
Statement of Revenues, Expenditures and Changes in Fund Balance
For the Six Months Ended June 30, 2023

Unaudited

Revenues:

Contributions from members	\$ 3,000,000
Contributions from other governments	6,658,424
	<hr/>
Total revenues	9,658,424
	<hr/>

Expenditures:

Administration and office expenses	30
Audit fees	51,500
Board meeting expenses	1,343
Grants to homeowners	6,466,844
Inspection services	70,839
Software and IT support	35,280
Legal services	33,082
Marketing services/program education	121,910
Call center	4,291
	<hr/>

Total expenditures 6,785,119

Net change in fund balance 2,873,305

Fund balance, beginning of year

6,913,527

Fund balance, end of year to date

\$ 9,786,832

California Residential Mitigation Program
Budgeted Expenditures and Actual Expenditures
2023 Budget Year
as of June 30, 2023

	2023 Actual Revenues and Expenditures	Approved 2023 Budget	Variance	
			\$	%
Revenue				
CEA Mitigation Fund Contribution	\$ 3,000,000	\$ 3,000,000	\$ -	0.00%
FEMA - 4344 ¹	21,000	210,000	(189,000)	-90.00%
FEMA - 4407 ESS ¹	-	2,250,000	(2,250,000)	-100.00%
FEMA - 4407 EBB ¹	1,713,382	2,400,000	(686,618)	-28.61%
FEMA - 4308 ²	4,924,042	21,860,000	(16,935,958)	-77.47%
Total Revenue	\$ 9,658,424	\$ 29,720,000	\$ (20,061,576)	-67.50%
CRMP Administration Expenses				
Administration and Office Expenses	\$ 30	\$ 8,300	\$ 8,270	99.64%
Board Meeting Expenses	1,343	1,800	457	25.39%
Call Center	4,291	6,500	2,209	33.98%
Marketing Services/Program Education	121,910	550,000	428,090	77.83%
Audit Fees	51,500	65,000	13,500	20.77%
Inspection Services	70,839	280,000	209,161	74.70%
Insurance	-	59,500	59,500	100.00%
Legal Services	33,082	50,000	16,918	33.84%
Professional Dues and Memberships	-	800	800	100.00%
Software and IT Support	35,280	54,600	19,320	35.38%
Travel	-	3,000	3,000	100.00%
Total Administration Expenses	318,275	1,079,500	761,225	70.52%
Grants to Homeowners				
Grants to Homeowners - FEMA 4344	18,000	210,000	192,000	91.43%
Grants to Homeowners - FEMA 4407 ESS	-	2,250,000	2,250,000	100.00%
Grants to Homeowners - FEMA 4407 EBB	1,713,382	2,400,000	686,618	28.61%
Grants to Homeowners - CRMP EBB	6,526	360,000	353,474	98.19%
Grants to Homeowners - FEMA 4308	4,728,936	21,500,000	16,771,064	78.00%
Total Grants to Homeowners	6,466,844	26,720,000	20,253,156	75.80%
Total Administrative and Grants to Homeowners	\$ 6,785,119	\$ 27,799,500	\$ 21,014,381	75.59%

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

² CRMP was awarded an additional \$80 million for FEMA 4308 in March 2022. The updated grant provisions related to FEMA 4308 allow for reimbursement of \$3 million related to administrative costs of administering the \$80 million dollar grant. Administrative costs that are for salaries, which are a CEA Mitigation expenditure, are not reimbursed to CRMP, and therefore not included on this budget report. Requested reimbursements for CRMP directly incurred expenses (such as marketing) are included.

CRMP Governing Board Memorandum

August 15, 2023

Agenda Item 7: Presentation by Daniel Zepeda and David Bonowitz

Recommended Action: No action required – information only

Background:

Daniel Zepeda is a structural engineer, Office Director, and Principal with Degenkolb Engineers, Los Angeles. With 20 years of experience in seismic evaluation and seismic strengthening of existing buildings, Daniel's project breadth spans large medical centers, civic buildings and privately owned structures. Daniel has a bachelor of science degree from CalPoly Pomona and a Masters Degree in Structural Engineering from U.C. Berkeley, 2003

David Bonowitz is a structural engineer and a consultant on disaster risk reduction policy. His work links what engineers know to what policymakers, decision-makers, and stakeholders need, consulting to city, state, federal, and international agencies. He chairs NCSEA's new Resilience committee and is the immediate past chair of its Existing Buildings committee. Bonowitz is a graduate of Princeton University, holds a Master's Degree in Structural Engineering from U.C. Berkeley, is a recipient of the James M. Delahay Award, and is a Fellow Member of SEAOC.

Summary:

Daniel Zepeda and David Bonowitz will make brief presentations on their past and current work with California cities who have or are developing mandatory soft-story seismic retrofit programs. CRMP Executive Director Janiele Maffei will then moderate a discussion about critical issues to consider in the development of the CRMP Multi-Family Soft-Story (MFSS) retrofit grant program currently under development.

Recommendation:

No action necessary.

CRMP Governing Board Memorandum

August 15, 2023

Agenda Item 8: Executive Report by Executive Director Janiele Maffei

Recommended Action: No action required – information only

Background:

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

Recommendation:

No action necessary.

CRMP Governing Board Memorandum

August 15, 2023

Agenda Item 9: California Residential Mitigation Program incentive programs
(CRMP Earthquake Retrofit Programs)

Recommended Action: No action required – information only

CRMP Retrofit Programs

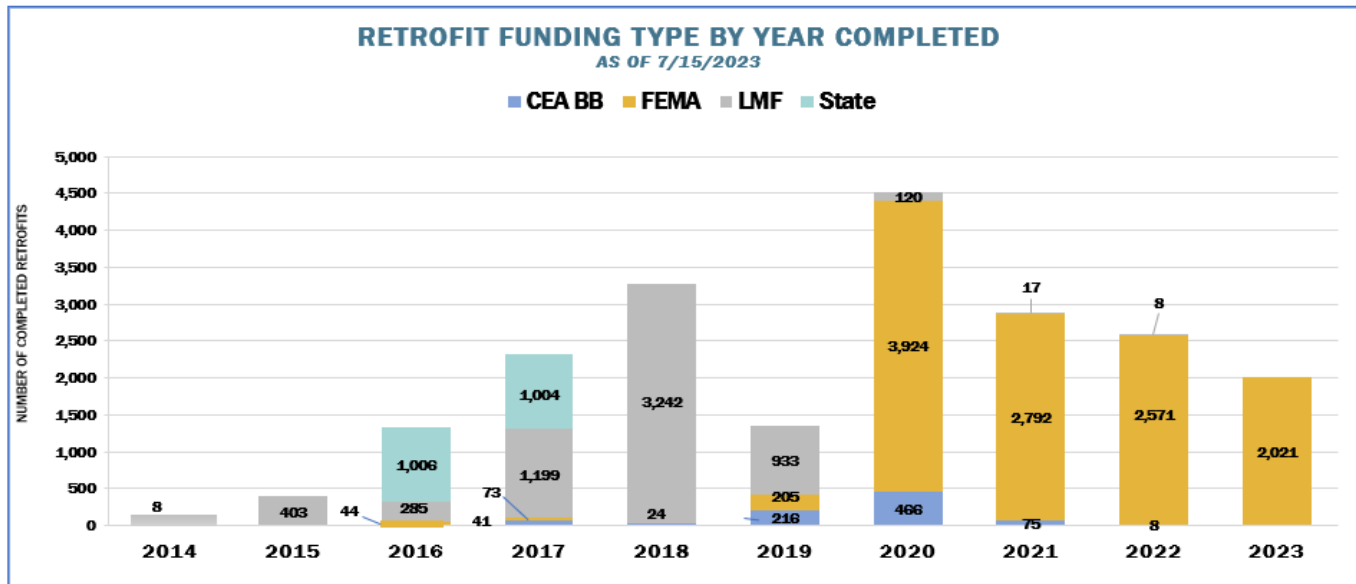
Overall, more than 20,681 retrofits have been completed across all CRMP EBB programs. This is an increase of 796 retrofits from the previous Governing Board meeting, 795 of which were completed under the various FEMA-funded HMGP programs, and one of which completed under the CRMP 2019 EBB program. Though there are no retrofits currently in-progress for the CRMP 2019 EBB program, it 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.

The supplemental grant program offered under HMGP DR 4308 has provided additional funding to 468 homeowners for EBB retrofits, an increase of 228 from the last Governing Board meeting.

Earthquake Brace + Bolt Program 7/15/2023 CRMP and CEA by Program Cycle			
Program	Completed	In Progress	Status
2014-2018 EBB	7,598	N/A	Closed
FEMA Napa EBB	110	N/A	Closed
CEA BB	862	N/A	Closed
CRMP 2019 EBB	600	0	Open
FEMA – funded HMGP DR 4308, 4344, & 4407	11,511	5,338	Open
Total	20,681	5,339	

Under the recent HMGP DR 4308 \$2M funding augmentation, 361 homeowners in 13 eligible ZIP Codes across Humboldt County successfully registered to receive an EBB retrofit grant and supplemental grant, if eligible.

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



Staff Efforts:

EBB staff continue their efforts, busy working from home since the last Board meeting (May 1st – July 15th):

- 5,055 Incoming Calls (97 calls/day)
- 3,638 Outbound Calls this period (70 call/day)
- 2,745 Emails Answered (72 emails/day)
- 708 Applications sent to FEMA
 - 11,328 photos reviewed
 - 4,248 documents reviewed (at minimum)
- 798 Retrofits Completed
 - 12,768 photos reviewed
 - 4,788 documents reviewed (at minimum)

Future Funding Opportunities

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

Current HMGP and BRIC applications (approved and submitted) include requests for an additional \$161M in funding:

Cal OES/FEMA Grant Funding Applications			
Grant Program	Funding Request	Program Type	Status
HMGP DR 4308	\$86M	EBB	Approved—time extension to 4/1/23
HMGP DR 4344	\$20M	EBB	Approved—in closeout with Cal OES
HMGP DR 4407	\$5M	EBB	Approved
HMGP DR 4407	\$5M	ESS	Approved—time extension to 9/23/24
2021 BRIC	\$20M	Multi-family ESS	FEMA Selected for further review (Round 2)—8/22
2022 BRIC	\$20M	Multi-family ESS	Submitted last RFI response on 12/16/22
HMGP DR 4683	\$5M	EBB	Subapplication submitted 8/4/23
2023 BRIC	\$20M	Multi-family ESS	NOI due to Cal OES by 8/18/23

EBB Program Contractors

Of the contractors on the EBB Directory (Directory), 381 have completed at least one retrofit – a decrease of 21 contractors since the last report. There was an increase in the average number of retrofits completed per contractor from the last report, from 46 to 49. As contractors withdraw from the Directory, licenses are not renewed, or a contractor has not completed the training, a discrepancy between registered contractors and contractors on the Directory may occur. All current contractors have been contacted and encouraged to update the ZIP Codes in which they are willing to work.

Contractors in EBB Directory - Range of Retrofits Paid	
Project Count Range	Count of Contractor Paid Projects
400+	14
100-399	23
050-99	19
021-49	29
011-20	36
006-10	49
002-5	93
001	118
0	744
Total	1125

As of 7/15/2023

Count of Contractors with 1 or More Paid Projects

381

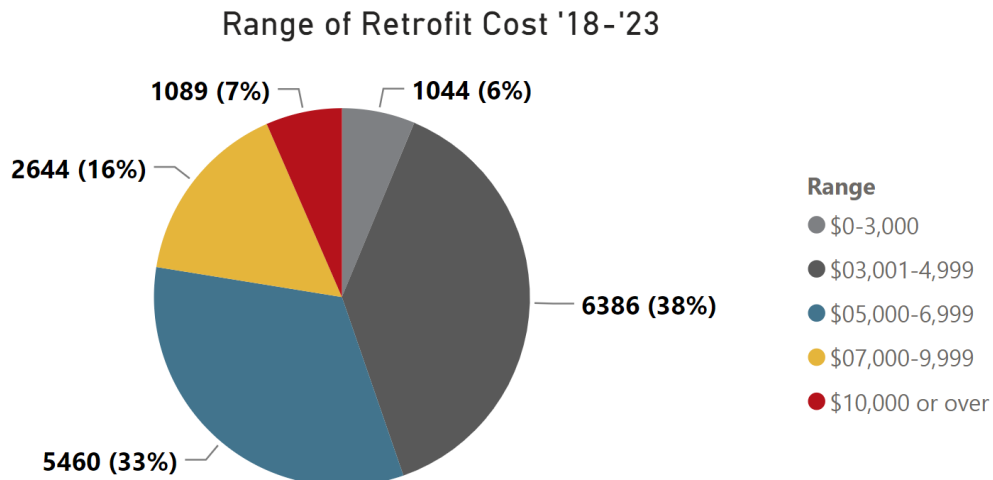
Average Number of Paid Projects per Contractor

49

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

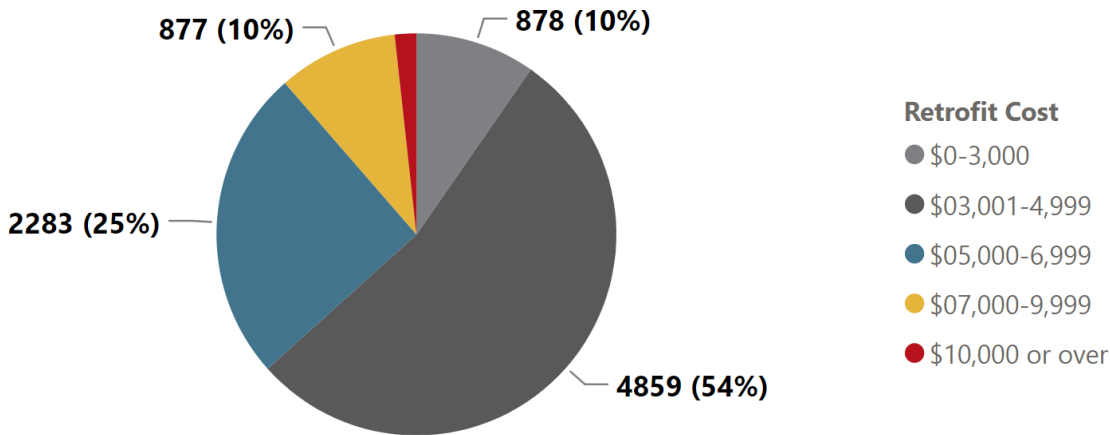
EBB Northern and Southern Regional Differences

The cost of retrofits within specific ranges remained stable during this reporting period. For all retrofits completed, 6% cost less than \$3,001. Of the completed retrofits 2% were under \$3,001 in Northern California and 10% are in Southern California. A total of 44% of the completed retrofits cost less than \$5,000. A further breakdown of this data shows 22% of completed retrofits were in Northern California and 64% in Southern California. A total of 77% of all retrofits cost less than \$7,000, 67% in Northern California and 89% in Southern California, and 93% cost less than \$10,000.

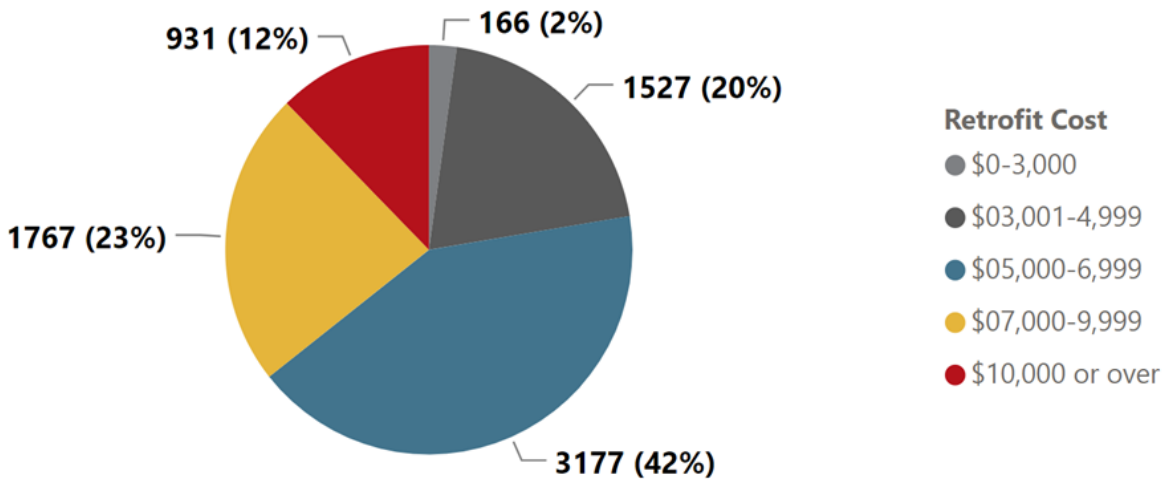


The average retrofit cost in Northern California remains higher than that in Southern California, with the average cost for program year 2019 and beyond in Northern California being \$7,700, versus \$4,920 in Southern California.

Range of Retrofit Cost SoCal '18-'23



Range of Retrofit Cost NorCal '18-'23



Engineered and Non-Engineered Retrofits

Engineered retrofits continue to be substantially more costly than non-engineered retrofits. With 201 engineered retrofits completed in the 2021 program, the average cost decreased slightly from the previous quarterly report from \$18,021 to \$15,333. Non-engineered retrofits have decreased slightly from \$5,569 to \$5,561

2019-2023 Engineered Vs. Plan Set Retrofits

Type of Retrofit	Count	% of Total	Average	Median	Min	Max
Non - Engineered	12442	93.18%	\$5,561	\$5,200	\$593	\$52,400
Engineered	910	6.82%	\$15,333	\$10,011	\$1,350	\$96,788
Total	13352	100.00%	\$6,227	\$5,335	\$593	\$96,788

Other Items of Interest

- \$15M for multi-family soft-story retrofits approved in Governor’s Budget.
- ESS registration closed on May 31, 2023, with 527 successful registrants. Of these, 374 have been accepted into the ESS program and 153 remain on the waitlist. An Additional time extension request was approved by Cal OES to September 19, 2024.