

CRMP

California Residential Mitigation Program A Joint Powers Authority

Date of Notice: Friday, August 16, 2024

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 hold an open, teleconferenced meeting in Sacramento, California pursuant to Government Code section 11123.2. Members of the public may attend using the Microsoft Teams link, the dial-in number, or in-person at the teleconference location, each of which is provided below. A majority of the members of the board will be physically present at the teleconference location provided below in accordance with Gov. Code section 11123.2(j). 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.

TELECONFERENCE LOCATION:

**Wells Fargo Building
400 Capitol Mall
Suite 670, 6th Floor
Sacramento, CA 95814**

DATE: Tuesday, August 27, 2024

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: 298 742 920 40

Passcode: gJLiLF

Direct Link: [Join the meeting now](#)

Dial-in-Number: +1 323-886-4439 United States, Los Angeles (Toll)
Enter Conference ID Number: 436 074 619#

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. When required, CRMP will adjourn the meeting in accordance with Gov. Code section 11123.2(o).

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 Jennifer Hogan via email at jhogan@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 Jennifer Hogan via email at jhogan@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, Chair; Deputy Director, Cal OES
George Sittner, Vice Chair; Chief Insurance and Claims Officer, CEA
Eric Swanson, CRMP Board Member; Deputy Director of Finance and Administration, Cal OES
Tracy Palombo, CRMP Board Member; Reinsurance and Risk-Transfer Director, CEA

Establishment of a quorum

2. Consideration and acceptance of appointment letter designating Tracy Palombo, CEA Reinsurance and Risk-Transfer Director, as a member of the CRMP Governing Board.
3. Consideration and acceptance of appointment letter designating Eric Swanson, Cal OES Deputy Director of Finance and Administration, as a member of the CRMP Governing Board.
4. Consideration and approval of the minutes of the June 4, 2024, CRMP Governing Board meeting.

5. CRMP independent auditors, Plante Moran, PLLC, will present the Report of Audit on CRMP Annual Financial Statements (2023) and Single Audit (2023).
6. CRMP Treasurer Benjamin Kirwan will review the CRMP financial statements as of June 30, 2024.
7. CRMP Executive Director Janiele Maffei will present her executive report.
8. CRMP Managing Director Jennifer Hogan will present the CRMP Mitigation update.
9. Public comment on items that do not appear on this agenda and public requests that those matters be placed on a future agenda.
10. Adjournment.

Inquiries/General Information:

Jennifer Hogan

jhogan@calquake.com

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

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

Please contact Jennifer Hogan by email at jhogan@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 27, 2024

Agenda Item 2: CRMP Governing Board Member Appointment

Recommended Action: No action required – information only

Background:

Chair, Lori Nezhura, will present the letter dated July 29, 2024, for designation of Tracy Palombo, Reinsurance and Risk-Transfer Director, CEA, to act for Governing Board member Tom Welsh, Chief Executive Officer, CEA, at meetings of the Governing Board beginning August 27, 2024. This designation is effective indefinitely unless it is revoked by another letter to the CRMP Board members.

Recommendation:

No action required – information only.



July 29, 2024

To the California Residential Mitigation Program:

Please be advised that on June 25, 2024, I was appointed as the Chief Executive Officer of the California Earthquake Authority. This will confirm that I am stepping down as a CRMP Governing Board member, and that I hereby designate CEA's Reinsurance and Risk-Transfer Director, Tracy Palombo, to serve on the CRMP Governing Board effective immediately.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Tom Welsh', with a stylized flourish at the end.

Tom Welsh
Chief Executive Officer
California Earthquake Authority
twelsh@calquake.com

CRMP Governing Board Memorandum

August 27, 2024

Agenda Item 3: CRMP Governing Board Member Appointment

Recommended Action: No action required – information only

Background:

Chair, Lori Nezhura, will present the letter dated July 31, 2024, for designation of Eric Swanson, Deputy Director of Finance and Administration, Cal OES, to act for Governing Board member Jennifer Bollinger, Chief Counsel, Cal OES, at meetings of the Governing Board beginning August 27, 2024. 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, 2024

To the California Residential Mitigation Program:

This will confirm that effective August 1, 2024, Eric Swanson, Deputy Director of Finance and Administration, has been designated by the undersigned to serve as a member of the governing board of the California Residential Mitigation Program established by the Joint Exercise of Powers Agreement dated as of April 11, 2019, to which the Governor's Office of Emergency Services (Cal OES) is a party.

Mr. Swanson will replace board member Jennifer Bollinger, Cal OES Chief Counsel.

Dated: July 31, 2024

Governor's Office of Emergency Services

By: Nancy Ward



CRMP Governing Board Memorandum

August 27, 2024

Agenda Item 4: Consideration and Approval of Board Minutes

Recommended Action: Review and approve Board minutes

Background:

Approval of Board minutes from June 4, 2024.

Recommendation:

Staff recommends approval of the Board teleconference minutes from June 4, 2024.



Draft Meeting Minutes
are not available.

Please see CRMP Governing
Board Meeting
Approved Minutes.

CRMP Governing Board Memorandum

August 27, 2024

Agenda Item 5: Report of Audit on CRMP Annual Financial Statements (2023) and Single Audit (2023)

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, 2023.

- 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 2023 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, 2023. 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 2023 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, 2023**

California Residential Mitigation Program

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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, 2023 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, 2023 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 *Governmental 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 July 31, 2024 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.



July 31, 2024

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. In addition to the EBB grant, income eligible homeowners can receive a supplemental grant up to an additional \$7,000 toward the cost of their code-compliant retrofit. Supplemental grant recipients must have annual income at or below the statewide median income. 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 benefited from seismic building codes for many years, the availability of a seismic retrofit building code for existing houses has only been in existence within the past decade.

California Residential Mitigation Program

Management's Discussion and Analysis (Continued)

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.

Using This Report

CRMP's financial statements for the year ended December 31, 2023 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:

	<u>2023</u>	<u>2022</u>
Assets		
Current and other assets:		
Cash	\$ 4,188,399	\$ 1,315,696
Receivables - Due from other governments	7,786,853	5,759,054
Prepaid expenses and other assets	-	6,026
Total assets	<u>11,975,252</u>	<u>7,080,776</u>
Liabilities - Current	<u>617,898</u>	<u>167,249</u>
Net Position - Unrestricted	<u><u>\$ 11,357,354</u></u>	<u><u>\$ 6,913,527</u></u>

Asset, Liabilities, and Net Position

Total assets increased by \$4,894,476 (69 percent) in 2023, driven by \$5 million in total contributions by the CEA Mitigation Fund to CRMP, for cash flow purposes. 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, so occasionally it is necessary for CEA Mitigation Fund to make additional contributions to CRMP. Total liabilities increased by \$450,649 (269 percent) between 2023 and 2022, which is driven by an increase in the accounts payable associated with FEMA activity. Total net position increased by \$4,443,827 (64 percent) in 2023. This increase is due to a contribution to CRMP of \$5,000,000 in 2023.

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>2023</u>	<u>2022</u>
Revenue		
Program revenue - Contributions from other governments	\$ 15,667,505	\$ 8,155,980
General revenue - Contributions from a member	5,000,000	2,000,000
Total revenue	20,667,505	10,155,980
Expenses		
Administration and office expenses	29	2,786
Audit services	65,500	62,750
Board meeting	2,215	1,644
Consumer incentives	15,342,061	7,783,096
Information technology	86,094	26,205
Inspection services	199,359	189,405
Insurance	55,822	56,079
Legal services	46,946	68,874
Marketing services	396,206	460,922
Program education	-	25,000
Telecommunications	8,439	6,243
Income verification	21,007	16,789
Total expenses	16,223,678	8,699,793
Change in Net Position	4,443,827	1,456,187
Net Position - Beginning of year	6,913,527	5,457,340
Net Position - End of year	<u>\$ 11,357,354</u>	<u>\$ 6,913,527</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 2023 revenue represents the consumer incentives processed for the FEMA programs. Revenue totaling \$21,000 was for FEMA grant 4344, \$13,597,249 was for FEMA grant 4308, and \$2,049,256 was for FEMA grant 4407.

There were \$5,000,000 in contributions made by CEA in 2023.

Total program expenses increased by \$7,523,885 (86.5 percent) in 2023. This increase is driven by changes to FEMA funding; the timing of when programs begin and end and the size of such programs will impact the expenses each year.

Budget Analysis

Actual total expenditures for 2023 were \$16,223,678 compared to the final budget of \$27,799,500 for a positive variance of \$11,575,822. Consumer incentives for the Earthquake Brace + Bolt program had a final budget of \$26,720,000; actual expenditures were \$15,342,061. This positive variance of \$11,377,939 was due to the lower than anticipated number of retrofits completed in 2023. The variance is due to the delay in the roll out of certain FEMA programs in 2023 and various participants not completing the retrofit requirements prior to the end of fiscal year 2023.

California Residential Mitigation Program

Management's Discussion and Analysis (Continued)

Current Economic Factors and Conditions

CRMP continues to expand the Earthquake Brace + Bolt program each year, with additional zip codes generally added whenever enrollment is opened. CRMP continues to see significant interest and participation in the program. CRMP is consistently monitoring opportunities for funding beyond its members so that it can continue to grow and meet the program objectives. Driven by \$80 million in additional funding for FEMA 4308 in early 2022, it is anticipated that 2024 will continue to have significant increased activity compared to 2023, as the program continues to have increased activity each year.

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 2024 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 retrofits that can be completed.

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
400 Capitol Mall, Suite 1200
Sacramento, CA 95814

California Residential Mitigation Program

Statement of Net Position/Governmental Fund Balance Sheet

December 31, 2023

	General Fund - Modified Accrual	Adjustments	Statement of Net Position - Full Accrual
Assets			
Cash	\$ 4,188,399	\$ -	\$ 4,188,399
Receivables - Due from other governments	<u>7,786,853</u>	<u>-</u>	<u>7,786,853</u>
Total assets	<u>\$ 11,975,252</u>	-	11,975,252
Liabilities			
Accounts payable and accrued expenses	\$ 447,680	-	447,680
Due to other governmental units	<u>170,218</u>	<u>-</u>	<u>170,218</u>
Total liabilities	617,898	-	617,898
Deferred Inflows of Resources - Unavailable revenue	5,473,519	(5,473,519)	-
Fund Balance			
Fund balance- Unassigned	<u>5,883,835</u>	<u>(5,883,835)</u>	<u>-</u>
Total liabilities and fund balance	<u>\$ 11,975,252</u>		
Net position - Unrestricted		<u>\$ 11,357,354</u>	<u>\$ 11,357,354</u>

California Residential Mitigation Program

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

Year Ended December 31, 2023

	General Fund - Modified Accrual	Adjustments	Statement of Activities - Full Accrual
Revenue			
Contributions from a member	\$ 5,000,000	\$ -	\$ 5,000,000
Contributions from other governments	14,997,800	669,705	15,667,505
Total revenue	19,997,800	669,705	20,667,505
Expenditures			
Administration and office expenses	29	-	29
Audit services	65,500	-	65,500
Board meeting	2,215	-	2,215
Consumer incentives	15,342,061	-	15,342,061
Information technology	86,094	-	86,094
Inspection services	199,359	-	199,359
Insurance	55,822	-	55,822
Legal services	46,946	-	46,946
Marketing services	396,206	-	396,206
Telecommunications	8,439	-	8,439
Income verification	21,007	-	21,007
Total expenditures	16,223,678	-	16,223,678
Net Change in Fund Balance/Net Position	3,774,122	669,705	4,443,827
Fund Balance/Net Position - Beginning of year	2,109,713	4,803,814	6,913,527
Fund Balance/Net Position - End of year	\$ 5,883,835	\$ 5,473,519	\$ 11,357,354

December 31, 2023

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, 2023

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, 2023, the grant money recognized as part of program revenue and accounts receivable was \$7,786,833.

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, 2023

Note 2 - Significant Accounting Policies (Continued)

Use of Estimates

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

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

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

Fund Balance Reported in Governmental Fund	\$ 5,883,835
Amounts reported for governmental activities in the statement of net position are different because receivables that are not collected soon after year end are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the fund	<u>5,473,519</u>
Net Position of Governmental Activities	<u><u>\$ 11,357,354</u></u>

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

Net Change in Fund Balance Reported in Governmental Fund	\$ 3,774,122
Amounts reported for governmental activities in the statement of activities are different because revenue in the statement of activities that does not provide current financial resources is not reported as revenue in the funds until it is available	<u>669,705</u>
Change in Net Position of Governmental Activities	<u><u>\$ 4,443,827</u></u>

Note 4 - Deposits

CRMP had total cash balance of \$4,188,399 at December 31, 2023.

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, 2023, CRMP deposits of approximately \$4.4 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 2023, transfers from the CEA Mitigation Fund to CRMP totaled \$5,000,000.

As of December 31, 2023, the receivables balance of \$7,786,853 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	1,000,000	2,000,000
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, 2023

	Original/Final Budget	Actual	(Under) Over Final Budget
Revenue			
Contributions from a member	\$ 7,000,000	\$ 5,000,000	\$ (2,000,000)
Contributions from other governments	26,720,000	15,667,505	(11,052,495)
Total revenue	33,720,000	20,667,505	(13,052,495)
Expenditures			
Administration and office expenses	8,300	29	(8,271)
Audit services	65,000	65,500	500
Board meeting	1,800	2,215	415
Consumer incentives	26,720,000	15,342,061	(11,377,939)
Information technology	54,600	86,094	31,494
Inspection services	280,000	199,359	(80,641)
Insurance	59,500	55,822	(3,678)
Legal services	50,000	46,946	(3,054)
Marketing services and program education	550,000	396,206	(153,794)
Professional dues and memberships	800	-	(800)
Telecommunications	6,500	8,439	1,939
Income verification	-	21,007	21,007
Total expenditures	27,796,500	16,223,678	(11,572,822)
Net Change in Fund Balance	5,923,500	4,443,827	(1,479,673)
Fund Balance - Beginning of year	6,913,527	6,913,527	-
Fund Balance - End of year	\$ 12,837,027	\$ 11,357,354	\$ (1,479,673)

California Residential Mitigation Program

Note to Required Supplementary Information

December 31, 2023

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	\$	20,667,505
Unavailable revenue from prior fiscal year received in current fiscal year		4,803,814
Unavailable revenue does not provide current financial resources and, therefore, is not reported as revenue in the governmental fund		<u>(5,473,519)</u>
General Fund revenue per statement of revenue, expenditures, and changes in fund balance	\$	<u><u>19,997,800</u></u>

California Residential Mitigation Program

**Federal Awards
Supplemental Information
December 31, 2023**

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
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Notes to Schedule of Expenditures of Federal Awards	8
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Schedule of Findings and Questioned Costs	9
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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, 2023 and the related notes to the financial statements, which collectively comprise CRMP's basic financial statements. We issued our report thereon dated July 31, 2024, 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 July 31, 2024.

The accompanying schedule of expenditures of federal awards is presented for the purpose of additional analysis, as required by the Uniform Guidance, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 is fairly stated in all material respects in relation to the financial statements as a whole.

Plante & Moran, PLLC

August 14, 2024

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, 2023 and the related notes to the basic financial statements, which collectively comprise CRMP's basic financial statements, and have issued our report thereon dated July 31, 2024.

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

July 31, 2024

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 U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on CRMP's major federal program for the year ended December 31, 2023. 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, 2023.

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.

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

August 14, 2024

California Residential Mitigation Program

Schedule of Expenditures of Federal Awards

Year Ended December 31, 2023

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	\$ -	\$ 13,597,249
Hazard Mitigation Grant	97.039	FEMA-4344	-	21,000
Hazard Mitigation Grant	97.039	FEMA-4407	-	2,049,256
Total			\$ -	\$ 15,667,505

California Residential Mitigation Program

Notes to Schedule of Expenditures of Federal Awards

Year Ended December 31, 2023

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, 2023. 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 to use the 10 percent *de minimis* indirect cost rate to recover indirect costs when indirect costs are allowed to be charged.

California Residential Mitigation Program

Schedule of Findings and Questioned Costs

Year Ended December 31, 2023

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 27, 2024

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, 2024.

Recommendation:

No action is necessary.

California Residential Mitigation Program
(CRMP)

FINANCIAL
REPORT

BOARD MEETING
Tuesday, August 27, 2024

California Residential Mitigation Program
Balance Sheet
As of June 30, 2024
Unaudited

Assets

Cash and cash equivalents	\$ 4,468,953
Accounts receivable	<u>6,975,046</u>
Total assets	<u><u>11,443,999</u></u>

Liabilities and Fund Balance

Liabilities:

Accounts payable and accrued expenses	<u>175,849</u>
Total liabilities	<u>175,849</u>

Fund Balance:

Unassigned	<u>11,268,150</u>
Total fund balance	<u>11,268,150</u>
Total liabilities and fund balance	<u><u>\$ 11,443,999</u></u>

California Residential Mitigation Program
Statement of Revenues, Expenditures and Changes in Fund Balance
For the Six Months Ended June 30, 2024

Unaudited

Revenues:

Contributions from other governments	\$ 8,760,095
	<hr/>
Total revenues	8,760,095
	<hr/>

Expenditures:

Audit fees	37,000
Board meeting expenses	670
Grants to homeowners	8,469,894
Inspection services	86,400
Software and IT support	10,270
Legal services	16,735
Marketing services/program education	224,024
Call center	4,305
	<hr/>
Total expenditures	8,849,298
	<hr/>

Net change in fund balance (89,203)

Fund balance, beginning of year

 11,357,353

Fund balance, end of year to date

 \$ 11,268,150

**California Residential Mitigation Program
Budgeted Expenditures and Actual Expenditures
2024 Budget Year
as of June 30, 2024**

	2024 Actual Revenues and Expenditures	Approved 2024 Budget	Variance	
			\$	%
Revenue				
FEMA ¹	\$ 8,760,095	\$ 28,012,500	\$ (19,252,405)	-68.73%
Contribution from Members	-	-	-	N/A
Total Revenue	\$ 8,760,095	\$ 28,012,500	\$ (19,252,405)	-68.73%
CRMP Administration Expenses				
Administration & Office	\$ -	\$ 8,300	\$ 8,300	100.00%
Board Services	670	2,800	2,130	76.07%
Call Center	4,305	10,000	5,695	56.95%
EBB Marketing/Program Education	224,024	550,000	325,976	59.27%
Financial Audit	37,000	67,500	30,500	45.19%
Home Inspection Services	86,400	280,000	193,600	69.14%
Insurance	-	58,700	58,700	100.00%
Legal Services	16,735	100,000	83,265	83.27%
Software/IT Support	10,270	89,700	79,430	88.55%
Travel	-	6,250	6,250	100.00%
Total Administration Expenses	379,404	1,173,250	793,846	67.66%
Grants to Homeowners				
Grants to Homeowners - FEMA 4407 ESS	-	2,250,000	2,250,000	100.00%
Grants to Homeowners - FEMA 4407 EBB	9,000	-	(9,000)	NM
Grants to Homeowners - CRMP EBB	45,140	460,000	414,860	90.19%
Grants to Homeowners - FEMA 4308	8,415,754	25,000,000	16,584,246	66.34%
Total Grants to Homeowners	8,469,894	27,710,000	19,240,106	69.43%
Total Administrative and Grants to Homeowners	\$ 8,849,298	\$ 28,883,250	\$ 20,033,952	69.36%

¹ FEMA revenue is received on a reimbursement basis. The revenue represents the consumer incentives completed for the FEMA programs along with a portion of reimbursable administrative expenses for FEMA 4308. The FEMA revenue will be adjusted monthly to reflect the reimbursement.

CRMP Governing Board Memorandum

August 27, 2024

Agenda Item 7: 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 27, 2024

Agenda Item 8: California Residential Mitigation Program incentive programs
(CRMP Earthquake Retrofit Programs)

Recommended Action: No action required – information only

CRMP Retrofit Programs Overview:

As of July 27th, more than 26,322 residential seismic retrofits have been completed. This is an increase of 1,148 retrofits from the previous Governing Board meeting, 1,101 of which were completed under the various FEMA-funded HMGP programs.

Earthquake Retrofit Programs 7/27/2024 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	1,324	27	Open
CRMP 2019 EBB	620	4	Open
FEMA – funded HMGP DR 4308, 4344, & 4407	16,670	8,403	Open
Total	26,322	8,434	

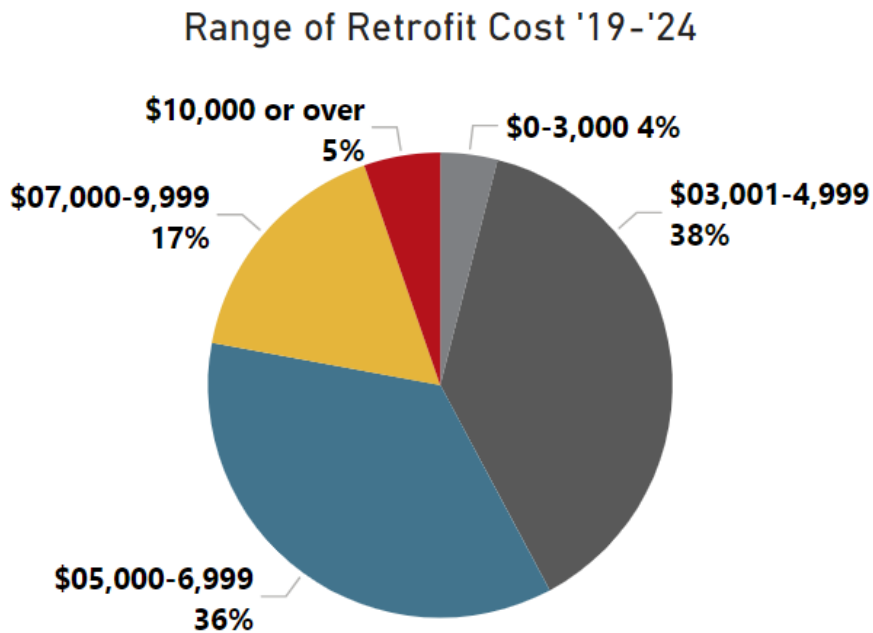
Earthquake Brace and Bolt (EBB):

2024 Program Cycle:

Registration for the 2024 EBB program opened on January 10, 2024, and closed on February 21, 2024. Over 21,000 homeowners successfully registered for the EBB program.

CRMP began acceptance of the first 2024 registrant group on April 15, 2024. 5,000 homeowners were accepted in the first group. CRMP will invite 3,500 additional homeowners every six weeks throughout the year until all registrants have been accepted into the program. We anticipate the last group will be accepted by December 1, 2024.

The cost of retrofits within specific ranges remained stable during this reporting period. For all retrofits completed, 78% cost less than \$6,999, with the average remaining consistent at roughly \$6,191 statewide.



Earthquake Soft-Story (ESS):

Implementation of CRMP’s ESS program continues to match the pace and scale of the initial implementation of the EBB program. To date, 71 homeowners have completed pre-retrofit requirements, and their properties have been submitted to FEMA for review, 49 of which have been approved by FEMA and are in various stages of completing their retrofit. There are an additional 22 homeowners in various phases of pre-retrofit. Upon receipt of pre-retrofit documentation from these homeowners, the additional properties will be submitted to FEMA for review and approval.

It is estimated that ~350 retrofits could be completed with the available funds from the FEMA grant. CRMP anticipates offering an additional registration period in late 2024 to bring more homeowners into the program to utilize all available grant funds.

CRMP began submitting ESS properties to FEMA in January 2024 and received batch one approval on July 1st. Batch two approval followed shortly thereafter, on July 12th. Though the first batch of properties took

approximately five months to approve, CRMP and Cal OES anticipate that approvals will continue at this expedited pace, given the establishment of a review process by FEMA.

Multifamily Soft-Story Retrofit Program (MSS):

The Multifamily Soft-Story Program, when implemented, will offer financial incentive grants to building owners of multifamily soft-story apartment and condominium buildings, that have not been previously retrofitted, in areas with high Social Vulnerability Index (SVI) ratings and where a voluntary or mandatory seismic retrofit local ordinance is established. The 2021 Building Resilient Infrastructure and Communities (BRIC) grant application states “This project anticipates seismically retrofitting up to 380-760+ buildings with 5-10 units, with a primary focus in economically disadvantaged communities within the counties of Los Angeles, Alameda, and Contra Costa.” The 2022 BRIC grant includes the same scope of work as the 2021 application but expands the geographic locations to add the counties of San Francisco, San Diego, San Bernardino, San Mateo, and Kern where the program will be offered.

Factoring inflation of the cost of labor and materials since the grant applications were developed in 2020 and 2021, we anticipate fewer buildings will be retrofitted than what was stated in the original applications.

In April, CEA received Phase 1 award notifications for the BRIC 2021 and BRIC 2022 grants for the development and implementation of the Multifamily Soft-Story Retrofit Program. The total project cost per BRIC grant is \$20M (\$40M total). These initial awards are for Phase 1 only and entail the following:

- Phase 1 total project cost for BRIC 2021 is \$5,385,000.03. CRMP’s cost share (Non-Federal Share) is \$1,615,500.01
- Phase 1 total project cost for BRIC 2022 is \$5,385,000.03. CRMP’s cost share (Non-Federal Share) is \$1,543,122.01

Phase 1 work includes:

- Assessment and identification of qualifying buildings in each county
- Establishment of appropriate building code and design use
- Development of technical guidance
- Program Rules development
- Development of marketing materials
- Enhancement and development of the CRMP website for program inclusion

- Collaboration with local jurisdictions for building selection, screening, and opt-in requirements
- Registration and selection of qualified building owners
- Qualification of properties by CRMP and FEMA

Staff continue Phase 1 work to develop the Earthquake Multi-Unit Retrofit (EMR) Program and anticipates offering registration in the first quarter of 2025.

California Earthquake Authority Brace and Bolt (CEA BB):

The CEA BB program is not under the purview of the CRMP Board, however, the CEA staff who support CRMP programs also support CEA BB so there are overlapping priorities which impact staffing.

From the previous meeting, 177 homeowners have completed retrofits, with an additional 64 currently in progress.

Future Funding Opportunities:

CRMP currently has two Hazard Mitigation Grant Program (HMGP) applications in review.

- \$5M for the Earthquake Brace + Bolt (EBB) program – In FEMA Review
- \$5M for the Earthquake Brace + Bolt (EBB) program – In Cal OES Review

Other Items of Interest:

1. Following the retirement of CRMP's Communications Specialist, D'Anne Ousley, we are pleased to welcome Sheri Pierce to the CRMP team. Sheri's first day was July 22nd.
2. CRMP Insurance Renewal- On August 15, 2024, CRMP renewed liability insurance for one year.