



**AMERICAN RECOVERY AND  
REINVESTMENT ACT:  
PROGRAM EXPENDITURES  
AND RESULTS**

**SPECIAL AUDIT**

**FEBRUARY 17, 2009 THROUGH DECEMBER 31, 2010**

**CITY OF CHESAPEAKE, VIRGINIA  
AUDIT SERVICES DEPARTMENT**

March 10, 2011

The Honorable Alan P. Krasnoff and  
Members of the City Council  
City of Chesapeake  
City Hall – 6<sup>th</sup> Floor  
Chesapeake, Virginia 23328

Dear Mayor Krasnoff and Members of the City Council:

We have reviewed the City of Chesapeake Virginia's (City's) American Recovery and Reinvestment Act: Program Expenditures and Results for the period February 17, 2009 to December 31, 2010. The purpose of this audit was 1) to evaluate the City's operational expenditure practices related to the American Recovery and Reinvestment Act (ARRA) and 2) to the extent that ARRA programs were underway or have been completed, evaluate the program compliance and results.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform our work to obtain sufficient and appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

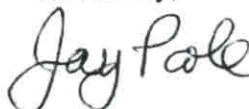
ARRA included 23 title chapters covering appropriations, taxes, unemployment, health care, state fiscal relief, and other provisions. The \$787 billion stimulus package contained \$288 billion in tax credits, \$144 billion in state and local fiscal relief, and \$355 billion of federal spending programs.

Within the City of Chesapeake, as of December 31, 2010, there were eighteen grants totaling \$22,633,862 for which funds had been appropriated. Grant expenditures totaled \$16,009,260 or 70.73 percent of total grant awards. As many as 15.89 positions had been funded utilizing City ARRA grants. Also, we noted that there were 149 participants in the City's ARRA-funded Summer Youth Employment Programs in FY 2009 and FY 2010, and one participant was actually hired full time by the City's Human Services Department. A summary of each program is included in Appendix B.

Based upon our review, we found that the City was operating its programs in compliance with federal guidelines, and the programs were producing results consistent with their federal objectives. Consequently our sole recommendation was made predominantly for the purpose of improving future ARRA accountability processes rather than correcting a material weakness. We recommended that the City consider reallocating \$95,700 that had been allocated for water fixture retrofits to other clearly eligible grant expenditures, to prevent potential questioned costs.

This report, in draft, was provided to the City's ARRA Compliance Team Leader and ARRA Program Managers for review and response. Their comments have been considered in the preparation of this report. These comments have been included in the Managerial Summary, the Audit Report, and Appendix A. All of the team members and ARRA program managers were very helpful throughout the course of this audit. We appreciated their courtesy and cooperation on this assignment.

Sincerely,



Jay Poole  
City Auditor  
City of Chesapeake, Virginia

C: William E. Harrell, City Manager  
Karla Amaya Gordon, Chair, City Compliance Team

## **Managerial Summary**

### **A. Objectives, Scope and Methodology**

We have reviewed the City of Chesapeake Virginia's (City's) American Recovery & Reinvestment Act: Program Expenditures and Results for the period February 17, 2009 to December 31, 2010. The purpose of this audit was to 1) evaluate the City's operational expenditure practices related to the American Recovery and Reinvestment Act (ARRA) and 2) to the extent that ARRA programs were underway or have been completed, evaluate program compliance and results.

We conducted our work in accordance with generally accepted government auditing standards. Those standards require that we plan and perform our work to obtain sufficient and appropriate evidence to provide a reasonable basis for our findings and conclusions based on our objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our objectives.

The American Recovery and Reinvestment Act was signed into law on February 17, 2009. It had five stated purposes:

- To preserve and create jobs and promote economic recovery;
- To assist those most impacted by the recession;
- To provide investments needed to increase economic efficiency by spurring technological advances in science and health;
- To invest in transportation, environmental protection and other infrastructure that will provide long-term economic benefits; and
- To stabilize state and local government budgets, in order to minimize and avoid reductions in essential services and counterproductive state and local tax increases.

ARRA included 23 title chapters covering appropriations, taxes, unemployment, health care, state fiscal relief, and other provisions. The \$787 billion stimulus package contained \$288 billion in tax credits, \$144 billion in state and local fiscal relief, and \$355 billion of federal spending programs.

Within the City of Chesapeake, as of December 31, 2010, there were eighteen grants totaling \$22,633,862 for which funds had been appropriated. Grant expenditures totaled \$16,009,260 or 70.73 percent of total grant awards. As many as 15.89 FTE positions had been funded utilizing City ARRA grants. Also, we noted that there were a total of 149 participants in the City's ARRA-funded Summer Youth Employment Programs in FY 2009 and FY 2010, and one participant was actually hired full-time by the City's Human Services Department. A summary of each program is included in Appendix B.

To conduct this audit, we reviewed citywide ARRA reporting practices to ensure that 1) the City was following applicable federal requirements and 2) City directives for financial operational reporting were being followed. We also evaluated whether program results were consistent with federal objectives.

## **Major Observations and Conclusions**

Based upon our review, we found that the City was operating its programs in compliance with federal guidelines, and the programs were producing results consistent with their federal objectives. Consequently our sole recommendation was made predominantly for the purpose of improving future ARRA accountability processes rather than correcting a material weakness. We recommended that the City consider reallocating \$95,700 that had been allocated for water fixture retrofits to other clearly eligible grant expenditures, to prevent potential questioned costs.

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## **B. Overview - City ARRA Programs**

According to guidelines developed by the Federal Office of Management and Budget (OMB), the City was considered to be a primary recipient on four of its ARRA grants, totaling \$3,663,126, and a Sub-recipient on fourteen ARRA grants totaling \$18,970,736. Grant expenditures as of December 31, 2010 totaled \$16,009,260 or 70.73 percent of total grant awards of \$22,633,862. The City had also completed \$77,980,000 in bond issuances under several different ARRA Bond programs. Information on these programs is provided in Appendix B. In addition, the City had developed an extensive quality control program to help ensure the accuracy of reports submitted for ARRA.

## **C. Finding and Recommendation**

Based upon our review, we found that the City was operating its ARRA programs in compliance with federal guidelines, and the programs were producing results consistent with their federal objectives. Consequently our sole recommendation was made predominantly for the purpose of improving future ARRA accountability processes rather than correcting a material weakness. We recommended that the City consider reallocating \$95,700 that had been allocated for water fixture retrofits to other clearly eligible grant expenditures, to prevent potential questioned costs.

## **1. EECBG Grant Utilization**

**Finding** - The City had allocated \$95,700 to be used for water fixture retrofits as part of its Energy Efficiency and Conservation Block Grant (EECBG). There was some risk that expenditures against this allocation might not be considered eligible expenses by federal oversight authorities.

**Recommendation** - The City should consider reallocating the \$95,700 allocated for these water fixture retrofits to other clearly eligible grant expenditures.

**Response** - Since we were already considering reallocating those funds for reasons discussed, it won't be a problem for us to do it. There are certainly plenty of lighting or HVAC retrofits that we can do with those funds. Barbara and I will go ahead and reallocate with DOE at the same time we reallocate some of the training funds to additional solar PV work.

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FEBRUARY 17, 2009 TO DECEMBER 31, 2010

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## **A. Objectives, Scope and Methodology**

We have reviewed the City of Chesapeake Virginia's (City's) American Recovery & Reinvestment Act: Program Expenditures and Results for the period February 17, 2009 to December 31, 2010. The purpose of this audit was to 1) evaluate the City's operational expenditure practices related to the American Recovery and Reinvestment Act (ARRA) and 2) to the extent that ARRA programs were underway or have been completed, evaluate program compliance and results.

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- To stabilize state and local government budgets, in order to minimize and avoid reductions in essential services and counterproductive state and local tax increases.

ARRA included 23 title chapters covering appropriations, taxes, unemployment, health care, state fiscal relief, and other provisions. The \$787 billion stimulus package contained \$288 billion in tax credits, \$144 billion in state and local fiscal relief, and \$355 billion of federal spending programs.

Within the City of Chesapeake, as of December 31, 2010, there were eighteen grants totaling \$22,633,862 for which funds had been appropriated. Grant expenditures totaled \$16,009,260 or 70.73 percent of total grant awards. There were 33,048 work hours, or 15.89 annualized Full-Time Equivalent (FTE) positions, funded utilizing City ARRA grants. In addition, we noted that there were a total of 149 participants in the City's ARRA-funded Summer Youth Employment Programs in FY 2009 and FY 2010, and one of these participants was actually hired full-time by the City's Human Services Department. The City also completed \$77,980,000 in ARRA-related bond issuances. A summary of each program is included in Appendix B.

To conduct this audit, we reviewed citywide ARRA reporting practices to ensure that 1) the City was following applicable federal requirements and 2) City directives for financial operational reporting were being followed. We also evaluated whether program results were consistent with federal objectives.



## **Major Observations and Conclusions**

Based upon our review, we found that the City was operating its ARRA programs in compliance with federal guidelines, and the programs were producing results consistent with their federal objectives. Consequently our sole recommendation was made predominantly for the purpose of improving future ARRA accountability processes rather than correcting a material weakness. We recommended that the City consider reallocating \$95,700 that had been allocated for water fixture retrofits to other clearly eligible grant expenditures, to prevent potential questioned costs.

This report, in draft, was provided to the City's ARRA Compliance Team Leader and ARRA Program Managers for review and response. Their comments have been considered in the preparation of this report. These comments have been included in the Managerial Summary, the Audit Report, and Appendix A. All of the team members and ARRA program managers were very helpful throughout the course of this audit. We appreciated their courtesy and cooperation on this assignment.

## **Scope and Methodology**

To conduct this audit, we obtained Catalog of Domestic Federal Assistance descriptions for each program and verified from interviews and departmental submissions that federal program objectives were being achieved. We also verified information related to the eligibility of program expenditures charged against the grants.

In addition, we reviewed federal and state reporting requirements related to ARRA grants as well as the City's quarterly ARRA reporting submissions for grants where it was a prime recipient to ensure that federal and City directives for financial reporting, jobs-funding reporting, and other relevant operational reporting were being followed. We also reviewed trial balances for sub-recipient grants as of December 31, 2010.

As part of its required reporting, the City submitted information on jobs funded (i.e. jobs either created or retained by ARRA programs) on a quarterly basis to the Federal government. To analyze this information for comparative purposes, we annualized the data by dividing the total number of hours worked by a Fair Labor Standards Act standard work year (2,080 hours). Where applicable, the quarterly reporting amounts are included in Appendix B of this report.

Finally, we reviewed the status of the two recommendations included in our March 2010 audit, ARRA: Quality Assurance and Initial Reporting. We recommended that the City ensure that funding was appropriated sufficiently to cover expenditures for all ARRA-related Social Services programs, and also recommended that the City assume primary responsibility for reporting the jobs funding information for its prime recipient grants. Both recommendations were implemented by the City.

**B. Overview - City ARRA Programs**

According to guidelines developed by the Federal Office of Management and Budget (OMB), the City was considered to be a primary recipient on four of its ARRA grants, totaling \$3,663,126, and a Sub-recipient on fourteen ARRA grants totaling \$18,970,736. Grant expenditures as of December 31, 2010 totaled \$16,009,260 or 70.73 percent of total grant awards of \$22,633,862. The City had also completed \$77,980,000 in bond issuances under several different ARRA Bond programs. Information on these programs is provided in Appendix B. In addition, the City had developed an extensive quality control program to help ensure the accuracy of reports submitted for ARRA.

**1. Primary Recipient Grants**

OMB defined a Primary Recipient as “any entity other than an individual that receives Recovery Act funds in the form of a grant, cooperative agreement or loan directly from the Federal Government”. The City had four ARRA programs for which it functioned as a primary recipient. These programs were as follows:

<b>Exhibit #1</b>			
<b>City of Chesapeake</b>			
<b>ARRA Primary Recipient Grants (as of 12/31/10)</b>			
<u>Grant Title</u>	<u>*CFDA#</u>	<u>Federal Source Department</u>	<u>Amount</u>
Community Development Block Grant- ARRA Entitlement Grant (CDBG-R)	14.253	Housing & Urban Development	\$331,823
Homelessness Prevention and Rapid Re-Housing Program (HPRP)	14.257	Housing & Urban Development	\$507,406
Edward Byrne Memorial Justice Assistance Grant	16.804	Justice	\$776,997
Energy Efficiency and Conservation Block Grant (EECBG)	81.258	Energy	<u>\$2,046,900</u>
Totals			<u>\$3,663,126</u>
*CFDA (Catalog of Federal Domestic Assistance) Numbers were used by the Federal Government to identify and monitor grants for Federal reporting purposes.			

As of December 31, 2,480 work hours (1.19 annualized FTEs) had been funded in the HPRP program. The CDBG-R program funded 1,909 total work hours in the third and fourth quarters of FY 2010 (0.92 annualized FTEs in total). While no jobs were expected to be funded by the Byrne grant, the EECBG program had the potential to generate additional job creation. (See Exhibit #3 for data on each ARRA grants jobs funding results)

**2. Sub-recipient Grants**

OMB defined a sub-recipient as “a non-Federal entity that expends Federal awards received from a pass-through entity to carry out a Federal program but does not include an individual who is a beneficiary of such a program.” The City had fourteen ARRA sub-recipient programs. These programs were as follows:

<b>Exhibit #2</b>			
<b>City of Chesapeake</b>			
<b>ARRA Sub Recipient Grants (as of 12/31/10)</b>			
<u>Grant Title</u>	<u>*CFDA#</u>	<u>Federal/State Source</u>	<u>Amount</u>
Supplemental Nutrition Assistance Program (SNAP) - FY 10 Allocation	10.561	Agriculture/Social Services	\$71,360
Supplemental Nutrition Assistance Program (SNAP) - FY 11 Allocation	10.561	Agriculture/Social Services	\$115,774
State Victim Assistance Formula Grant Program (Victim Witness)	16.801	Justice/Criminal Justice Svcs.	\$73,476
Edward Byrne Memorial Justice Assistance Grant (State Allocation)	16.803	Justice/Compensation Board	\$516,622
WIA (Workforce Investment Act) - Youth Activities - (Youth Employment)	17.259	Labor/Opportunity Inc.	\$480,165
Highway Planning and Construction (for Dismal Swamp Trail project)	20.205	Transportation/Transportation	\$1,300,000
Surface Transportation Discretionary Grants for Capital Investment (LED			589,976
(Conversion: Paving; Bridge Deck Rehab)	20.932	Transportation/Transportation	3,298,137
National Clean Diesel Funding Assistance Program	66.039	Environmental Protection Agency/Hampton Roads Clean Cities	<u>\$244,214</u>
<b>Subtotal – Sub-recipient Grants</b>			<b>\$8,127,833</b>

**Exhibit #2 (Continued)**  
**City of Chesapeake**  
**ARRA Sub Recipient Grants (as of 12/31/10)**

<u>Grant Title</u>	<u>*CFDA#</u>	<u>Federal /State Source</u>	<u>Amount</u>
Special Education - Grants for Infants and Families (Special Education)	84.393	Education/Social Services	\$137,411
Special Education - Grants for Infants and Families (Special Education) – 2011	84.393	Education/Social Services	\$131,970
State Fiscal Stabilization Fund - FY 2009 Jail Costs	84.397	Education/Compensation Bd.	\$2,413,725 645,856
State Fiscal Stabilization Fund - FY 2010 Jail Costs	84.397	Education/Compensation Bd.	\$6,669,141
	93.658		
Social Services - Foster Care, Adoption, Child Care & Dev.	93.659 93.713	Health Human Svs./Social Svs.	<u>\$844,800</u>
Total – Subrecipient Grants			<u>\$18,970,736</u>

We noted that 22,911 total work hours (11.01 annualized FTEs) had been funded in the City's two Transportation Programs. Also, 2,448 work hours had been funded within the Victim Witness Program (1.18 annualized FTEs), 2,340 were funded through the Social Services Block Grant (1.13 annualized FTEs) and 960 work hours were funded in the Special Education Program (0.46 annualized FTEs). In addition, the WIA Youth Employment Program had a combined total of 149 participants in FY 2009 and FY 2010, and one of these participants eventually was hired for a full-time position within the City's Human Services Department. Jobs funding information for all grants is included in Exhibit #3 below.

<b>Exhibit #3</b>			
<b>City of Chesapeake</b>			
<b>ARRA Jobs Funded (as of 12/31/10)</b>			
<u>Grant Title</u>	<u>*CFDA#</u>	<u>Hours Worked</u>	<u>Annualized FTEs</u>
Community Development Block Grant- ARRA Entitlement Grant (CDBG-R)	14.253	1,909	0.92
Homelessness Prevention and Rapid Re-Housing Program (HPRP)	14.257	2,480	1.19
Highway Planning and Construction (for Dismal Swamp Trail project)	20.205	88	0.04
Surface Transportation Discretionary Grants for Capital Investment (LED (Conversion: Paving; Bridge Deck Rehab)	20.932	22,823	10.97
State Victim Assistance Formula Grant Program (Victim Witness)	16.801	2,448	1.18
Special Education - Grants for Infants and Families (Special Education)	84.393	960	0.46
Social Services - Foster Care, Adoption, Child Care & Dev.*	93.658	<u>2,340</u>	<u>1.13</u>
<b>TOTALS</b>		<u><b>33,048</b></u>	<u><b>15.89</b></u>

\*Since the actual employee start date was not available, we used an estimated start date (April 1, 2010)

Exhibit #4 highlights City ARRA expenditures. It should be noted that \$3,059,581 in FY 2009 State Fiscal Stabilization Fund (SFSF) expenditures and \$6,669,141 in FY 2010 expenditures were allocated to the City after the fiscal year was over as part of a State adjustment in cost allocation, and thus were not actually “awarded” to the City as a grant. If the \$9,728,722 in SFSF funds were subtracted from total expenditures, the City had expended \$6,280,538 of the remaining \$12,905,140 in ARRA grant awards, or 48.67 percent, by December 31.

**Exhibit #4**  
**City of Chesapeake**  
**ARRA Grant Expenditures (as of 12/31/10)**

<u>Grant Title</u>	<u>*CFDA#</u>	<u>Federal/State Source</u>	<u>Amount</u>
A. Prime Recipient Grants			
Homelessness Prevention and Rapid Re-Housing Program (HPRP)	14.257	Housing & Urban Development	\$230,401
Edward Byrne Memorial Justice Assistance Grant	16.804	Justice	\$207,948
Community Development Block Grant ARRA Entitlement Grant (CDBG-R)	14.253	Housing & Urban Development	\$300,000
Energy Efficiency and Conservation Block Grant	81.128	Department of Energy	\$0
B. Sub-Recipient Grants			
Supplemental Nutrition Assistance Program (SNAP) - FY 10 Allocation	10.561	Agriculture/Social Services	\$56,200
Supplemental Nutrition Assistance Program (SNAP) – FY 11 Allocation	10.561	Agriculture/Social Services	\$39,279
State Victim Witness Formula Grant Program	16.801	Justice/Criminal Justice Svcs.	\$34,173
Recovery Act –Edward Byrne Memorial Justice Assistance Grant	16.803	Justice/Criminal Justice Svcs.	\$516,622
WIA (Workforce Investment Act) - Youth Activities - (Youth Employment)	17.259	Labor/Opportunity Inc.	\$390,253
State Fiscal Stabilization Fund - FY 2009 Jail Costs	84.397	Education/Compensation Bd.	\$2,413,725

**Exhibit #4 (Continued)**  
**City of Chesapeake**  
**ARRA Grant Expenditures (as of 12/31/10)**

<u>Grant Title</u>	<u>*CFDA#</u>	<u>Federal/State Source</u>	<u>Amount</u>
State Fiscal Stabilization Fund - FY 2009 4th Quarter per diem	84.397	Education/Compensation Bd.	\$645,856
State Fiscal Stabilization Fund – FY 2010 Jail Costs	84.397	Education/Compensation Bd.	\$6,669,141
Special Education – Grants for Infants and Families (FY 10)	84.393	Education/Social Services	\$104,395
Special Education – Grants for Infants and Families (FY 11)	84.393	Education/Social Services	\$36,028
Highway Planning and Construction (for Dismal Swamp Trail Project)	20.205	Transportation/Transportation	\$95,780
Surface Transportation Discretionary Grants for Capital Investment (LED (Conversion: Paving; Bridge Deck Rehab)	20.932	Transportation/Transportation	\$3,424,659
National Clean Diesel Funding Assistance Program	66.039	EPA/Hampton Rds. Clean Cities	\$0
	93.658		
Social Services - Foster Care, Adoption, Child Care & Dev.	93.659	Health and Human Services/	
	93.713	Social Services	<u>\$844,800</u>
<b>Total ARRA Expenditures</b>			<u><b>\$16,009,260</b></u>

### **3. Bonds**

ARRA provided for issuance of a number of different kinds of tax-exempt or tax-credit bond issues, including Recovery Zone Facility Bonds (RZFD), Recovery Zone Economic Development Bonds (RZED), Build America Bonds (BAB), and Qualified School Construction Bonds (QSCB). As of December 31, 2010, the City had issued \$77,980,000 in ARRA-related Bonds, which are highlighted in the table below.

<b>Exhibit #5</b>			
<b>City of Chesapeake</b>			
<b>ARRA Bond Issuances (as of 12/31/10)</b>			
<u>ARRA Bond Program</u>	<u>Issue Date</u>	<u>Purpose</u>	<u>Amount</u>
Recovery Zone Economic Development Bonds – General Obligation Tax Increment	March 2010	Streetscape improvements – South Norfolk	\$2,555,000
Build America Bonds – taxable Water & Sewer System Revenue Bonds	April 2010	Capital improvements – water & sewer systems	\$32,525,000
Build America Bonds – taxable General Obligation Public Improvement Bonds	August 2010	Capital improvements – citywide	\$33,460,000
Build America Bonds – taxable General Obligation Tax Increment	August 2010	Capital improvements – Greenbrier TIF District	\$4,935,000
Build America Bonds – taxable General Obligation Tax Increment	August 2010	Capital improvements – South Norfolk TIF District	\$4,505,000
Total ARRA Bonds			<u>\$77,980,000</u>



#### **4. ARRA Program Results**

Highlighted below are summaries of the program results for each of the City's ARRA grants. The complete program summaries are included in Appendix B.

##### **1. Primary Recipient Grants**

###### **Community Development Block Grant ARRA Entitlement Grant (CDBG-R) – CFDA #14.253 - \$331,823**

The City awarded CDBG-R funds to the following agencies as sub-recipients:

1) Virginia Supportive Housing was awarded \$300,000 for new construction related expenses for the South Bay Apartments. The 60-unit apartment complex was the region's third permanent supportive housing development for homeless adults. An agreement was executed on December 3, 2009, with Virginia Supportive Housing, and construction was completed in November, 2010. The cities of Norfolk, Virginia Beach, Portsmouth, and Chesapeake provided funding and rental subsidies.

2) Our House Families was awarded \$31,823 for emergency rehabilitation-related expenses to preserve the 100+ year old homeless shelter for women and children. Bids for construction were requested in December 2010, and construction was expected to begin in January 2011.

###### **Homelessness Prevention and Rapid Re-Housing Program (HPRP) – CFDA#14.257 – Department of Housing and Urban Development - \$507,406**

HPRP funding was provided to the City's Department of Human Services, the City's Community Services Board, and the nonprofit agency For Kids, Inc. to enhance existing homeless programs. This ARRA funding was leveraged with funds previously received under the Dragas Homeless Children's Initiative Grant. The combined use of funding gave the City the ability to launch a central intake program to more effectively provide intake and direct assistance to individuals and families experiencing or at risk of approaching homelessness. As of the September 30, 2010 reporting period, 236 persons and 82 households were served under this program.

###### **Edward Byrne Memorial Justice Assistance Grant (Byrne Grant) – CFDA#16.804 – Department of Justice - \$776,997**

The City utilized this grant to acquire equipment necessary for several Information Technology projects deemed crucial for policing efficiency, public safety and overall crime prevention. Various computer networking, hardware and software applications have been purchased under this ARRA funding, including CopLogic software, laptops, printers, smartboards, and Laserfische products and related services during this reporting period.

**Energy Efficiency and Conservation Block Grant – CFDA# 81.128 – Department of Energy - \$2,046,900**

The City planned to utilize these grant funds for energy retrofits of City buildings, developing a regional energy usage analysis, and analyzing the region's carbon footprint. In December 2010, the City's Facilities Management Division issued a \$235,000 contract for the replacement of rooftop HVAC equipment at the Chesapeake Sheriff's Administrative Office. Additionally, HVAC and lighting retrofits are planned for various community centers, police precincts, fire stations, and libraries throughout the City. The City expected that these projects would be advertised and awarded by March 2011. Facilities Management was working with Old Dominion University (ODU) and the Hampton Roads Planning District Commission (HRPDC) to provide a carbon footprint baseline for this area. This funding was also providing additional energy efficiency training, facilitated by ODU, for City staff.

**2. Sub-recipient Grants**

**State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (SNAP) - Stimulus Administration FY 10 Allocation – CFDA#10.561 – Department of Agriculture - \$71,360**

**State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (SNAP) - Stimulus Administration FY 11 Allocation – CFDA#10.561 – Department of Agriculture - \$115,774**

The ARRA SNAP programs provided financial reimbursement to the City's Department of Social Services for administrative costs associated with eligibility determination and application processing necessary to administer and provide benefits to qualified residents within the City.

**State Victim Assistance Formula Grant Program (Victim Witness) – CFDA#16.801-\$73,476**

The Department of Criminal Justice Services required the utilization of a Client Information Management System (CIMS) to track statistical information for program management. Computer equipment was purchased and delivered in March, 2010 to address the CIMS implementation. The Victim/Witness Program funded under ARRA provided services to 423 victims of crime during FY 2010 and FY 2011.

**WIA (Workforce Investment Act) Youth Activities – CFDA#17.259 - Department of Labor - \$480,165**

The City through its Office of Youth Services enrolled 29 participants in the 2010 Summer Youth Work Experience program. These participants provided assistance to the City in various employment positions such as payroll assistants, purchasing assistants, office assistants, program assistants, summer camp counselors, and library aides. Most participants averaged 25 – 30 hours of employment per week. Completion of this program provided participants with improved communication and language skills as well as interpersonal relationship skills. The initial 2009 Summer Youth Work

Experience program funded by ARRA served 120 participants, so 149 participants in total were served over two years. One of these participants was hired for a full-time position with the City's Human Services Department.

**Special Education – Grants for Infants and Families – CFDA#84.393 – Department of Education - \$137,411 (FY 2010) and \$131,970 (FY 2011)**

The City utilized these funds for early intervention services, and hired a Clinician II in July 2010 to conduct assessments and coordinate with families and vendors. The Clinician provided service coordination to a minimum target of 25 clients under this program.

**State Fiscal Stabilization Fund – CFDA#84.397- Department of Education - \$645,856 (FY 2009); \$2,413,725 (FY 2009); and \$6,669,141 (FY 2010).**

These funds had been substituted by the State in July 2009, and August 2010 for funds that had already been expended from State general fund sources by the City and State.

**Social Services Programs: Foster Care Title IV-E (CFDA#93.658), Adoption Assistance (CFDA#93.659), Child Care and Development Block Grant (CFDA#93.713) – Department of Health and Human Services - \$844,800**

ARRA funding passed down for foster care and adoption programs was specifically utilized for the purpose of stabilizing local funds and aided in balancing the local budget. The Virginia Department of Social Services did not use ARRA funds to enhance the Foster Care and Adoption subsystems; however, more than \$2 million in ARRA funds was utilized to enhance the Child Care subsystems.

Final ARRA funding for Child Care was provided by the State for the period ending September 30, 2010. Due to a long waiting list for child care services, the Department of Social Services renegotiated a Child Care contract with the Planning Council to address the needs of additional clients requiring assistance.

**Recovery Act- Edward Byrne Memorial Justice Assistance Grant – CFDA #16.803 – Department of Justice - \$516,622**

This Byrne Grant had the same broad national objectives as the Byrne Grant for which the City was a Primary Recipient. However, these particular Byrne Grant funds were distributed to the State instead of the City, and the State Compensation Board was utilizing the funds in a similar manner as the State Fiscal Stabilization Funds to support Sheriff's operations. These funds represented the City's FY 2010 allocation.

**Highway Planning and Construction (for Dismal Swamp project) – CFDA#20.205 – Department of Transportation - \$1,300,000**

The City was a sub-recipient of VDOT for this ARRA funding, which was to be used to extend and enhance the Dismal Swamp Canal multiuse recreation trail. The improvements planned were for a 3 mile extension along George Washington Highway from the existing north trailhead to the new Deep Creek Park. In October 2010, the City awarded a design services contract in the amount of \$127,656 to determine the specific scope of work for this project. The City expected that a contract for the Dismal Swamp Canal trail improvements would be awarded in early 2011.

**Surface Transportation Discretionary Grants for Capital Investment – CFDA #20.932 – Department of Transportation - \$589,976; \$3,298,137; and \$1,438,109**

**Program Results:**

The three City projects to be funded were as follows:

- Citywide Light Emitting Diode (LED) Conversion - \$589,976 – To upgrade approximately 125 intersections with LED signal lamps.
- Citywide Pavement Resurfacing - \$3,298,137 – To repave/rehabilitate approximately 43 lane miles of roads.
- Citywide Bridge Deck Sealing and Rehabilitation - \$1,438,109 – To seal and/or rehabilitate 19 bridges in the City.

As of the December 31, 2010 reporting period, the City had awarded the following contracts:

- \$290,330 for upgrades to LED signal lamps at various intersections throughout the City. The City converted 105 intersections from incandescent lighting to LED. This project has been completed.
- \$3,572,854.93 for pavement resurfacing and rehabilitation of various citywide streets. The project was in progress as of December 31<sup>st</sup> and was to provide pavement resurfacing for 40.345 lane miles of road.
- \$1,055,740.38 for bridge deck sealing and rehabilitation for 19 bridges throughout the City. This work has been completed.

**National Clean Diesel Funding Assistance Program – CFDA 66.039 – Environmental Protection Agency - \$244,214**

The City was planning to purchase six diesel-fueled automated refuse trucks (4 side loaders, 1 rear loader and 1 grapple truck) during FY 2011. The City was providing funding in the amount of \$732,642 as a match to the ARRA funding for this program.

## **C. Finding and Recommendation**

Based upon our review, we found that the City was operating its ARRA programs in compliance with federal guidelines, and the programs were producing results consistent with their federal objectives. Consequently our sole recommendation was made predominantly for the purpose of improving future ARRA accountability processes rather than correcting a material weakness. We recommended that the City consider reallocating \$95,700 that had been allocated for water fixture retrofits to other clearly eligible grant expenditures, to prevent potential questioned costs.

### **1. EECBG Grant Utilization**

**Finding - The City had allocated \$95,700 to be used for water fixture retrofits as part of its Energy Efficiency and Conservation Block Grant (EECBG). There was some risk that expenditures against this allocation might not be considered eligible expenses by federal oversight authorities.**

The 2007 Energy Independence and Security Act created the EECBG. It identified 14 eligible use categories for expenditures under the grant. Unfortunately, while it allowed the Secretary of Energy to make a determination about "any other appropriate activities" that could be funded, it did not specifically identify water fixture retrofits as an eligible usage. Since the City had not yet expended any funds against the allocation, we were asked by the City's EECBG program managers to evaluate whether these retrofits would be considered allowable expenses under it.

While block grants such as the EECBG had historically allowed for expenditures that were not specifically identified in the authorizing legislation, there was a possibility that, in this instance, Department of Energy (DOE) program managers or auditors might raise questions about the eligibility of water fixture retrofit expenditures under the grant, since they might view the energy savings benefit of water fixture retrofits as more of an indirect benefit. This possibility was exacerbated by the 'multiple answers' that one of the City's program managers had already received from DOE staff regarding this matter.

This situation occurred because, initially, the City was trying to maximize its utilization of the EECBG grant funds to cover as many of the City's energy-related retrofit needs as possible. However, while these retrofit expenditures could conceivably be deemed to have an energy savings component, the City may experience difficulty persuading DOE of this should DOE develop an alternative interpretation.

**Recommendation - The City should consider reallocating the \$95,700 allocated for these water fixture retrofits to other clearly eligible grant expenditures.**

The City should consider reallocating the \$95,700 in available funding to either energy efficient lighting or HVAC expenditures. Expenditures in both these categories would clearly be eligible, and as such they would reduce the risk of the City having to potentially contest questioned costs on its largest ARRA prime recipient grant.

**Response - Since we were already considering reallocating those funds for reasons discussed, it won't be a problem for us to do it. There are certainly plenty of lighting or HVAC retrofits that we can do with those funds. Barbara and I will go ahead and reallocate with DOE at the same time we reallocate some of the training funds to additional solar PV work.**

# **APPENDIX A**

## **RESPONSE FROM CITY PROGRAM MANAGERS**

**From:** Timothy Winslow  
**To:** Jay Poole  
**CC:** Amy Morrell; Barbara Brumbaugh; Eric Martin  
**Date:** 11/23/2010 11:12 AM  
**Subject:** Re: Energy Efficiency and Conservation Block Grant

Jay,  
Since we were already considering reallocating those funds for reasons discussed, it won't be a problem for us to do it. There are certainly plenty of lighting or HVAC retrofits that we can do with those funds. Barbara and I will go ahead and reallocate with DOE at the same time we reallocate some of the training funds to additional solar PV work.  
Thanks. Tim

>>> Jay Poole 11/23/2010 11:05 AM >>>  
Tim,

As was discussed yesterday, we have looked at the potential eligibility of water fixture retrofits under the Energy Efficiency and Conservation Block Grant (EECBG). As you know, the 2007 Energy Independence and Security Act created the EECBG, and it identifies 14 eligible use categories for expenditures under the grant. Unfortunately, while it allows the Secretary of Energy to make a determination about "any other appropriate activities" that can be funded, it does not specifically identify water fixture retrofits as an allowable usage.

While block grants such as the EECBG have historically allowed for expenditures that are not specifically identified in the authorizing legislation, our concern here is that, down the road, Department of Energy (DOE) auditors may raise questions about the eligibility of water fixture retrofit expenditures under this grant, since they may view the energy savings benefit of water fixture retrofits as more of an indirect benefit. This concern is exacerbated by the 'multiple answers' that Barbara indicated that she had already received from DOE staff regarding this item. While I would concur that such expenditures do in fact have an energy savings component and should probably be eligible, the City may experience difficulty persuading DOE of this should DOE develop an alternative interpretation.

For this reason, we plan to recommend that the City consider reallocating the \$95,700 currently identified for these water fixture retrofits to either energy efficient lighting or HVAC expenditures. Expenditures in both these categories would clearly be eligible, and as such they would reduce the risk of the City having to potentially contest questioned costs on its largest prime recipient grant.

Let me know if you have any questions.

Jay Poole  
City Auditor  
City of Chesapeake, Virginia  
Phone: (757) 382-8511  
Fax: (757) 382-8860  
[jpoole@cityofchesapeake.net](mailto:jpoole@cityofchesapeake.net)



# **APPENDIX B**

## **DESCRIPTIONS OF CITY-UTILIZED ARRA GRANT PROGRAMS AND BOND PROGRAMS**

# CITYWIDE ARRA GRANTS - PROGRAM RESULTS

## 1. Primary Recipient Grants

### **Community Development Block Grant ARRA Entitlement Grant (CDBG-R) – CFDA #14.253 - \$331,823**

#### **Program Objectives:**

The overall CDBG program objective was to develop viable urban communities by providing decent housing and a suitable living environment, and by expanding economic opportunities, principally for persons of low and moderate income. CDBG-R program funds were to be used to maximize job retention and creation, and economic benefit, carry out infrastructure improvements on an expedited basis, carry out activities to encourage energy efficiency, and provide assistance to unemployed persons.

#### **Program Results:**

The City awarded CDBG-R funds to the following agencies as sub-recipients:

1) Virginia Supportive Housing was awarded \$300,000 for new construction related expenses for the South Bay Apartments. The 60-unit apartment complex was the region's third permanent supportive housing development for homeless adults. An agreement was executed on December 3, 2009, with Virginia Supportive Housing, and construction was completed in November, 2010. The cities of Norfolk, Virginia Beach, Portsmouth, and Chesapeake provided funding and rental subsidies.

2) Our House Families was awarded \$31,823 for emergency rehabilitation-related expenses to preserve the 100+ year old homeless shelter for women and children. Bids for construction were requested in December 2010, and construction was estimated to begin in January 2011.

#### **Jobs Funding Activities:**

Jobs funding activities supported by this ARRA program included 2.69 and 0.98 positions respectively, in the third and fourth quarters of FY 2010 specifically related to construction, heavy equipment operators, and electrical, masonry and plumbing trades. The program funded a total of 1,909 work hours (0.92 annualized FTEs).

#### **Program Expenditures:**

Program expenditures as of December 31, 2010 were \$300,000.

### **Homelessness Prevention and Rapid Re-Housing Program (HPRP) – CFDA#14.257 – Department of Housing and Urban Development - \$507,406**

#### **Program Objectives:**

This program provided financial and other assistance to prevent individuals and families from becoming homeless and helped those who were experiencing homelessness to be

quickly re-housed and stabilized. Financial assistance included rental assistance, security and utility deposits and subsidies. Housing and stabilization efforts included housing relocation, mediation, credit counseling, and case management services.

**Program Results:**

HPRP funding was provided to the City of Chesapeake's (City's) Department of Human Services, the City's Community Services Board, and the nonprofit agency For Kids, Inc. to enhance existing homeless programs. This ARRA funding was leveraged with funds previously received under the Dragas Homeless Children's Initiative Grant. The combined use of funding gave the City the ability to launch a central intake program to more effectively provide intake and direct assistance to individuals and families experiencing or at risk of approaching homelessness. As of the September 30, 2010 reporting period, 236 persons and 82 households were served under this program.

**Jobs Funding Activities:**

Jobs funding activities supported by this ARRA program include 1.0 FTE positions for each quarter beginning October 1, 2009 through December 31, 2010 specifically related to case management responsibilities, including client screening for program eligibility, monitoring client progress, and discharge reporting upon exiting the program. The program funded a total of 2,480 work hours (1.19 annualized FTEs).

**Program Expenditures:**

Program expenditures as of December 31, 2010 were \$230,401.

**Edward Byrne Memorial Justice Assistance Grant (Byrne Grant) – CFDA#16.804 – Department of Justice - \$776,997**

**Program Objectives:**

The Byrne Grant allowed states and local governments to support a broad range of activities to prevent and control crime and to improve the criminal justice system. The program solicited applications for state and local initiatives, technical assistance, training, personnel, equipment, supplies, contractual support, and information systems for criminal justice, as well as research and evaluation activities that would improve or enhance law enforcement programs related to criminal justice such as: prosecution and court programs; prevention and education programs; corrections and community corrections programs; drug treatment and enforcement programs; planning, evaluation, and technology improvement programs; and crime victim and witness programs.

**Program Results:**

The City utilized this grant to acquire equipment necessary for several Information Technology projects deemed crucial for policing efficiency, public safety and overall crime prevention. Various computer networking, hardware and software applications have been purchased under this ARRA funding, including CopLogic software, laptops, printers, smartboards, and Laserfische products and related services during this reporting period.

**Jobs Funding Activities:**

None.

**Program Expenditures:**

Program expenditures as of December 31, 2010 were \$207,948.

**Energy Efficiency and Conservation Block Grant – CFDA# 81.128 – Department of Energy - \$2,046,900****Program Objectives:**

The program provided financial and technical assistance to assist State and local governments create and implement a variety of energy efficiency and conservation projects. The program's objectives were: 1) To reduce fossil fuel emissions created as a result of activities within the jurisdictions of eligible entities; 2) To reduce the total energy use of the eligible entities; and 3) To improve energy efficiency in the transportation, building, and other sectors.

A wide variety of activities were eligible for use of the grant funds including but not limited to: 1) Developing/implementing an energy efficiency and conservation strategy and retaining technical consultant services to assist in the development of such a strategy; 2) Developing public education programs to increase energy awareness programs; 3) Installing light emitting diodes (LEDs); and 4) Developing, implementing, and installing renewable energy technologies on or in any government building.

**Program Results:**

The City planned to utilize these grant funds for energy retrofits of City buildings, developing a regional energy usage analysis, and analyzing the region's carbon footprint. In December 2010, the City's Facilities Management Division issued a \$235,000 contract for the replacement of rooftop HVAC equipment at the Chesapeake Sheriff's Administrative Office. Additionally, HVAC and lighting retrofits are planned for various community centers, police precincts, fire stations, and libraries throughout the City. The City expected that these projects would be advertised and awarded by March 2011. Facilities Management was working with Old Dominion University (ODU) and the Hampton Roads Planning District Commission (HRPDC) to provide a carbon footprint baseline for this area. This funding was also providing additional energy efficiency training, facilitated by ODU, for City staff.

**Jobs Funding Activities:**

As of December 31, 2010, no job creation activities had been funded. The City anticipated that, upon award of the energy retrofit contracts during the first quarter of 2011, some jobs would be funded by the program.

**Program Expenditures:**

There were no Program expenditures as of December 31, 2010.

## **2. Sub-recipient Grants**

**State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (SNAP) - Stimulus Administration FY 10 Allocation – CFDA#10.561 – Department of Agriculture - \$71,360**

**State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (SNAP) - Stimulus Administration FY 11 Allocation – CFDA#10.561 – Department of Agriculture - \$115,774**

### **Program Objectives:**

This program provided Federal financial aid to State agencies for costs incurred to operate the Supplemental Nutrition Assistance Program, formerly known as the Food Stamp Program. The State in turn passed through this funding as an allocation of administrative costs to localities.

**Program Results:** The ARRA SNAP program provided financial reimbursement to the City's Department of Social Services for administrative costs associated with eligibility determination and application processing necessary to administer and provide benefits to qualified residents within the City.

### **Jobs Funding Activities:**

Four (4) retired staff members were hired through the City's Encore program to handle the increase in SNAP applications due to the economic downturn. Additionally, one (1) temporary part-time employee obtained a permanent position at the Department of Social Services. (Note: None of these positions were directly funded using ARRA funds)

### **Program Expenditures:**

Program expenditures as of December 31, 2010 were \$95,479.

**State Victim Assistance Formula Grant Program (Victim Witness) – CFDA#16.801-\$73,476**

### **Program Objectives:**

This grant supported the provision of services to victims of crime. Services were defined as those efforts that (1) responded to the emotional and physical needs of crime victims; (2) assisted primary and secondary victims of crime to stabilize their lives after a victimization; (3) assisted victims to understand and participate in the criminal justice system; and (4) provided victims of crime with a measure of safety and security such as boarding up broken windows and replacing and repairing locks.

### **Program Results:**

The Department of Criminal Justice Services required the utilization of the Client Information Management System (CIMS) to track statistical information for program management. Computer equipment was purchased and delivered in March, 2010 to address the CIMS implementation. The Victim/Witness Program funded under ARRA has provided services to 423 victims of crime during FY 2010 and 2011.

**Jobs Funding Activities:**

Jobs funding activities supported by this ARRA program included hiring one Victim Witness Assistant during the quarter beginning October 1, 2009 to provide services to targeted underserved victims, specifically non-domestic related misdemeanor assault and battery victims. A total of 2,448 work hours were funded within the Victim Witness ARRA Program (1.18 annualized FTEs).

**Program Expenditures:**

Program expenditures as of December 31, 2010 were \$34,173.

**WIA (Workforce Investment Act) Youth Activities – CFDA#17.259 - Department of Labor - \$480,165****Program Objectives:**

The WIA Youth Activities program (also known as the Summer Youth Work Experience program) was established to help low-income youth, between the ages of 14 and 21, acquire the educational and occupational skills, training, and support needed to achieve academic and employment success and successfully transition to careers and productive adulthood. Initially, the program was scheduled to end in August 2009. The program was later extended to March 2010 and received an additional \$133,500 in ARRA funding.

**Program Results:**

The City through its Office of Youth Services enrolled 29 participants in the 2010 Summer Youth Work Experience program. These participants provided assistance to the City in various employment positions such as payroll assistants, purchasing assistants, office assistants, program assistants, summer camp counselors, and library aides. Most participants averaged 25 – 30 hours of employment per week. Completion of this program provided participants with improved communication and language skills as well as interpersonal relationship skills. The initial 2009 Summer Youth Work Experience program funded by ARRA served 120 participants, so 149 participants in total were served over two years. One of these participants was hired for a full-time position with the City's Human Services Department.

**Jobs Funding Activities:**

Jobs funding activities supported by this ARRA program included temporary part-time employment positions for 149 participants during the 2009 and 2010 Summer Youth Work Experience Programs. Additionally, one (1) participant was hired for a permanent position within the Social Services Department. (Note: We did not include the Summer Youth Work Experience participants in our ARRA job counts).

**Program Expenditures:**

Program expenditures as of December 31, 2010 were \$390,253.

**Special Education – Grants for Infants and Families – CFDA#84.393 – Department of Education - \$137,411 (FY 2010) and \$131,970 (FY 2011)**

**Program Objectives:**

This Program was funded to assist states in implementing and maintaining their statewide systems of early intervention services. States had the discretion to provide services to infants and toddlers who were at risk of having substantial developmental delays if they do not receive appropriate early intervention services. The Individuals with Disabilities Education Improvement Act of 2004 (IDEA) amended the original IDEA to allow states, at their discretion, to continue to serve children with disabilities under this program beyond age 2 until the children entered or were eligible to enter kindergarten or elementary school.

**Program Results:**

The City utilized these funds for early intervention services, and hired a Clinician II in July 2010 to conduct assessments and coordinate with families and vendors. The Clinician provides service coordination to a minimum target of 25 clients under this program.

**Jobs Funding Activities:**

Jobs funding activities supported by this ARRA program included the Clinician II position that was responsible for clinical assessments and program coordination. A total of 960 work hours were funded in this ARRA program (0.46 annualized FTEs).

**Program Expenditures:**

Program expenditures as of December 31, 2010 were 140,423.

**State Fiscal Stabilization Fund – CFDA#84.397- Department of Education - \$2,413,725; \$645,856 (FY 2009) and \$6,669,141 (FY 2010)**

**Program Objectives:**

This stimulus funding from the State Compensation Board was part of the funding for the State Fiscal Stabilization program. This program supported public safety and other government services, including assistance for elementary, secondary education and public institutions of higher education. Each state was allowed significant flexibility in the use of these funds. In accordance with this flexibility, the State Comptroller worked with the State Compensation Board to distribute funding to several localities and regional jails for Fiscal Year 2009 jail costs (\$2,413,725) and Fiscal Year 2009 fourth quarter per diem payments (\$645,856). The State Compensation Board supplanted the General Funds with Federal State Fiscal Stabilization Funds. It should be noted that the City was not notified that the State was taking this action until July 2009, one month after Fiscal Year 2009 ended. The State delayed notification of the FY 2010 funding until August 2010, two months after the fiscal year ended.

**Program Results:**

These funds were substituted for funds that had already been expended by the City and State.

**Jobs Funding Activities:**

None.

**Program Expenditures:**

Program expenditures as of December 31, 2010 were \$9,728,722.

**Social Services Programs: Foster Care Title IV-E (CFDA#93.658), Adoption Assistance (CFDA#93.659), Child Care and Development Block Grant (CCDBG, CFDA#93.713) – Department of Health and Human Services - \$844,800**

**Program Objectives:**

The City operated the following three ARRA programs in conjunction with its other Social Services programs:

The Title IV-E Foster Care program provided safe and stable out-of-home care for children under the jurisdiction of the child welfare agency until the children are returned home safely; placed with adoptive families, or placed in other planned arrangements for permanency. The program provides funds to assist with the costs of foster care maintenance for eligible children; administrative costs to manage the program; and training for public agency staff, foster parents and certain private agency staff.

The Adoption Assistance program provided Federal Financial Participation in adoption subsidy costs for the adoption of children with special needs who met eligibility tests.

CCDBG provided economic stimulus to the nation while furthering the ACF mission to promote the economic and social well being of children, youth, families, and communities. Objectives under the CCDBG Act are: To make grants to States, Territories, Tribes, and tribal organizations for child care assistance for low-income families and to: (1) allow each State maximum flexibility in developing child care programs and policies that best suit the needs of children and parents within such State; (2) promote parental choice to empower working parents to make their own decisions on the child care that best suits their family's needs; (3) encourage States to provide consumer education information to help parents make informed choices about child care; (4) assist States to provide child care to parents trying to achieve independence from public assistance; and (5) assist States in implementing the health, safety, licensing, and registration standards established in State regulations.



**Program Results:**

ARRA funding passed down for foster care and adoption programs was specifically utilized for the purpose of stabilizing local funds and aided in balancing the local budget. The Virginia Department of Social Services did not use ARRA funds to enhance the Foster Care and Adoption subsystems; however, more than \$2 million in ARRA funds was utilized to enhance the child care subsystems.

Final ARRA funding for child care was provided by the State for the period ending September 30, 2010. Due to a long waiting list for child care services, the Department of Social Services renegotiated a child care contract with the Planning Council to address the needs of additional clients requiring assistance.

**Jobs Funding Activities:**

Jobs funding activities supported by this ARRA program included the hiring of 1.5 FTE positions by the Planning Council. The annualized equivalent positions funded by the program were 1.13.

**Program Expenditures:**

Program expenditures as of December 31, 2010 were \$844,800.

**Recovery Act- Edward Byrne Memorial Justice Assistance Grant – CFDA #16.803 – Department of Justice - \$516,622****Program Objectives:**

This Byrne Grant had the same broad national objectives as the Byrne Grant for which the City was a Primary Recipient. However, these particular Byrne Grant funds were distributed to the State instead of the City, and the State Compensation Board was utilizing the funds in a similar manner as the State Fiscal Stabilization Funds to support Sheriff's operations. These funds represented the City's FY 2010 allocation.

**Program Results:**

These funds were substituted for funds that had already been expended by the City and State.

**Jobs Funding Activities:**

None.

**Program Expenditures:**

Program expenditures as of December 31, 2010 were 516,622.

**Highway Planning and Construction (for Dismal Swamp project) – CFDA#20.205 – Department of Transportation - \$1,300,000**

**Program Objectives:**

Federal-aid highway funds were generally apportioned by statutory formulas to the States. Funds were used for highway projects, and also for planning; research, development, and technology transfer; intelligent transportation systems projects; roadside beautification; wetland and natural habitat mitigation, traffic management and control improvements; improvements necessary to accommodate other transportation modes, development and establishment of transportation management systems; billboard removal; construction of bicycle facilities and pedestrian walkways; fringe and corridor parking; car pool and van pool projects; transportation enhancements such as scenic and historic highway improvements; and recreational trails.

**Program Results:**

The City was a sub-recipient of VDOT for this ARRA funding, which was to be used to extend and enhance the Dismal Swamp Canal multiuse recreation trail. The improvements planned were for a 3 mile extension along George Washington Highway from the existing north trailhead to the new Deep Creek Park. In October 2010, the City awarded a design services contract in the amount of \$127,656 to determine the specific scope of work for this project. The City estimates that a contract for the Dismal Swamp Canal trail improvements will be awarded in early 2011.

**Jobs Funding Activities:**

We noted that 22,911 total work hours (11.01 annualized FTEs) had been funded in the City's Transportation Programs.

Jobs funding activities supported by the Dismal Swamp Project included 0.11 positions in the first quarter of FY 2011 and .06 positions in the second quarter. A total of 88 hours were funded in this ARRA program (0.04 annualized FTEs). (Note: We excluded 1.03 FTE's each reported by the State from the third and fourth quarters because no expenditures were reported for those quarters)

**Program Expenditures:**

Program expenditures as of December 31, 2010 were \$95,780.

**Surface Transportation Discretionary Grants for Capital Investment – CFDA #20.932 – Department of Transportation - \$589,976; \$3,298,137; and \$1,438,109**

**Program Objectives:**

This ARRA grant provided funding for surface transportation projects that had a significant impact to the regions served. Projects eligible for funding provided under this program included, but were not limited to, highway or bridge projects (including interstate rehabilitation), improvements to the rural collector road system, the reconstruction of overpasses and interchanges, bridge replacements, seismic retrofit

projects for bridges, and road realignments. The Federal share of project expenditure costs could be up to 100 percent; however, Federal priority was given priority to projects that required a contribution of Federal funds in order to complete an overall financing package, and to projects that were expected to be completed by February 17, 2012.

**Program Results:**

The three City projects to be funded were as follows:

- Citywide Light Emitting Diode (LED) Conversion - \$589,976 – To upgrade approximately 125 intersections with LED signal lamps.
- Citywide Pavement Resurfacing - \$3,298,137 – To repave/rehabilitate approximately 43 lane miles of roads.
- Citywide Bridge Deck Sealing and Rehabilitation - \$1,438,109 – To seal and/or rehabilitate 19 bridges in the City.

As of the December 31, 2010 reporting period, the City had awarded the following contracts:

- \$290,330 for upgrades to LED signal lamps at various intersections throughout the City. The City converted 105 intersections from incandescent lighting to LED. This project has been completed.
- \$3,572,854.93 for pavement resurfacing and rehabilitation of various citywide streets. The project was in progress as of December 31<sup>st</sup> and was to provide pavement resurfacing for 40.345 lane miles of road.
- \$1,055,740.38 for bridge deck sealing and rehabilitation for 19 bridges throughout the City. This work has been completed.

**Jobs Funding Activities:**

Jobs funding activities supported by this ARRA program included 26.65 FTE positions in the first quarter and 17.24 positions in the second quarter of FY 2011 specifically related to highway repavement and construction activities. A total of 22,823 hours were funded in this ARRA program (10.97 annualized FTEs).

**Program Expenditures:**

Program expenditures as of December 31, 2010 were \$3,424,659.

**National Clean Diesel Funding Assistance Program – CFDA 66.039 – Environmental Protection Agency - \$244,214**

**Program Objectives:**

Sections 792 of the Energy Policy Act of 2005 authorized EPA to award grants and low-cost revolving loans to eligible entities to fund the costs of a retrofit technology that significantly reduces emissions through development and implementation of a certified engine configuration, verified technology, or emerging technology for buses (including school buses), medium-duty or heavy-duty trucks, marine engines, locomotives, or non-

road engines or vehicles used in construction, handling of cargo (including at port or airport), agriculture, mining, or energy production. In addition, eligible entities may also use funds awarded for programs or projects to reduce long-duration idling using verified technology involving a vehicle or equipment described above, or the creation of low-cost revolving loan programs to finance diesel emissions reduction projects. The objective of the assistance under this program is to achieve significant reductions in diesel emissions in terms of tons of pollution produced and reductions in diesel emissions exposure, particularly from fleets operating in areas designated by the Administrator as poor air quality areas. The City was planning to use these funds for the premium associated with the purchase of either natural gas or diesel-fueled refuse trucks.

**Program Results:**

The City purchased six diesel-fueled automated refuse trucks (4 side loaders, 1 rear loader and 1 grapple truck) during FY 2011. Chesapeake provided funding in the amount of \$732,642 as a match to the ARRA funding for this program.

**Job Funding Activities:**

None.

**Program Expenditures:**

All program funding was encumbered on November 29, 2010, and there were no expenditures as of December 31, 2010.

**3. Bonds**

**Recovery Zone Facility Development Bonds (RZFD)**

These tax-exempt bonds were authorized as a new category of exempt-facility bonds to finance depreciable property for use in areas designated as Recovery Zones. Recovery Zones were areas designated by state and local governments as having significant poverty, home-foreclosure rates, or unemployment. The initial \$15 billion authorization was to be allocated to states in proportion to their 2008 job losses, with sub allocations made first to large municipalities and counties on the basis of their job losses before other sub allocations are made. After the designation of a Recovery Zone went into effect, proceeds of RZFD Bonds could finance in the Recovery Zone depreciable property actively used in a business. RZFD Bonds were to be issued before January 1, 2011.

**Recovery Zone Economic Development Bonds (RZED)**

These taxable bonds were authorized to finance purposes that promoted development or economic recovery in a Recovery Zone. Interest on Recovery Zone Economic Development Bonds was taxable, with the federal government providing payments to issuers equal to 45% of the interest payable on the bonds. Allocations of the \$10 billion limit were to be made to states in the same manner as that for Recovery Zone Facility Bonds. Recovery Zone Economic Development Bonds were to be issued prior to January 1, 2011. In March 2010, the City issued \$2,555,000 in RZED bonds for the Poindexter Streetscape Project.

### **Build America Bonds (BAB)**

These taxable bonds allowed a 35% credit to be taken by the investor of the interest paid, or, at the issuer's option, a 35% rebate of such interest from the federal government to the issuer. Build America Bonds could be issued for the same purposes for which tax-exempt governmental bonds were issued, with applicable tax-exemption rules applying. If the issuer elected to receive the 35% interest rebate, Build America Bonds may only be used for capital expenditures, debt service reserve funds, and costs of issuance. Bonds had to be issued prior to January 1, 2011. In April 2010, the City issued \$32,525,000 in BABs for capital improvements to the water and sewer systems. In August 2010, the City issued \$33,460,000 in BABs for citywide capital improvements; \$4,935,000 for capital improvements in the Greenbrier TIF District; and \$4,505,000 in BABs for the South Norfolk TIF District.

### **Qualified School Construction Bonds (QSCB)**

These bonds were a new category of tax-credit bonds created for the financing of the construction, rehabilitation, or repair of public school facilities. The credit rate for Qualified School Construction Bonds was to be set by the Secretary of the Treasury at a rate allowing the bonds to be issued without discount or interest expense (similar to the method for QZABs). For 2009 and 2010, ARRA authorized \$11 billion of Qualified School Construction Bonds annually with 60% allocated to states in proportion to the amount of local educational grants received by each state under the Elementary and Secondary Education Act, and 40% allocated by the Treasury in conjunction with the Department of Commerce and the Secretary of Education to the largest local educational agencies in the country. Virginia had received a \$191million allocation of these bonds.

\*Note – Descriptions of the Federal programs were taken from the Federal Catalog of Domestic Assistance. Descriptions of the bond programs were taken from a Municipal Bond Overview provided by Ball Janik LLP.