MEETING AGENDA

FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY

Thursday, January 28, 2016

FCRHA Board Room - One University Plaza
4500 University Drive - Fairfax, Virginia 22030

6:30 p.m. – RECEPTION: Conrad Egan Awards for Excellence

7:00 p.m. – CALL TO ORDER

APPROVAL OF MINUTES December 10, 2015

ADMINISTRATIVE ITEMS:

1. Resolution Number 01-16 Approval to Release for Public Comment the Draft Fairfax County Redevelopment and Housing Authority Moving to Work Plan for Fiscal Year 2017, and Authorization to Advertise a Public Hearing on the Draft Plan *(Referred from the HOMS Committee)*

2. Resolution Number 02-16 Authorization to Submit to the U.S. Department of Housing and Urban Development (HUD) the Fairfax County Redevelopment and Housing Authority (FCRHA) Rental Assistance Demonstration-Specific Significant Amendment to the Moving to Work (MTW) Plan for Fiscal Year 2016 *(Referred from the HOMS Committee)*

3. Resolution Number 03-16 Extending the Five-Year Fairfax County Redevelopment and Housing Authority (FCRHA) Strategic Plan through Fiscal Year 2017 *(Referred from the Finance Committee)*

4. Resolution Number 04-16 Authorization to Advertise a Public Hearing for the Fairfax County Redevelopment and Housing Authority (FCRHA) FY 2017 Proposed Budget and the Certification that the FY 2017 Proposed Budget is Consistent with the Proposed FCRHA Strategic Plan – Action Plan for FY 2017 *(Referred from the Finance Committee)*

INFORMATION ITEMS:

1. Fairfax County Redevelopment and Housing Authority Regular Meeting Summary – December 10, 2015

2. Minutes of the Housing Ownership, Management and Security Committee Meeting – January 20, 2016

3. Minutes of the Finance Committee Meeting – January 20, 2016

4. Update on the Public Housing Subsidy Conversion through the Rental Assistance Demonstration (RAD)

5. FY 2015 Audited Financial Statements, Single Audit, and Internal Audit Reports (Doris Ramos)

6. Fiscal Year 2017 Community Development Block Grant and HOME Investment Partnership Funding Allocations Recommended by the Consolidated Community Funding Advisory Committee and Fairfax County Redevelopment and Housing Authority Working Advisory Group

7. Fairfax County Redevelopment and Housing Authority Calendar of Meetings – February and March 2016

CLOSED SESSION

For: (a) for discussion and consideration, pursuant to Virginia Code Section 2.2-3711(A)(3), of the acquisition of real property for a public purpose where discussion in an open meeting would adversely affect the bargaining position or negotiating strategy of the FCRHA, and (b) consultation with legal counsel and briefing by staff members, pursuant to Virginia Code Section 2.2-3711(A)(7), pertaining to probable litigation and specific legal matters requiring the provision of legal advice by such counsel where such consultation or briefing in an open meeting would adversely affect the negotiating or litigating posture of the FCRHA.

BOARD MATTERS

ADJOURNMENT

MINUTES OF THE MEETING OF THE FAIRFAX COUNTY
REDEVELOPMENT AND HOUSING AUTHORITY

December 10, 2015 Regular Meeting

On December 10, 2015, the Commissioners of the Fairfax County Redevelopment and Housing Authority (FCRHA) met in the FCRHA Board Room, One University Plaza, 4500 University Drive, Fairfax, Virginia.

CALL TO ORDER
FCRHA Chair Robert Schwaninger called the Meeting of the FCRHA to order at 7:00 p.m. Attendance was as follows:

PRESENT	ABSENT
Robert Schwaninger, Chairman	Matthew Bell
Willard Jasper, Vice Chair	Rod Solomon
John Betts	H. Charlen Kyle
Robert C. Carlson	
Christopher Craig	
C. Melissa Jonas	
Richard Kennedy	
Albert J. McAloon	

Also present at the meeting were the following staff of the Department of Housing and Community Development (HCD): Thomas Fleetwood, Acting Director; Robert Easley, Deputy Director, Operations; Hossein Malayeri, Deputy Director, Real Estate, Finance and Development; Kris Miracle, Director, Administration Division; Carol Erhard, Director, Homeownership and Relocation Services Division; Aseem Nigam, Director, Real Estate Finance and Grants Management (REFGM) Division; Debahsish Chakravarty, Sr. Real Estate Finance Officer, REFGM; Nicole Wickliffe, Director, Asset Management Division; Steve Knippler, Senior Program Manager, FCRHA Policy, Reporting and Communications (PRC); Mike Trent, Network Analyst, ISS; Jodi Cienki, FCRHA Assistant and Felicia Thompson, Administrative Assistant, Administration Division. Also in attendance was FCRHA Counsel: Cynthia A. Bailey, Senior Assistant County Attorney; Alan Weiss, Ryan Wolf and Susan Timoner, Assistant County Attorneys.

PUBLIC HEARING
Draft Significant Amendment to the Fiscal Year 2016 Fairfax County Redevelopment and Housing Authority (FCRHA) Moving to Work Plan.

The FCRHA Chair opened the Public Hearing at 7:02. No one had signed up in advance and no one in the audience wanted to speak. Accordingly, the Chair closed the Public Hearing at 7:02.

CITIZEN TIME
The FCRHA Chair opened Citizen Time at 7:02. Mr. James Edmondson, on behalf of AHOME, spoke on a number of issues related to affordable housing. No one else in the

audience wanted to speak. Accordingly, the Chair closed Citizen Time at 7:13.

APPROVAL OF MINUTES
October 29, 2015

Commissioner Kennedy moved to approve the Minutes of the October 29, 2015, FCRHA Meeting, which Commission Jonas seconded. The motion carried with Commissioner Betts and Jasper abstaining.

ACTION ITEMS
1.

RESOLUTION NUMBER 37-15

Approval of Updated Financing Plan for the Preservation and Rehabilitation of the Murraygate Village Apartments (Lee District)

WHEREAS, Fairfax County Redevelopment and Housing Authority/HCDC Two, LP (the “Partnership”) is the owner of Murraygate Village Apartments (the “Project”); and

WHEREAS, Fairfax County Housing and Community Development Corporation (HCDC)(or its successor) is a General Partner of the Partnership; and

WHEREAS, the Fairfax County Redevelopment and Housing Authority (FCRHA) is Managing General Partner and the Limited Partner of the Partnership;

NOW THEREFORE BE IT RESOLVED THAT the Fairfax County Redevelopment and Housing Authority (FCRHA) hereby approving the updated Financing Plan for Murraygate Village Apartments (Lee District) as described in the Action Item presented on December 10, 2015;

BE IT FURTHER RESOLVED THAT the FCRHA authorizes its Chairman, Vice Chairman, Secretary, or any Assistant Secretary to execute all necessary documents in connection with the financing of Rehabilitation of Murraygate Village Apartments which includes, but is not limited to, executing Letters of Intent and Commitment with First Lender and Syndicator, executing the Amended and Restated Partnership Agreement with the Syndicator, executing all necessary forms associated with the 9 percent Low-Income Housing Tax Credit Application and executing all necessary loan and financing documents.

Commissioner McAloon moved to adopt Resolution Number 37-15, which Commissioner Jasper seconded. The motion passed unanimously.

RESOLUTION NUMBER 38-15

Approval to (1) Issue a Request for Financial Services for First Lender (2) and Obtain a Loan from a Private Lender for the Purposes of Financing the Preservation and Rehabilitation of the Murraygate Village Apartments that shall be Secured by the Property in First Lien Position (Lee District)

WHEREAS, Fairfax County Redevelopment and Housing Authority/HCDC Two, LP (the “Partnership”) is the owner of Murraygate Village Apartments (the “Project”); and

WHEREAS, Fairfax County Housing and Community Development Corporation (HCDC)(or its successor) is a General Partner of the Partnership; and

WHEREAS, the Fairfax County Redevelopment and Housing Authority (FCRHA) is Managing General Partner and the Limited Partner of the Partnership;

NOW THEREFORE BE IT RESOLVED THAT the Fairfax County Redevelopment and Housing Authority (FCRHA) hereby authorizes approval to issue a Request for Financial Services for a First Lender;

BE IT FURTHER RESOLVED THAT the FCRHA authorizes the obtaining a loan from a Private Lender for the Purposes of Financing the Rehabilitation of Murraygate Village Apartments that shall be secured by the Property in First Lien Position.

BE IT FURTHER RESOLVED THAT the FCRHA authorizes its Chairman, Vice Chairman, Secretary, or any Assistant Secretary to execute all necessary documents in connection with the financing of Rehabilitation of Murraygate Village Apartments which includes, but is not Limited to, executing Letters of Intent and Commitment with First lender and Syndicator, executing the Amended and Restated Partnership Agreement with the Syndicator, executing all necessary forms associated with the 9 percent Low-Income Housing Tax Credit Application and executing all necessary loan and financing documents.

Commissioner McAloon moved to adopt Resolution Number 38-15, which Commissioner Jasper seconded. The motion passed unanimously.

RESOLUTION NUMBER 39-15

Approval for Payment of a Negative Cash Balance in the Approximate Amount of $261,152 from the FCRHA Operating Fund, for the Purposes of Preservation and Rehabilitation of the Murraygate Village Apartments (Lee District)

WHEREAS, Fairfax County Redevelopment and Housing Authority/HCDC Two, LP (the "Partnership") is the owner of Murraygate Village Apartments (the "Project"); and

WHEREAS, Fairfax County Housing and Community Development Corporation (HCDC)(or its successor) is a General Partner of the Partnership; and

WHEREAS, the Fairfax County Redevelopment and Housing Authority (FCRHA) is Managing General Partner and the Limited Partner of the Partnership;

NOW THEREFORE BE IT RESOLVED THAT the Fairfax County Redevelopment and Housing Authority (FCRHA) hereby approves paying the negative cash balance in the approximate amount of $261,152 from the FCRHA Operating Fund;

BE IT FURTHER RESOLVED THAT the FCRHA authorizes its Chairman, Vice Chairman, Secretary, or any Assistant Secretary to execute all necessary documents in connection with the financing of rehabilitation of Murraygate Village Apartments which includes, but is not limited to, executing Letters of Intent and Commitment with First lender and Syndicator, executing the Amended and Restated Partnership Agreement with the Syndicator, executing all necessary forms associated with the 9 percent Low-Income Housing Tax Credit Application, executing all necessary loan and financing documents and executing all necessary documents evidencing the forgiveness of the Fairfax County Note.

Commissioner McAloon moved to adopt Resolution Number 39-15, which Commissioner Jasper seconded. The motion passed unanimously.

RESOLUTION NUMBER 40-15

Approval to Assume an Existing $500,000 FCRHA Loan and Extend the Maturity of the Loan to be Coterminous with the Housing Blueprint Loan (Lee District), for the Purposes of Preservation and Rehabilitation of the Murraygate Village Apartments (Lee District)

WHEREAS, Fairfax County Redevelopment and Housing Authority/HCDC Two, LP (the "Partnership") is the owner of Murraygate Village Apartments (the "Project"); and

WHEREAS, Fairfax County Housing and Community Development Corporation (HCDC)(or its successor) is a General Partner of the Partnership; and

WHEREAS, the Fairfax County Redevelopment and Housing Authority (FCRHA) is Managing General Partner and the Limited Partner of the Partnership;

NOW THEREFORE BE IT RESOLVED THAT the Fairfax County Redevelopment and Housing Authority (FCRHA) hereby authorizes approval to 1) assume an existing $500,000 FCRHA Loan, and 2) extend the maturity of the loan to be co-terminus with the Housing Blueprint Fund Loan or such longer term as may be required by the investor limited partner, and 3) subordinate the FCRHA Loan to a new first mortgage loan to be obtained from a third party lender, and any other debt obtained in connection with the Preservation and Rehabilitation of the Project, including but not limited to, the Housing Blueprint Fund Loan, the General Partnership Loan and/or any other loans;

BE IT FURTHER RESOLVED THAT the FCRHA authorizes its Chairman, Vice Chairman, Secretary, or any Assistant Secretary to execute all necessary documents in connection with the financing of rehabilitation of Murraygate Village Apartments which includes, but is not limited to, executing Letters of Intent and Commitment with First lender and Syndicator, executing the Amended and Restated Partnership Agreement with the Syndicator, executing all necessary forms associated with the 9 percent Low-Income Housing Tax Credit Application and executing all necessary loan and financing documents.

Commissioner McAloon moved to adopt Resolution Number 40-15, which Commissioner Jasper seconded. The motion passed unanimously.

RESOLUTION NUMBER 41-15

Approval to (1) Establish Murraygate Village Limited Partnership for the Purposes of Applying for and Syndicating Low-Income Housing Tax Credits (LIHTC); (2) Transfer the Project from Fairfax County Redevelopment and Housing Authority/HCDC Two, L.P. to Murraygate Village Limited Partnership; (3) Issue a Request for Financial Services for a Syndicator for 9 Percent Low-Income Housing Tax Credits (LIHTC); and (4) Enter into an Amended and Restated Limited Partnership Agreement with Investor Limited Partner Chosen in Response to the Request for Financial Services (Lee District) for the Purposes of Preservation and Rehabilitation of the Murraygate Village Apartments (Lee District)

WHEREAS, Fairfax County Redevelopment and Housing Authority/HCDC Two, LP (the “Partnership”) is the owner of Murraygate Village Apartments (the “Project”); and

WHEREAS, Fairfax County Housing and Community Development Corporation (HCDC)(or its successor) is a General Partner of the Partnership; and

WHEREAS, the Fairfax County Redevelopment and Housing Authority (FCRHA) is Managing General Partner and the Limited Partner of the Partnership;

NOW THEREFORE BE IT RESOLVED THAT the Fairfax County Redevelopment and Housing Authority (FCRHA) hereby approves establishing Murraygate Village Limited Partnership for the purposes of applying for and syndicating low income housing tax credits (LIHTC);

BE IT FURTHER RESOLVED THAT the FCRHA approves transferring the project via Transfer Deed or other conveyance document from Fairfax County Redevelopment and Housing Authority/HCDC Two, L.P. to Murraygate Village Limited Partnership;

BE IT FURTHER RESOLVED THAT the FCRHA approves issuing a Request for Financial Services for a syndicator for 9 percent Low Income Housing Tax Credits (LIHTC);

BE IT FURTHER RESOLVED THAT the FCRHA approves entering into an amended and Restated Limited Partnership Agreement with Investor Limited Partner chosen in response to the Request for Financial Services (Lee District);

BE IT FURTHER RESOLVED THAT the FCRHA authorizes its Chairman, Vice Chairman, Secretary, or any Assistant Secretary to execute all necessary documents in connection with the financing of rehabilitation of Murraygate Village Apartments which includes, but is not limited to, executing Letters of Intent and Commitment with First lender and Syndicator, executing the Amended and Restated Partnership Agreement with the Syndicator, executing all necessary forms associated with the 9 percent LIHTC Application, and executing all necessary conveyance documents.

Commissioner McAloon moved to adopt Resolution Number 41-15, which Commissioner Jasper seconded. The motion passed unanimously.

ADMINISTRATIVE ITEMS

1.

RESOLUTION NUMBER 42-15

Approval to Submit Comments to U.S. Department of Housing and Urban Development (HUD) on Proposed Rule Concerning Smoke-Free Public Housing

BE IT RESOLVED that the Fairfax County Redevelopment and Housing Authority (FCRHA) approves the submission of comments to HUD on the proposed rule concerning smoke-free public housing, as presented to the FCRHA at its meeting on December 10, 2015.

Commissioner Kennedy moved to adopt Resolution Number 42-15, which Commissioner McAloon seconded. It should be noted that the FCRHA, during the discussion of Resolution Number 42-15, requested several changes to the proposed comments which were the subject of the resolution.
The FCRHA took the following roll call vote:

AYE	NAY	ABSTAIN
Robert Schwaninger, Chairman		
Robert C. Carlson		
Christopher Craig		
C. Melissa Jonas		
Richard Kennedy		
Albert J. McAloon		

The motion passed.

INFORMATION ITEMS

1. Fairfax County Redevelopment and Housing Authority Regular Meeting Summary – October 29, 2015

2. Minutes of the Housing Ownership, Management and Security Committee Meeting – December 2, 2015

3. Minutes of the Finance Committee Meeting – December 2, 2015

4. FCRHA Strategic Plan: Status Report on Fiscal Year 2015 Action Plan – Brief Discussion

5. Rental Assistance Demonstration (RAD) Status Report – Brief Discussion

6. Fairfax County Redevelopment and Housing Authority Calendar of Meetings – January and February 2016

CLOSED SESSION

Commissioner Carlson moved that the Fairfax County Redevelopment and Housing Authority ("FCRHA") go into Closed Session, pursuant to Virginia Code Section 2.2-3711(A)(7), for discussion pertaining to actual litigation, where such consultation in open meeting would adversely affect the negotiating and litigating posture of the FCRHA, and consultation with legal counsel regarding specific legal matters requiring the provision of legal advise by such counsel. Commissioner McAloon seconded the motion.

The motion carried and the FCRHA went into Closed Session at 7:45 p.m.

OPEN SESSION RESUMES

Commissioner Carlson moved that the members of the FCRHA certify that to the best of their knowledge only public business matters lawfully exempted from the open meeting requirements prescribed by the Virginia Freedom of Information Act and only matters identified in the motion to convene Closed Session were heard, discussed or considered by the FCRHA during Closed Session. Commissioner Jasper seconded the motion.

The FCRHA took the following roll call vote:

AYE	NAY	ABSTAIN
Robert Schwaninger, Chairman		
Robert C. Carlson		
Christopher Craig		
C. Melissa Jonas		
Richard Kennedy		
Albert J. McAloon		

The motion carried unanimously by the commissioners present and the Open Meeting resumed at 8:07 p.m.

BOARD MATTERS – See Attachment #1

ADJOURNMENT

Commissioner Kennedy moved to adjourn the meeting at 8:21, which Commissioner McAloon seconded. The motion carried unanimously.

____
Robert Schwaninger, Chairman

(Seal)

____
Thomas Fleetwood, Assistant Secretary

Board Matters

December 10, 2015

1. **Happy Holidays**
   Chairman Schwaninger along with Commissioners Craig, Carlson, Jasper, McAloon, Betts, and Jonas wished Happy Holidays to all. Department of Housing and Community Development (HCD) Acting Director Tom Fleetwood, on behalf of HCD staff, extended holiday wishes as well and thanked the chairman and all the commissioners for the support and guidance provided to staff.

2. **Appreciation of iPads**
   Commissioner Kennedy indicated that he found the use of iPads as well as BoardBook software for their meetings very useful. Commissioner Jonas thanked Mike Trent, Network Analyst, Information Systems and Services Division, HCD, for his assistance in implementing the new equipment and software. HCD Acting Director Tom Fleetwood informed the commissioners that new business cards will be sent to them containing the new county email addresses of the commissioners.

3. **Single Audit Conducted by KPMG Auditors**
   Chairman Schwaninger informed the commissioners that during the Single Audit conducted by KPMG auditors, a few matters arose that subsequently have been addressed by staff: 1) recording staff time to proper U.S. Department of Housing and Urban Development programs; 2) conducting timely property inspections; and 3) overpayments to landlords. Regarding the overpayments, Robert Easley, HCD Deputy Director, Operations, stated that staff have made extra efforts internally to see that those payments don't happen and also indicated that the county's Department of Tax Administration, through a third-party, undertakes collection efforts to recover overpayments. Chairman Schwaninger requested that a report on the status of overpayments be included in the annual FCRHA item dealing with payment write-offs.

4. **Consolidated Community Funding Advisory Committee (CCFAC)/FCRHA Working Advisory Group (WAG)**
   Chairman Schwaninger announced that the WAG will be meeting on December 16, 2015, at 6:30 p.m.

5. **Project-Based Vouchers Awarded**
   HCD Acting Director Tom Fleetwood advised the commissioners that HCD has moved forward with the awarding of 56 Project-Based Vouchers. The Brain Foundation (conditional award), Community Housing Partners, Good Shepherd Housing, Pathway Homes, and Wesley Housing Development Corporation received awards. Mr. Fleetwood indicated that there were some unawarded vouchers and that staff would return to the FCRHA to suggest next steps regarding these.

6. **Administrative Assistant Introduced**
   HCD Acting Director Tom Fleetwood introduced Felicia Thompson, an Administrative Assistant at HCD. Ms. Thompson will be assisting with some of the FCRHA meetings.

FCRHA Agenda Item
January 28, 2016

ADMINISTRATIVE – 1

RESOLUTION NUMBER: 01-16 Approval to Release for Public Comment the Draft Fairfax County Redevelopment and Housing Authority Moving to Work Plan for Fiscal Year 2017, and Authorization to Advertise a Public Hearing on the Draft Plan

ISSUE:
The purpose of this item is to (1) present the Fairfax County Redevelopment and Housing Authority's (FCRHA) Draft Moving to Work (MTW) Plan for Fiscal Year (FY) 2017; (2) to obtain FCRHA authorization to release the Plan for a 30-day public comment period; and (3) to obtain approval to schedule a public hearing on the Plan at the FCRHA meeting on March 10, 2016. The 30-day public comment period and the public hearing are required components of the FCRHA's annual MTW Plan submission to the U.S. Department of Housing and Urban Development (HUD).

RECOMMENDATION:
The FCRHA Housing Ownership, Management and Security (HOMS) Committee reviewed this item and approved placing it on the January 28, 2016 FCRHA meeting agenda with a recommendation for approval, with changes as discussed.

TIMING:
Immediate. The FY 2017 MTW Plan is due to HUD on April 15, 2016.

RELATION TO FCRHA STRATEGIC PLAN:
This action directly supports the FCRHA mission of providing affordable housing opportunities for low- and moderate-income households.

BACKGROUND:
HUD's MTW demonstration program was first authorized by Congress in 1996. MTW allows Public Housing Agencies (PHAs) to design and test innovative, locally-designed housing and self-sufficiency strategies for low-income families by: (1) permitting PHAs to combine assistance received under Sections 8 and 9 (generally the Housing Choice Voucher (HCV) program, project-based rental assistance programs, and Public Housing Capital and Operating Funds) of the United States Housing Act of 1937 into a single funding source; and (2) allowing certain exemptions from existing Public Housing and HCV program rules, as approved by HUD.

In June 2012, the FCRHA submitted its MTW application and its initial FY 2014 MTW Plan and received notice that the FCRHA was selected as a MTW agency in December

2012. The FCRHA's MTW plan is a critical component of its **T**otal **H**ousing **R**einvention for **I**ndividual Success, **V**ital Services and **E**conomic Empowerment (THRIVE) initiative and is bringing about several key changes including:

- Creating a housing continuum that seamlessly joins together the County's housing programs – including Public Housing and HCV – and establishes goals to help residents move toward self-sufficiency;
- Expanding its already strong community partnerships with nonprofit organizations to provide self-sufficiency services ranging from "ready-to-rent" training, to job readiness, through homebuyer education and beyond;
- Reducing the burden both on staff and residents related to job duties such as reexaminations and inspections, which will allow staff to focus more on people – not paperwork. This new focus is allowing county case workers to link residents to the services – such as job training and education – that they need to become and remain self-sufficient.

The FY 2017 MTW Plan includes several activities for which the FCRHA is requesting approval from HUD, as well as providing an update on implemented activities, not yet implemented activities, and those that are on hold or closed out. Following is a summary of the proposed activities:

Activity	Overview	Page Number in MTW Plan
Allow Family Self-Sufficiency (FSS) Participants to Opt Out of Interest Payments on Escrow	Allowing participants to opt out of accruing interest on their escrow will remove an issue that has deterred some participants from enrolling in the FSS program.	12
Modify the FSS Escrow Structure	There are three key modifications to the current FSS escrow structure: 1. Participants must pay **a minimum of $220 in rent** before they can begin to escrow (this is called the rent "strike point"). Currently, participants can begin earning escrow after they have been enrolled in the FSS program and after they have increased their earned income above their earned income at enrollment. This change resolves an inequality in the program between those who are working when they join FSS, and those who start working after they join the program. 2. Once the participant reaches the rent "strike	15

Activity	Overview	Page Number in MTW Plan
	point," and if they indicate their intent to purchase a home, the FCRHA will set up an escrow account and allocate a $2,000 Homeownership Incentive Award each year the participant is escrowing and up to a maximum of $10,000. **If the participant does not purchase a home before graduation or within six months of graduation, this money will be forfeited and will become part of the HUD-held Housing Assistance Payment reserve.** 3. In addition, once the rent "strike point" is met, monthly escrow will be calculated using a **tiered system based on earned income**. This makes the opportunity to escrow equitable across all income levels, as well as simplifies the escrow calculations. The escrow is disbursed to the participant once they have completed their contract goals and are eligible for graduation from the FSS program. If the participant is purchasing a home and accessing the Homeownership Incentive Award, the participant will receive their escrow when they are closing on their new home.	
Establish a Work Requirement for FSS Participants	During the first four years of participation in the FSS program, participants will be required to engage in any combination of employment, training, and/or education totaling 32 hours per week. During the last 12 consecutive months prior to graduation from the FSS program, participants must work a minimum of 32-hours per week. Alternative work requirements and eligibility will be determined for those receiving SSI, SSDI, or who are elderly or disabled.	24
Exclude Income of FSS Head of Household Participants Who Are Enrolled Full-Time in School	Exclude all but $480 of a FSS head of household participant's income who is working and in school full-time for up to two years. This exclusion is allowed for other adult members in the household, but does not currently include the head of household.	29

Activity	Overview	Page Number in MTW Plan
Establish a Gateway to Housing Choice Voucher Program from the Tenant-Based Rental Assistance (TBRA) Program	Provide a gateway to the HCV program from TBRA should these households be at risk of losing their assistance due to Federal budget cuts. TBRA assistance will be directly replaced with HCV assistance.	33
Authorization to Establish a Local Moving to Work Project-Based Voucher Program (PBV)	Allow the FCRHA to provide a commitment of PBVs, without a competition, for: 1. Development or redevelopment by the FCRHA of FCRHA- or Fairfax County-owned housing units or land; 2. Development or redevelopment by private developers of FCRHA- or Fairfax County-owned housing units or land; 3. Development or redevelopment by private developers utilizing FCRHA financing. Further, this authorization will allow the FCRHA to utilize PBVs for its own Fairfax County Rental Program (FCRP) units. All such uses allowed under this authority would be subject to specific FCRHA approval.	35

In addition, the FY 2017 MTW Plan provides an update on the following activities, for which approvals were requested in prior year Plans:

ACTIVITY	STATUS
Reduction in Frequency of Reexaminations	Implemented
Eliminate Mandatory Earned Income Disregard Calculation	Implemented
Streamlined Inspections for HCV Units	Implemented
Increase the Family's Share of Rent from 30 Percent to 35 Percent of Family Income in the HCV and Public Housing Programs	Implemented
Eliminate Flat Rents in the Public Housing Program	Implemented
Institute a Minimum Rent	Not Yet Implemented
Design and Initiate a Rent Control Study	Not Yet Implemented

ACTIVITY	STATUS
Use Moving to Work Funds for Local, Non-Traditional Housing Program	Not Yet Implemented
Modify PBV Choice Mobility Criteria	Not Yet Implemented
Streamlined Inspections for Public Housing Residents	On Hold
Allow Implementation of Reduced Payment Standards at Next Annual Reexamination	On Hold
Convert Scattered-Site Public Housing Units to Project-Based Section 8 Assistance	On Hold

Lastly, the FY 2017 Plan also includes a description of all planned Capital Fund expenditures in Public Housing.

Detailed information about each of these activities, including metrics for each of the activities, and the Capital Fund expenditures, is found in Attachment 2--Draft FCRHA FY 2017 Moving to Work Plan.

STAFF IMPACT:
No new positions are created as a result of this action.

FISCAL IMPACT:
Apart from the cost of advertising the public hearing, there is no fiscal impact to releasing the draft Plan for comment and authorizing the public hearing to be held on March 10, 2016.

ENCLOSED DOCUMENTS:
Attachment 1: Resolution 01-16
Attachment 2: Public Hearing Notice
Attachment 3: Draft Fairfax County Redevelopment and Housing Authority Fiscal Year 2017 Moving to Work Plan

STAFF:
Thomas E. Fleetwood, Acting Director, Department of Housing and Community Development (HCD)
Robert Easley, Deputy Director, Operations, HCD
Russell Lee, Director, Rental Services Division, HCD
Elisa Johnson, Director, The PROGRESS Center, HCD

Attachment 1

RESOLUTION NUMBER 01-16

Approval to Release for Public Comment the Draft Fairfax County Redevelopment and Housing Authority Moving to Work Plan for Fiscal Year 2017, and Authorization to Advertise a Public Hearing on the Draft Plan

BE IT RESOLVED THAT the Fairfax County Redevelopment and Housing Authority (FCRHA) approves, for the purpose of seeking public comment, the Draft Moving to Work Plan as presented to the FCRHA at its meeting on January 28, 2016; and

BE IT FURTHER RESOLVED THAT the FCRHA authorizes the Fairfax County Department of Housing and Community Development to advertise a public hearing on the Moving to Work Plan to be held at the FCRHA meeting on March 10, 2016.

NOTICE OF PUBLIC HEARING
Thursday, March 10, 2016 at 7 p.m.

The Fairfax County Redevelopment and Housing Authority (FCRHA) will conduct a public hearing on its draft Moving to Work (MTW) Plan for Fiscal Year 2017. The hearing is being conducted in compliance with U.S. Department of Housing and Urban Development requirements for Public Housing agencies submitting a MTW Plan. The FCRHA meeting will be held at 4500 University Drive, Fairfax, VA at 7 p.m. on March 10, 2016. Interested residents are invited to share their views on the draft FCRHA Moving to Work Plan at the public hearing. The draft Plan is available for public review on the county website **www.fairfaxcounty.gov/rha/mtw.htm** and at the Fairfax County Department of Housing and Community Development, 3700 Pender Drive, Suite 300, Fairfax, VA, or by calling 703-246-5152. If you have any questions concerning the public hearing, please call 703-279-7302, TTY: 703-385-3578. Citizens wishing to comment on the draft Plan may do so via the MTW email address MTW@fairfaxcounty.gov or by writing to the attention of Elisa Johnson, Director, The PROGRESS Center, at the Department of Housing and Community Development, 3700 Pender Drive, Fairfax, Virginia 22030. **The deadline for receipt of written comments on the draft Plan will be 4 p.m. on Thursday, March 10, 2016.**

Fairfax County is committed to a policy of nondiscrimination in all county programs, services and activities and will provide reasonable accommodations upon request. To request special accommodations call 703-246-5092 or TTY 703-385-3578. Please allow 48 hours in advance of the event in order to make the necessary arrangements. Equal Housing/Equal Opportunity Employer

Attachment 3

FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY
Fiscal Year 2017 Moving to Work Plan

APRIL 15, 2016

The Vision

It is the vision of the Fairfax County Redevelopment and Housing Authority (FCRHA) that affordable housing programs provide more than a roof overhead. Affordable housing – particularly Public Housing and the Housing Choice Voucher programs – can be the gateway to a better life and self-sufficiency. Rather than simply surviving, it is the vision of the FCRHA that the families we serve can truly *THRIVE*.

The FCRHA has created the THRIVE initiative – ***T****otal* ***H****ousing* ***R****einvention for* ***I****ndividual Success,* ***V****ital Services and* ***E****conomic Empowerment* - to serve as the guiding principle for how we interact with families in our programs. It is our belief that by reinventing the way we do business through Moving to Work - by connecting individuals and families to the services they need to overcome health and personal barriers and by providing employment opportunities – every person can find individual success.

FCRHA Commissioners

Robert H. Schwaninger, Chairman
Willard O. Jasper, Vice Chairman
Matthew Bell
John E. Betts
Robert C. Carlson
Christopher T. Craig
C. Melissa Jonas
Richard J. Kennedy
H. Charlen Kyle
Albert J. McAloon
Rod Solomon

Fairfax County Department of Housing and Community Development - Key Staff

Thomas Fleetwood, Acting Director
Robert Easley, Deputy Director, Operations
Hossein Malayeri, Deputy Director, Real Estate, Finance and Development
Carol Erhard
Curtis Hall
Leonise Leduc
Russell Lee
Kris Miracle
Aseem Nigam
James Speight
Nicole Wickliffe

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I. Introduction

Moving to Work (MTW) is a demonstration program that offers Public Housing Authorities (PHAs) the opportunity to design and test innovative, locally-designed housing and self-sufficiency strategies for low-income families by allowing exemptions from existing Public Housing and tenant-based Housing Choice Voucher (HCV) rules. The program also permits PHAs to combine operating, capital, and tenant-based assistance funds into a single agency-wide funding source, as approved by the U.S. Department of Housing and Urban Development (HUD). The purposes of the MTW program are to give PHAs and HUD the flexibility to design and test various approaches for providing and administering housing assistance that accomplish three primary goals:

1. Reduce cost and achieve greater **cost effectiveness** in Federal expenditures;
2. Give incentives to families with children where the head of household is working, is seeking work, or is preparing for work by participating in job training, educational programs, or programs that assist people to obtain employment and move to **self-sufficiency**; and
3. **Increase housing choices** for low-income families.

The Fairfax County Redevelopment and Housing Authority's (FCRHA) MTW designation, received in 2013, is a key component of the FCRHA's THRIVE Initiative – – **Total Housing Reinvention for Individual Success, Vital Services and Economic Empowerment.** THRIVE is an overall effort by the FCRHA to ensure that its customers achieve their greatest level of self-sufficiency, while at the same time ensuring the financial viability of its portfolio of affordable housing properties and creating cost efficiencies for its Federal programs.

It is the goal of the FCRHA's THRIVE initiative that every person and family in the FCRHA's programs do more than survive, the FCRHA wants them to THRIVE. The MTW Plan – as part of the THRIVE Initiative – is designed to ensure that individuals and families are provided not only affordable and attractive housing, but are connected to services and support that help them succeed and become self-sufficient. The MTW Plan will link households to services and programs offered by Fairfax County human services agencies and community non-profit organizations. Such programs will support the concept of self-sufficiency ranging from personal money management, job training, language skills, and health services to even homeownership.

Moving Along the Housing Continuum

The FCRHA provides a continuum of affordable housing ranging from rental vouchers and Public Housing; to moderately priced rental apartments and townhouses; as well as affordable programs for homeownership. Each person or family fits somewhere along this continuum and it is the goal of THRIVE and the FCRHA's MTW Plan to help individuals find the right fit based on income and need – helping them progress along the continuum to self-sufficiency. The THRIVE Housing Continuum (herein referred to as "Housing Continuum") provides the right housing at the right time, based on a household's income and skill set – and allows participating households to move through the different steps of the Housing Continuum as they become more self-sufficient. The four steps in the Housing Continuum provide a range of housing types and subsidy levels, each tied to the attainment of certain self-sufficiency skills.

Step One – Bridging Affordability[1]. The County's Bridging Affordability rental subsidy program is designed to serve extremely low-income households earning 30 percent of the Area Median Income (AMI) and below, including those who are homeless. In Step One, participating households will focus on building basic self-sufficiency skills such as job readiness and financial literacy; they will receive "ready to rent" training, and receive services aimed at addressing basic self-sufficiency barriers, such as identifying child/elder care needs and assessing health needs.

Step Two – Public Housing or Housing Choice Voucher. The federal Public Housing and Housing Choice Voucher programs serve extremely and very low-income households (earning 50 percent of AMI and below) that need assistance in attaining an intermediate self-sufficiency skill set. Participants in Step Two will receive services designed to provide individual job skill development, address transportation needs, and ensure ongoing participation in health care services.

Step Three – Fairfax County Rental Program. The local Fairfax County Rental Program (FCRP) serves low- and moderate-income households (earning 80 percent of AMI and below) working toward an independent skill set, who are able to maintain stable employment, are participating in preventative activities, and are pursuing financial education such as retirement planning and homebuyer training.

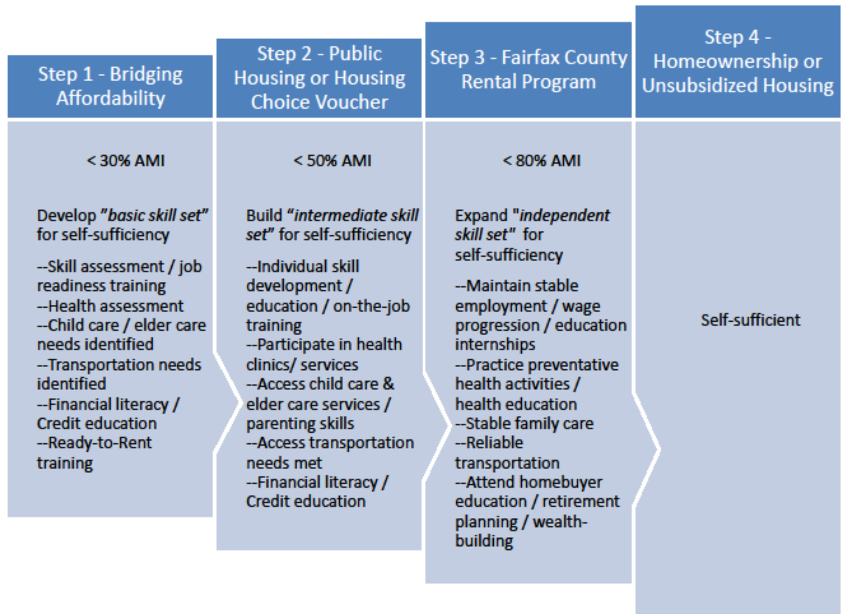
Step Four – Homeownership or Unsubsidized Housing. At Step Four, individuals and families will be considered self-sufficient. Staff will refer tenants to the FCRHA's First-Time Homebuyers Program.

Households can enter the Housing Continuum at any step, based on their skills and individual needs, and progress through the Housing Continuum to any step. Households will receive an individual assessment by FCRHA staff to determine what step in the Housing Continuum is right for them. For example, a homeless family that enters Step One/Bridging Affordability can progress directly to Step Three/FCRP if their skills and income increases sufficiently to do so. Similarly, a household may enter Step Three/FCRP directly if their income and skills allow.

[1] Bridging Affordability is a locally-funded rental assistance program that is subject to annual appropriations by the Fairfax County Board of Supervisors.

THRIVE Housing Continuum

A Stepped Approach that Provides Work Incentives, Service Supports, and Permanent Housing



Note: Elderly/disabled households may choose their level of participation in many aspects of the THRIVE/MTW program.

MTW allows the FCRHA to expand the scope and impact of the THRIVE Initiative. The FCRHA, consistently recognized by HUD as a high-performing Public Housing agency, is using the flexibility that comes with the MTW designation to:

- Create a **housing continuum** that seamlessly couples the County's *local and Federal* housing programs and establishes skills-based benchmarks to move customers toward the greatest level of self-sufficiency they are able to attain.
- Expand its already **strong community partnerships** with non-profit organizations to provide self-sufficiency services ranging from "ready-to-rent" training, to job readiness, through homebuyer education and beyond.
- Reduce the regulatory burden both on staff and customers, to allow a greater focus on **people – not paperwork**. MTW changes such as moving to biennially re-certifications will permit FCRHA staff to concentrate on facilitating access to self-sufficiency services and opportunities, such as job training and higher education.
- **Align housing resources with community needs**, consistent with the County's yearly-adopted "Housing Blueprint."

Overview of the FCRHA'S MTW Goals and Objectives for Fiscal Year 2017 and Beyond

Fiscal Year (FY) 2017 will be a busy year for the FCRHA—filled with innovation, some significant changes, and implementation of several important policies—all with the intention of helping our residents to THRIVE. Highlights of these activities in FY 2017 include:

1. **Local Project-Based Voucher Program:** The FCRHA is converting its entire Public Housing portfolio to project-based assistance under the Rental Assistance Demonstration (RAD). This offers an opportunity for the FCRHA to undertake long-deferred capital improvements. Residents will benefit from these improvements, as well from the project-based voucher (PBV) assistance.

   In addition, the FCRHA is requesting authorization in this FY 2017 MTW Plan to establish a local MTW Section 8 project-based voucher program. The FCRHA will be authorized to utilize the advantages of project-based voucher assistance in the development/redevelopment of housing by providing a commitment of vouchers in projects being developed by the FCRHA or private developers using FCRHA or Fairfax County land or units or FCRHA financing without a separate PBV competition. Further, this authorization will allow the FCRHA to utilize PBVs for its own Fairfax County Rental Program (FCRP) units.

2. **Enhancements to the Family Self-Sufficiency Program:** The FCRHA contracted with True Purpose Leadership to evaluate the Family Self-Sufficiency (FSS) program. Because of several key issues raised during focus groups, interviews, and surveys of current and past FSS participants, there are four FSS activities in the FY 2017 Plan intended to enhance participant experience and the overall efficacy of the program to further incentivize moving to homeownership. These include restructuring the escrow component of the program, allowing participants to opt out of accruing interest on their escrow, establishing a work requirement, and to exclude all but $480 of a head of household's income for the purpose of calculating rent when they are enrolled in a full time education program. It is expected that these activities will make the FSS program stronger and more effective at moving families to self-sufficiency.

3. **Linkage with Housing Continuum:** The FCRHA is continuing to focus on the Housing Continuum—strengthening it and continuing to create linkages between the four phases—Bridging Affordability, Public Housing and the HCV program, the Fairfax County Rental Program, and Homeownership/Unsubsidized Housing. The FY 2017 MTW Plan requests authorization to create a gateway from the HOME Investment Partnership (HOME) funded Tenant-Based Rental Assistance (TBRA) Program to the HCV Program. With nearly 50 TBRA program participants, the FCRHA is dedicated to ensuring these families have permanent affordable housing should funding for the TBRA program be threatened. In addition, in FY 2017 the FCRHA will begin to implement the financial assistance from the MTW block grant for Bridging Affordability participants receiving HCVs, an activity approved in FY 2016.

4. **Rent Reform:** The FCRHA has several FY 2016 Plan activities that are close to being fully implemented in FY 2017. These activities include the rent reform and minimum rent implementation and evaluation. These are important activities as we look at how to make the THRIVE program even more successful for the FCRHA's program participants.

Following is a list of the FCRHA's MTW activities that will be discussed in this FY 2017 Plan—those that are being proposed, those that are already implemented, and those that are on hold:

PROPOSED	**2017-1**	Allow Family Self-Sufficiency Participants to Opt Out of Interest Payments on Escrow
	2017-2	Modify the Family Self-Sufficiency Escrow Structure
	2017-3	Establish a Work Requirement for Family Self-Sufficiency Participants
	2017-4	Exclude Income of Family Self-Sufficiency Head of Household Participants Who Are Enrolled Full Time in School
	2017-5	Establish a Gateway to Housing Choice Voucher Program from the Tenant-Based Rental Assistance Program
	2017-6	Authorization to Establish a Local Moving to Work Project-Based Voucher Program
IMPLEMENTED	**2014-1**	Reduction in Frequency of Reexaminations
	2014-2	Eliminate Mandatory Earned Income Disregard Calculation
	2014-3	Streamlined Inspections for Housing Choice Voucher Units
	2014-9	Increase the Family's Share of Rent from 30 Percent to 35 Percent of Family Income in the Housing Choice Voucher and Public Housing Programs
	2015-1	Eliminate Flat Rents in the Public Housing Program
NOT YET IMPLEMENTED	**2014-5**	Institute a Minimum Rent
	2014-6	Design and Initiate a Rent Control Study
	2016-1	Use Moving to Work Funds for Local, Non-Traditional Housing Program
	2016-2	Modify Project-Based Voucher Choice Mobility Criteria
ON HOLD	**2014-4**	Streamlined Inspections for Public Housing Residents
	2014-8	Allow Implementation of Reduced Payment Standards at Next Annual Reexamination
	2014-7	Convert Scattered-Site Public Housing Units to Project-Based Section 8 Assistance

II. General Housing Authority Information

Housing Stock Information

Planned New Public Housing Units to be Added During the Fiscal Year

AMP Name and Number	Bedroom Size 0	1	2	3	4	5	6+	Total Units	Population Type *	# of UFAS Units: Fully Accessible	Adaptable
PIC Dev. # /AMP PIC Dev. Name	0	0	0	0	0	0	0	0	N/A	0	0

Total Public Housing Units to be Added: 0

* **Select Population Type from:** Elderly, Disabled, General, Elderly/Disabled, Other

If Other, please describe: Not Applicable

Planned Public Housing Units to be Removed During the Fiscal Year

PIC Dev. # / AMP and PIC Dev. Name	Number of Units to be Removed	Explanation for Removal
VA01900001 Audubon Apts	118	To be Converted under RAD to Project-based Voucher Subsidy
VA01900002 Vill. of Falls Church	88	To be Converted under RAD to Project-based Voucher Subsidy
VA01900003 Robinson Square	108	To be Converted under RAD to Project-based Voucher Subsidy
VA01900004 Ragan Oaks	110	To be Converted under RAD to Project-based Voucher Subsidy
VA01900005 Greenwood Apts	174	To be Converted under RAD to Project-based Voucher Subsidy
VA01900006 Kingsley Apts	107	To be Converted under RAD to Project-based Voucher Subsidy
VA01900007 Rosedale Manor	96	To be Converted under RAD to Project-based Voucher Subsidy
VA01900008 Old Mill	95	To be Converted under RAD to Project-based Voucher Subsidy
VA01900009 Westford Sec III	102	To be Converted under RAD to Project-based Voucher Subsidy
VA019000010 Tavenner Lane	12	To be Converted under RAD to Project-based Voucher Subsidy
VA019000011 The Green Apts	50	To be Converted under RAD to Project-based Voucher Subsidy
Total Number of Units to be Removed	1060	

New Housing Choice Vouchers to be Project-Based During the Fiscal Year

Property Name	Anticipated Number of New Vouchers to be Project-Based *	Description of Project
Scattered sites	1060	Anticipate to project-base entire Public Housing portfolio of 1060 units through Component 1 of RAD program
Madison Ridge	24	Multi-family property awarded Project Based Vouchers through competitive process
Scattered sites	20	Scattered site units owned by non-profit organizations awarded Project Based Vouchers through competitive process

Anticipated Total New Vouchers to be Project-Based	1104
Anticipated Total Number of Project-Based Vouchers Committed at the End of the Fiscal Year	1381
Anticipated Total Number of Project-Based Vouchers Leased Up or Issued to a Potential Tenant at the End of the Fiscal Year	1381

*New refers to tenant-based vouchers that are being project-based for the first time. The count should only include agreements in which a HAP agreement will be in place by the end of the year.

Other Changes to the Housing Stock Anticipated During the Fiscal Year

Not Applicable

Examples of the types of other changes can include but are not limited to units that are held off-line due to the relocation of residents, units that are off-line due to substantial rehabilitation and potential plans for acquiring units.

General Description of All Planned Capital Fund Expenditures During the Plan Year

- VA1939 Colchester-replace HVAC systems-estimated cost is $60,000
- VA1930 Greenwood-replace kitchen appliances-estimated cost is $150,000
- VA1904 Newington Station-replace roofs-estimated cost is $225,000
- VA1942 Old Mill-replace windows-estimated cost is $170,000
- VA1927 Robinson Square-replace HVAC systems-estimated cost is $285,200
- VA1903 Rosedale Manor-replace kitchen appliances-estimated cost is $100,000
- VA1951 Tavenner Lane-replace HVAC systems-estimated cost is $55,000
- VA1925 Villages of Falls Church-replace HVAC systems-estimated cost is $180,000

Leasing Information

Planned Number of Households Served at the End of the Fiscal Year

MTW Households to be Served Through:	Planned Number of Households to be Served*	Planned Number of Unit Months Occupied/ Leased***
Federal MTW Public Housing Units to be Leased	833	9996
Federal MTW Voucher (HCV) Units to be Utilized	3415	40980
Number of Units to be Occupied/Leased through Local, Non-Traditional, MTW Funded, Property-Based Assistance Programs **	X	X
Number of Units to be Occupied/Leased through Local, Non-Traditional, MTW Funded, Tenant-Based Assistance Programs **	X	X
Total Households Projected to be Served	4248	50976

* Calculated by dividing the planned number of unit months occupied/leased by 12.

** In instances when a local, non-traditional program provides a certain subsidy level but does not specify a number of units/households to be served, the PHA should estimate the number of households to be served.

***Unit Months Occupied/Leased is the total number of months the PHA has leased/occupied units, according to unit category during the fiscal year.

Reporting Compliance with Statutory MTW Requirements

If the PHA has been out of compliance with any of the required statutory MTW requirements listed in Section II(C) of the Standard MTW Agreement, the PHA will provide a narrative discussion and a plan as to how it will return to compliance. If the PHA is currently in compliance, no discussion or reporting is necessary.

Not Applicable

Description of any Anticipated Issues Related to Leasing of Public Housing, Housing Choice Vouchers and/or Local, Non-Traditional Units and Possible Solutions

Housing Program	Description of Anticipated Leasing Issues and Possible Solutions
N/A	Not Applicable

Waitlist Information

Wait List Information Projected for the Beginning of the Fiscal Year				
Housing Program(s) *	**Wait List Type****	**Number of Households on Wait List**	**Wait List Open, Partially Open or Closed*****	**Are There Plans to Open the Wait List During the Fiscal Year**
Federal MTW Public Housing Program	Community-Wide	3958	Partially Open	No
Federal MTW Housing Choice Voucher Program	Community-Wide	322	Partially Open	Yes

Rows for additional waiting lists may be added, if needed.

* *Select Housing Program* : Federal MTW Public Housing Units; Federal MTW Housing Choice Voucher Program; Federal non-MTW Housing Choice Voucher Units; Tenant-Based Local, Non-Traditional MTW Housing Assistance Program; Project-Based Local, Non-Traditional MTW Housing Assistance Program; and Combined Tenant-Based and Project-Based Local, Non-Traditional MTW Housing Assistance Program.

** *Select Wait List Types* : Community-Wide, Site-Based, Merged (Combined Public Housing or Voucher Wait List), Program Specific (Limited by HUD or Local PHA Rules to Certain Categories of Households which are Described in the Rules for Program Participation), None (If the Program is a New Wait List, Not an Existing Wait List), or Other (Please Provide a Brief Description of this Wait List Type).

*** For Partially Open Wait Lists, provide a description of the populations for which the waiting list is open.

The Housing Choice Voucher and Public Housing waiting lists are partially open to serve homeless families referred by the local Office to Prevent and End Homelessness

If Local, Non-Traditional Housing Program, please describe:

Fairfax County Rental Program serve persons who lack the amount of income which is necessary to enable them to continue to meet the rapidly increasing costs of rental housing and to live in decent, safe and affordable housing. The FCRP is particularly intended to fill the housing gap for families whose income is between 50% and 100% of Metropolitan Standard Area (MSA).

If Other Wait List Type, please describe:

Project Base Voucher Program: Rental assistance for eligible families who live in specific housing developments or units.

If there are any changes to the organizational structure of the wait list or policy changes regarding the wait list, provide a narrative detailing these changes.

Not Applicable

III. Proposed MTW Activities: HUD Approval Requested

2017-1 Allow Family Self-Sufficiency Participants to Opt Out of Interest Payments on Escrow

Cost Effectiveness
Self-Sufficiency
Increase Housing Choice

Description

The FSS program for both HCV and Public Housing is an important component of the FCRHA's THRIVE program and ultimately moving to self-sufficiency. The FSS program currently provides an opportunity for 75 HCV participants and 50 Public Housing residents to set individualized goals that will assist them in moving toward increased self-sufficiency within a five-year period. In addition to case management and service coordination, an important component of the program is the participant's ability to grow assets – in the form of an escrow – over five years. The escrow accrues based on increases in a participant's TTP (total tenant payment) due to increases in the participant's earned income. To ensure that the FCRHA can maintain ongoing enrollment of 125 total participants and to ensure that we are operating a diverse and inclusive program, this activity will remove an issue that has deterred some participants from enrolling in the program: allowing participants to opt out of accruing interest on their escrow.

Over the last four years, at least ten potential FSS participants have declined the offer to enroll in our program because the escrow earns a small interest as it accrues, which would ultimately be paid out to the participant upon graduation. These potential participants cited religious reasons for not being able to accept accrued interest. For this reason, the FCRHA would like to give participants the option to build their escrow and opt out of interest payments at the end of their participation.

This activity will begin July 2016 for new program participants.

Activity Metrics/Source of Data

CE #1: Agency Cost Savings				
Unit of Measurement/ Source of Data	**Baseline**	**Benchmark**	**Outcome**	**Benchmark Achieved?**
Total cost of task in dollars (decrease).	*Cost of task prior to implementation of the activity (in dollars).*	*Expected cost of task after implementation of the activity (in dollars).*	*Actual cost of task after implementation of the activity (in dollars).*	*Whether the outcome meets or exceeds the benchmark.*
	There is no cost associated with this activity.	There is no cost associated with this activity.	There are no outcomes expected.	

CE #2: Staff Time Savings				
Unit of Measurement/ Source of Data	**Baseline**	**Benchmark**	**Outcome**	**Benchmark Achieved?**
Total time to complete the task in staff hours (decrease).	*Total amount of staff time dedicated to the task prior to implementation of the activity (in hours).*	*Expected amount of total staff time dedicated to the task after implementation of the activity (in hours).*	*Actual amount of total staff time dedicated to the task after implementation of the activity (in hours).*	*Whether the outcome meets or exceeds the benchmark.*
	There is no cost associated with this activity.	There is no cost associated with this activity.	There are no outcomes expected.	

CE #3: Decrease in Error Rate of Task Execution				
Unit of Measurement/ Source of Data	**Baseline**	**Benchmark**	**Outcome**	**Benchmark Achieved?**
Average error rate in completing a task as a percentage (decrease).	*Average error rate of task prior to implementation of the activity (percentage).*	*Expected average error rate of task after implementation of the activity (percentage).*	*Actual average error rate of task after implementation of the activity (percentage).*	*Whether the outcome meets or exceeds the benchmark.*
	There is no baseline data associated with the error rate of removing interest amounts from escrows.	There will not be any errors associated with eliminating interest accrual on escrow accounts.	There are no outcome expected related to the error rate.	

CE #5: Increase in Agency Rental Revenue				
Unit of Measurement/ Source of Data	**Baseline**	**Benchmark**	**Outcome**	**Benchmark Achieved?**
Rental revenue in dollars (increase).	*Rental revenue prior to implementation of the activity (in dollars).*	*Expected rental revenue after implementation of the activity (in dollars).*	*Actual rental revenue after implementation of the activity (in dollars).*	*Whether the outcome meets or exceeds the benchmark.*
	FY 2016, the Public Housing rental revenue for FSS households was $6,228,558.	The expected Public Housing rental revenue for FSS for FY 2017 is $6,055,568.	To be provided in the Annual MTW Report	To be provided in the Annual MTW Report

SS #2: Increase in Household Savings				
Unit of Measurement/ Source of Data	**Baseline**	**Benchmark**	**Outcome**	**Benchmark Achieved?**
Average amount of savings/escrow of households affected by this policy in dollars (increase).	*Average savings/escrow amount of households affected by this policy prior to implementation of the activity (in dollars). This number may be zero.*	*Expected average savings/escrow amount of households affected by this policy after implementation of the activity (in dollars).*	*Actual average savings/escrow amount of households affected by this policy after implementation of the activity (in dollars).*	*Whether the outcome meets or exceeds the benchmark.*
	As of 12/31/2015, the average asset (non-escrow savings) of households in FSS program was $4,660. The average escrow balance of FSS households is $4,979.	The FCRHA expects any average household assets increases (non-escrow savings) in FY 2017 to be negligible.	To be provided in the Annual MTW Report	To be provided in the Annual MTW Report

Need/Justification for MTW Flexibility

The FCRHA requests HUD authorization to implement this activity under the following section of its MTW Agreement:

- Attachment C, Section E Authorizations Related to Self Sufficiency

Because accruing interest on escrows earned by FSS participants is required by HUD, MTW flexibility is required to allow participants to opt out of accruing this interest.

2017-2 Modify the Family Self-Sufficiency Escrow Structure

Cost Effectiveness

Self-Sufficiency

Increase Housing Choice

Description of Activity

The ability to build assets is a key component of the FSS program. Upon graduation, when FSS participants achieve the goals they have established for themselves at the beginning of the program, the escrow they accumulated during their participation in the program is disbursed to them to be used as they wish. As of December 31, 2015, the average monthly escrow credit of those escrowing participants was $401. The average escrow balance of all participants was $4,979.

Escrows grow based on increases in a participant's TTP due to increases in the participant's earned income. Currently, there are inequalities in the growth of the escrow because participants starting off with no or very low-incomes can build this asset at a greater rate than those starting out in the FSS program with low- to moderate-incomes. In addition, the amount that a family can escrow is based on a formula that decreases as a family exceeds the extremely low-income threshold (30 percent AMI) and reaches very low (50 percent AMI). Families that reach the low- income threshold of 80 percent AMI stop escrowing immediately, therefore further limiting the asset building potential of families that have higher incomes. Since higher income earners have a stronger potential for moving out of subsidized housing, this program seeks to help make that a possibility by equalizing their opportunity to escrow rather than penalizing them.

To address this inequality and to provide an incentive for low- and moderate-income participants, the FCRHA is proposing to modify the escrow structure, which would only impact future FSS participants. There are three major components to this new escrow structure:

1. Participants must be paying **a minimum of $220 in rent** before they can begin to escrow (this is called the rent "strike point").

2. Once the participant reaches the rent strike point, the FCRHA will set up an escrow account and allocate a $2,000 Homeownership Incentive Award each year the participant is escrowing and up to a maximum of $10,000, contingent upon purchasing a home after the participant is eligible for graduation or for up to six months after graduation. **If the participant does not purchase a home, this money will be forfeited.**

3. In addition, once the rent strike point rent is met, monthly escrow will be calculated using a tiered system based on **earned income**. This money will be

disbursed to the participant once they have completed all of their contract goals and are eligible for graduation from the FSS program. If the participant is purchasing a home utilizing their accrued Homeownership Incentive Award, they will receive both this escrow amount and the Homeownership Incentive Award when they are closing on their new home.

The escrow tiers are as follows:

Income Range	Escrow Amount
$10,000 - $14,999	$50
$15,000 - $19,999	$100
$20,000 - $24,999	$125
$25,000 - $29,999	$150
$30,000 - $34,999	$175
$35,000 - $39,999	$200
$40,000 - $44,999	$225
$45,000 - $49,999	$250
$50,000 - $54,999	$275
$55,000 - $59,999	$300
$60,000 - $64,999	$325
$65,000 - $69,999	$350
$70,000 - $74,999	$375
$75,000 - $79,999	$400
$80,000 - Above	$425

FSS participants can continue to participate in the FSS program until they reach the established income limits for Public Housing and HCV participation.

The benefits of this modified escrow program include:

- Creating a more equitable system across all income levels, encouraging both low- and more moderate-income earners to participate and move to self-sufficiency.
- Rewarding homeownership as an ultimate goal of the program.
- Encouraging families to see the benefit of working immediately and progressing in employment and training to reach the next tier.
- Fixing a loophole in the program to discourage participants from quitting a job just prior to enrollment and starting another shortly after enrollment in order to escrow more immediately.
- Reducing staff time in calculating, auditing and posting escrow based on the current process.

This activity will begin July 2016 for new program participants.

Activity Metrics/Source of Data

CE #1: Agency Cost Savings				
Unit of Measurement/ Source of Data	**Baseline**	**Benchmark**	**Outcome**	**Benchmark Achieved?**
Total cost of task in dollars (decrease).	*Cost of task prior to implementation of the activity (in dollars).*	*Expected cost of task after implementation of the activity (in dollars).*	*Actual cost of task after implementation of the activity (in dollars).*	*Whether the outcome meets or exceeds the benchmark.*
	FY 2016, the Public Housing rental revenue for FSS households was $6,228,558.	The expected Public Housing rental revenue for FSS for FY 2017 is $6,055,568.	To be provided in the Annual MTW Report	To be provided in the Annual MTW Report

CE #2: Staff Time Savings				
Unit of Measurement/ Source of Data	**Baseline**	**Benchmark**	**Outcome**	**Benchmark Achieved?**
Total time to complete the task in staff hours (decrease).	*Total amount of staff time dedicated to the task prior to implementation of the activity (in hours).*	*Expected amount of total staff time dedicated to the task after implementation of the activity (in hours).*	*Actual amount of total staff time dedicated to the task after implementation of the activity (in hours).*	*Whether the outcome meets or exceeds the benchmark.*
	This baseline was set using FY 2016 data. Survey of staff revealed that staff spends on average 60 minutes calculating, auditing and correcting each escrow calculation. (60 minutes X 45 interims/month =45 staff hours/month)	The expected amount of total staff time dedicated to calculating escrow is expected to decrease to 7.5 hours per month. (10 minutes x 45 interims/month = 7.5 staff hours)	To be provided in the Annual MTW Report	To be provided in the Annual MTW Report

CE #3: Decrease in Error Rate of Task Execution				
Unit of Measurement/ Source of Data	**Baseline**	**Benchmark**	**Outcome**	**Benchmark Achieved?**
Average error rate in completing a task as a percentage (decrease).	*Average error rate of task prior to implementation of the activity (percentage).*	*Expected average error rate of task after implementation of the activity (percentage).*	*Actual average error rate of task after implementation of the activity (percentage).*	*Whether the outcome meets or exceeds the benchmark.*
	The average error rate associated with escrow calculations by Yardi was 100 percent in FY 2016. However, these errors are corrected after staff recalcuates the escrows.	The expected average error rate calculating escrow is expected to be 10 percent utilizing this new way of calculating escrows in FY 2017, following implementation of this activity.	To be provided in the Annual MTW Report	To be provided in the Annual MTW Report

CE #5: Increase in Agency Rental Revenue				
Unit of Measurement/ Source of Data	**Baseline**	**Benchmark**	**Outcome**	**Benchmark Achieved?**
Rental revenue in dollars (increase).	*Rental revenue prior to implementation of the activity (in dollars).*	*Expected rental revenue after implementation of the activity (in dollars).*	*Actual rental revenue after implementation of the activity (in dollars).*	*Whether the outcome meets or exceeds the benchmark.*
	FY 2016, Public Housing estimated rental revenue for FSS households was $6,228,558.	The expected Public Housing rental revenue for FY 2017 is $6,055,568.	To be provided in the Annual MTW Report	To be provided in the Annual MTW Report

SS #1: Increase in Household Income				
Unit of Measurement/ Source of Data	**Baseline**	**Benchmark**	**Outcome**	**Benchmark Achieved?**
Average earned income of households affected by this policy in dollars (increase).	*Average earned income of households affected by this policy prior to implementation of the activity (in dollars).*	*Expected average earned income of households affected by this policy prior to implementation of the activity (in dollars).*	*Actual average earned income of households affected by this policy prior to implementation (in dollars).*	*Whether the outcome meets or exceeds the benchmark.*
	In FY 2016, the average earned income of FSS I households was $21,726.	In FY 2017, the expected average earned income of FSS households is $25,000.	To be provided in the Annual MTW Report	To be provided in the Annual MTW Report

SS #2: Increase in Household Savings				
Unit of Measurement	**Baseline**	**Benchmark**	**Outcome**	**Benchmark Achieved?**
Average amount of savings/escrow of households affected by this policy in dollars (increase).	*Average savings/escrow amount of households affected by this policy prior to implementation of the activity (in dollars). This number may be zero.*	*Expected average savings/escrow amount of households affected by this policy after implementation of the activity (in dollars).*	*Actual average savings/escrow amount of households affected by this policy after implementation of the activity (in dollars).*	*Whether the outcome meets or exceeds the benchmark.*
	As of 12/31/2015, the average assets (non-escrow savings) of households in FSS program was $4,660. The average escrow balance of FSS households is $4,979.	The FCRHA expects any average household assets increases (non-escrow savings) in FY 2017 to be negligible. It is expected that the average escrow balance will increase by a minimum of $50 per month.	To be provided in the Annual MTW Report	To be provided in the Annual MTW Report

SS #3: Increase in Positive Outcomes in Employment Status				
Unit of Measurement/ Source of Data	**Baseline**	**Benchmark**	**Outcome**	**Benchmark Achieved?**
Report the following information separately for each category:	*Head(s) of households in <<category name>> prior to implementation of the activity (number). This number may be zero.*	*Expected head(s) of households in <<category name>> after implementation of the activity (number).*	*Actual head(s) of households in <<category name>> after implementation of the activity (number).*	*Whether the outcome meets or exceeds the benchmark.*
1. Employed Full-Time	As of 12/31/2015, 47 of 90 FSS heads of household were employed full-time.	In FY 2017, the expected heads of households employed Full-Time is 50.	To be provided in the Annual MTW Report	To be provided in the Annual MTW Report
2. Employed Part-Time	As of 12/31/2015, 21 of 90 FSS heads of household were employed part-time.	In FY 2017, the expected heads of households employed Full-Time is 35.	To be provided in the Annual MTW Report	To be provided in the Annual MTW Report
3. Enrolled in an Educational Program	As of 12/31/2015, 20 of 90 FSS heads of household were enrolled in an educational program.	In FY 2017, the expected heads of households enrolled in an educational program is 35.	To be provided in the Annual MTW Report	To be provided in the Annual MTW Report
4. Enrolled in Job Training Program	As of 12/31/2015, 3 of 90 FSS heads of household were enrolled in a job training program.	In FY 2017, the expected heads of households enrolled in a job training program is 6.	To be provided in the Annual MTW Report	To be provided in the Annual MTW Report
5. Unemployed	As of 12/31/2015, the total number of families with a head of household that was neither elderly nor disabled (i.e. "employable"), and had no earned income is 11.	In FY 2017, the expected number of families with a head of household that is neither elderly nor disabled (i.e. "employable"), and has no earned income is 13.	To be provided in the Annual MTW Report	To be provided in the Annual MTW Report
6. Other: Employed Part- or Full-Time	N/A	N/A	N/A	N/A

SS #4: Households Removed from Temporary Assistance for Needy Families (TANF)				
Unit of Measurement/ Source of Data	**Baseline**	**Benchmark**	**Outcome**	**Benchmark Achieved?**
Number of households receiving TANF assistance (decrease).	*Households receiving TANF prior to implementation of the activity (number).*	*Expected number of households receiving TANF after implementation of the activity (number).*	*Actual households receiving TANF after implementation of the activity (number).*	*Whether the outcome meets or exceeds the benchmark.*
	As of 12/31/2015, only two FSS households were receiving TANF assistance.	In FY 2017, the expected number of households receiving TANF is 0.	To be provided in the Annual MTW Report	To be provided in the Annual MTW Report

SS #5: Households Assisted by Services that Increase Self-Sufficiency				
Unit of Measurement/ Source of Data	**Baseline**	**Benchmark**	**Outcome**	**Benchmark Achieved?**
Number of households receiving services aimed to increase self-sufficiency (increase).	*Households receiving self-sufficiency services prior to implementation of the activity (number).*	*Expected number of households receiving self-sufficiency services after implementation of the activity (number).*	*Actual number of households receiving self-sufficiency services after implementation of the activity (number).*	*Whether the outcome meets or exceeds the benchmark.*
	90 FSS households are receiving self-sufficiency services prior to implementation.	In FY 2017 the expected number of households receiving self-sufficiency services is 125.	To be provided in the Annual MTW Report	To be provided in the Annual MTW Report

SS #6: Reducing Per Unit Subsidy Costs for Participating Households				
Unit of Measurement/ Source of Data	**Baseline**	**Benchmark**	**Outcome**	**Benchmark Achieved?**
Average amount of Section 8 and/or 9 subsidy per household affected by this policy in dollars (decrease).	*Average subsidy per household affected by this policy prior to implementation of the activity (in dollars).*	*Expected average subsidy per household affected by this policy after implementation of the activity (in dollars).*	*Actual average subsidy per household affected by this policy after implementation of the activity (in dollars).*	*Whether the outcome meets or exceeds the benchmark.*
	Average HAP per FSS (HCV) household prior to implementing this policy was $1,144.	In FY 2017, the FCRHA expects the average HAP per FSS (HCV) household after implementing this policy to be $1,100.	To be provided in the Annual MTW Report	To be provided in the Annual MTW Report

SS #7: Increase in Agency Rental Revenue				
Unit of Measurement/Source of Data	**Baseline**	**Benchmark**	**Outcome**	**Benchmark Achieved?**
PHA rental revenue in dollars (increase)	*PHA rental revenue prior to implementation of the activity (in dollars).*	*Expected PHA rental revenue after implementation of the activity (in dollars).*	*Actual PHA rental revenue after implementation of the activity (in dollars).*	*Whether the outcome meets or exceeds the benchmark.*
	In FY 2016, the estimated rental revenue is $6,228,558.	In FY 2017, the estimated rental revenue is $6,055,568.	To be provided in the Annual MTW Report	To be provided in the Annual MTW Report

SS #8: Households Transitioned to Self-Sufficiency				
Unit of Measurement/ Source of Data	**Baseline**	**Benchmark**	**Outcome**	**Benchmark Achieved?**
Number of households transitioned to self-sufficiency (increase). The PHA may create one or more definitions for "self-sufficiency" to use for this metric. Each time the PHA uses this metric, the "Outcome" number should also be provided in Section (II) Operating Information in the space provided.	*Households transitioned to self-sufficiency (<<PHA definition of self-sufficiency>>) prior to implementation of the activity (number). This number may be zero.*	*Expected households transitioned to self-sufficiency (<<PHA definition of self-sufficiency>>) after implementation of the activity (number).*	*Actual households transitioned to self-sufficiency (<<PHA definition of self-sufficiency >>) after implementation of the activity (number).*	*Whether the outcome meets or exceeds the benchmark.*
For purposes of collecting this metric only, the FCRHA is defining self-sufficiency as a household that is no longer receiving subsidy (in HCV) or is at 100% AMI (in PH).	The baseline is zero.	Of the new enrollments in FY 2017, zero are expected to transition to self-sufficiency.	To be provided in the Annual MTW Report	To be provided in the Annual MTW Report

Need/Justification for MTW Flexibility

The FCRHA requests HUD authorization to implement this activity under the following sections of its MTW Agreement:

- Attachment C, Section E Authorizations Related to Self Sufficiency

Because modifying the FSS escrow policy is not currently allowed by HUD, MTW flexibility is required to allow the FCRHA to implement this changes.

2017-3 Establish a Work Requirement for Family Self-Sufficiency Participants

Cost Effectiveness
Self-Sufficiency
Increase Housing Choice

Description of Activity

In addition to meeting their established self-sufficiency goals within the five-year timeframe, participants must "maintain suitable employment" for at least 12 consecutive months prior to graduation. HUD regulations do not specify criteria for "suitable employment," leaving it up to the PHA to determine the criteria on its own. This activity will clarify this definition and increase the expectation of families to be engaged in workforce activities critical to achieving self-sufficiency.

The FCRHA seeks authorization from HUD to establish a 32-hour work requirement for FSS participants. During the first four years of participation in the FSS program, participants will be required to engage in any combination of employment/training/education totaling 32 hours per week. Further, the participants will be required to work 32-hours per week for at least 12 consecutive months prior to graduation. For participants who are receiving SSI, SSDI, or who are elderly or disabled, work eligibility and appropriate hours will be determined through assessments with the Ticket to Work program, the Virginia Department of Aging and Rehabilitative Services, and the Fairfax County Department of Family Services.

The benefits to the work requirement include:

- Participants have clear and defined expectations for work, eliminating a vague policy that previously allowed families to disengage from these activities.
- Participants will increase their opportunity for building assets through their escrow accounts.
- Participants gain valuable work experience to help them move to self-sufficiency and meet requirements for homeownership.
- FSS staff will no longer need to define "suitable employment."

This activity will begin July 2016 for new program participants.

Activity Metrics/Source of Data

SS #1: Increase in Household Income				
Unit of Measurement/ Source of Data	**Baseline**	**Benchmark**	**Outcome**	**Benchmark Achieved?**
Average earned income of households affected by this policy in dollars (increase).	Average earned income of households affected by this policy prior to implementation of the activity (in dollars).	Expected average earned income of households affected by this policy prior to implementation of the activity (in dollars).	Actual average earned income of households affected by this policy prior to implementation (in dollars).	Whether the outcome meets or exceeds the benchmark.
	As of 12/31/2015, the average earned income of families in the FSS program was $21,726. Incomes range from $4320 (household size of 2 and 5 percent AMI) on the low end to $90,791 (household size of 7 and 68 percent AMI).	The FCRHA does not expect the average earned income of households to increase in FY 2017, the first year of implementation of this activity.	To be provided in the Annual MTW Report	To be provided in the Annual MTW Report

SS #3: Increase in Positive Outcomes in Employment Status				
Unit of Measurement/ Source of Data	**Baseline**	**Benchmark**	**Outcome**	**Benchmark Achieved?**
Report the following information separately for each category:	Head(s) of households in <<category name>> prior to implementation of the activity (number). This number may be zero.	Expected head(s) of households in <<category name>> after implementation of the activity (number).	Actual head(s) of households in <<category name>> after implementation of the activity (number).	Whether the outcome meets or exceeds the benchmark.
1. Employed Full-Time	As of 12/31/2015, 47 of 90 FSS heads of household were employed full-time.	In FY 2017, the expected heads of households employed Full-Time is 50.	To be provided in the Annual MTW Report	To be provided in the Annual MTW Report
2. Employed Part-Time	As of 12/31/2015, 21 of 90 FSS heads of household were employed part-time.	In FY 2017, the expected heads of households employed Full-Time is 35.	To be provided in the Annual MTW Report	To be provided in the Annual MTW Report
3. Enrolled in an Educational Program	As of 12/31/2015, 20 of 90 FSS heads of household were enrolled in an	In FY 2017, the expected heads of households enrolled in an	To be provided in the Annual MTW Report	To be provided in the Annual MTW Report

	educational program.	educational program is 35.		
4. Enrolled in Job Training Program	As of 12/31/2015, 3 of 90 FSS heads of household were enrolled in a job training program.	In FY 2017, the expected heads of households enrolled in a job training program is 6.	To be provided in the Annual MTW Report	To be provided in the Annual MTW Report
5. Unemployed	As of 12/31/2015, the total number of families with a head of household that was neither elderly nor disabled (i.e. "employable"), and had no earned income is 11.	In FY 2017, the expected number of families with a head of household that is neither elderly nor disabled (i.e. "employable"), and has no earned income is 13.	To be provided in the Annual MTW Report	To be provided in the Annual MTW Report
6. Other: Employed Part- or Full-Time	N/A	N/A	N/A	N/A

SS #4: Households Removed from Temporary Assistance for Needy Families (TANF)				
Unit of Measurement/ Source of Data	**Baseline**	**Benchmark**	**Outcome**	**Benchmark Achieved?**
Number of households receiving TANF assistance (decrease).	*Households receiving TANF prior to implementation of the activity (number).*	*Expected number of households receiving TANF after implementation of the activity (number).*	*Actual households receiving TANF after implementation of the activity (number).*	*Whether the outcome meets or exceeds the benchmark.*
	As of 12/31/2015, only two FSS households were receiving TANF assistance.	In FY 2017, the expected number of households receiving TANF is 0.	To be provided in the Annual MTW Report	To be provided in the Annual MTW Report

SS #5: Households Assisted by Services that Increase Self-Sufficiency				
Unit of Measurement/ Source of Data	**Baseline**	**Benchmark**	**Outcome**	**Benchmark Achieved?**
Number of households receiving services aimed to increase self-sufficiency (increase).	*Households receiving self-sufficiency services prior to implementation of the activity (number).*	*Expected number of households receiving self-sufficiency services after implementation of the activity (number).*	*Actual number of households receiving self-sufficiency services after implementation of the activity (number).*	*Whether the outcome meets or exceeds the benchmark.*
	As of 12/31/2015, 90 households were enrolled in the FSS Program and receiving self-sufficiency services.	In FY 2017, the expected number of households receiving self-sufficiency services as a result of this activity is 125.	To be provided in the Annual MTW Report	To be provided in the Annual MTW Report

SS #6: Reducing Per Unit Subsidy Costs for Participating Households				
Unit of Measurement/ Source of Data	**Baseline**	**Benchmark**	**Outcome**	**Benchmark Achieved?**
Average amount of Section 8 and/or 9 subsidy per household affected by this policy in dollars (decrease).	Average subsidy per household affected by this policy prior to implementation of the activity (in dollars).	Expected average subsidy per household affected by this policy after implementation of the activity (in dollars).	Actual average subsidy per household affected by this policy after implementation of the activity (in dollars).	
	Average HAP per FSS household prior to implementing this policy was $1,144.	In FY 2017, the FCRHA expects the average HAP per FSS household after implementing this policy to be $1,000.	To be provided in the Annual MTW Report	To be provided in the Annual MTW Report

SS #7: Increase in Agency Rental Revenue				
Unit of Measurement/ Source of Data	**Baseline**	**Benchmark**	**Outcome**	**Benchmark Achieved?**
PHA rental revenue in dollars (increase)	*PHA rental revenue prior to implementation of the activity (in dollars).*	*Expected PHA rental revenue after implementation of the activity (in dollars).*	*Actual PHA rental revenue after implementation of the activity (in dollars).*	*Whether the outcome meets or exceeds the benchmark.*
	In FY 2016, the estimated rental revenue is $6,228,558.	In FY 2017, the estimated rental revenue is $6,055,568.	To be provided in the Annual MTW Report	To be provided in the Annual MTW Report

SS #8: Households Transitioned to Self-Sufficiency				
Unit of Measurement/ Source of Data	**Baseline**	**Benchmark**	**Outcome**	**Benchmark Achieved?**
Number of households transitioned to self-sufficiency (increase). The PHA may create one or more definitions for "self-sufficiency" to use for this metric. Each time the PHA uses this metric, the "Outcome" number should also be provided in Section (II) Operating Information in the space provided.	Households transitioned to self-sufficiency (<<PHA definition of self-sufficiency>>) prior to implementation of the activity (number). This number may be zero.	Expected households transitioned to self-sufficiency (<<PHA definition of self-sufficiency>>) after implementation of the activity (number).	Actual households transitioned to self-sufficiency (<<PHA definition of self-sufficiency >>) after implementation of the activity (number).	Whether the outcome meets or exceeds the benchmark.
For purposes of collecting this metric only, the FCRHA is defining self-sufficiency as a household that is no longer receiving subsidy (in HCV) or is at 100% AMI (in PH).	The baseline is zero.	Of the new enrollments in FY 2017, zero are expected to transition to self-sufficiency.	To be provided in the Annual MTW Report	To be provided in the Annual MTW Report

Need/Justification for MTW Flexibility

The FCRHA requests HUD authorization to implement this activity under the following sections of its MTW Agreement:

- Attachment C, Section E Authorizations Related to Self Sufficiency

Work requirements are currently not defined by HUD. MTW flexibility is required to allow the FCRHA to establish this work requirement for FSS participants.

2017-4 Exclude Income of Family Self-Sufficiency Head of Household Participants Who Are Enrolled Full Time in School

Cost Effectiveness
Self-Sufficiency
Increase Housing Choice

Description of Activity

Education, in addition to employment, is very important to the success of FSS participants in achieving their self-sufficiency goals. FSS participants develop goals to reach self-sufficiency within five years. During the first several years of participation, obtaining additional education in order to improve employment outcomes is often a high priority goal. Our program encourages participants to remain active in the workforce while they are enrolled in school because we understand the unique challenges of raising families and surviving financially in Fairfax County. Participants often refuse training and educational opportunities because they feel they cannot afford the expense and need to focus on earning income to meet the expense of daily life.

Currently, the FCRHA excludes all but $480 income from certain working adults in a household who are enrolled full-time in school—but this benefit does not currently apply to heads of household. All FSS participants are the heads of households. This is a critical benefit so that participants can cover both educational expenses and daily expenses.

The purpose of this activity is to request authorization to apply a similar income exclusion to a FSS head of household participant who chooses to remain employed and pursue educational opportunities. This exclusion would apply for up to two years. This will increase their motivation to both work and participate in education full time. In the evaluation of the FSS program conducted by True Purpose Leadership in December 2015, current and past FSS participants overwhelmingly said that there was a disincentive to increase income or work additional jobs. This activity addresses this by providing an incentive for participants to both enroll in education and work.

This activity will begin July 2016 for all current and new program participants.

Activity Metrics/Source of Data

SS #3: Increase in Positive Outcomes in Employment Status				
Unit of Measurement/ Source of Data	**Baseline**	**Benchmark**	**Outcome**	**Benchmark Achieved?**
Report the following information separately for each category:	Head(s) of households in <<category name>> prior to implementation of the activity (number). This number may be zero.	Expected head(s) of households in <<category name>> after implementation of the activity (number).	Actual head(s) of households in <<category name>> after implementation of the activity (number).	Whether the outcome meets or exceeds the benchmark.
1. Employed Full-Time	As of 12/31/2015, 47 of 90 FSS heads of household were employed full-time.	In FY 2017, the expected heads of households employed full-time is 50.	To be provided in the Annual MTW Report	To be provided in the Annual MTW Report
2. Employed Part-Time	As of 12/31/2015, 21 of 90 FSS heads of household were employed part-time.	In FY 2017, the expected heads of households employed part-time is 35.	To be provided in the Annual MTW Report	To be provided in the Annual MTW Report
3. Enrolled in an Educational Program	As of 12/31/2015, 20 of 90 FSS heads of household were enrolled in an educational program.	In FY 2017, the expected heads of households enrolled in an educational program is 35.	To be provided in the Annual MTW Report	To be provided in the Annual MTW Report
4. Enrolled in Job Training Program	As of 12/31/2015, 3 of 90 FSS heads of household were enrolled in a job training program.	In FY 2017, the expected heads of households enrolled in a job training program is 6.	To be provided in the Annual MTW Report	To be provided in the Annual MTW Report
5. Unemployed	As of 12/31/2015, the total number of families with a head of household that was neither elderly nor disabled (i.e. "employable"), and had no earned income is 11.	In FY 2017, the expected number of families with a head of household that is neither elderly nor disabled (i.e. "employable"), and has no earned income is 13.	To be provided in the Annual MTW Report	To be provided in the Annual MTW Report
6. Other: Employed Part- or Full-Time	N/A	N/A	N/A	N/A

SS #4: Households Removed from Temporary Assistance for Needy Families (TANF)				
Unit of Measurement/ Source of Data	**Baseline**	**Benchmark**	**Outcome**	**Benchmark Achieved?**
Number of households receiving TANF assistance (decrease).	Households receiving TANF prior to implementation of the activity (number).	Expected number of households receiving TANF after implementation of the activity (number).	Actual households receiving TANF after implementation of the activity (number).	Whether the outcome meets or exceeds the benchmark.
	As of 12/31/2015, only two FSS households were receiving TANF assistance.	In FY 2017, the expected number of households receiving TANF is 0.	To be provided in the Annual MTW Report	To be provided in the Annual MTW Report

SS #5: Households Assisted by Services that Increase Self-Sufficiency				
Unit of Measurement/ Source of Data	**Baseline**	**Benchmark**	**Outcome**	**Benchmark Achieved?**
Number of households receiving services aimed to increase self-sufficiency (increase).	Households receiving self-sufficiency services prior to implementation of the activity (number).	Expected number of households receiving self-sufficiency services after implementation of the activity (number).	Actual number of households receiving self-sufficiency services after implementation of the activity (number).	Whether the outcome meets or exceeds the benchmark.
	As of 12/31/2015, 90 households were enrolled in the FSS program and receiving self-sufficiency services.	In FY 2017, the expected number of households receiving self-sufficiency services as a result of this activity is 125.	To be provided in the Annual MTW Report	To be provided in the Annual MTW Report

SS #6: Reducing Per Unit Subsidy Costs for Participating Households				
Unit of Measurement/ Source of Data	**Baseline**	**Benchmark**	**Outcome**	**Data Source**
Average amount of Section 8 and/or 9 subsidy per household affected by this policy in dollars (decrease).	Average subsidy per household affected by this policy prior to implementation of the activity (in dollars).	Expected average subsidy per household affected by this policy after implementation of the activity (in dollars).	Actual average subsidy per household affected by this policy after implementation of the activity (in dollars).	
	Average HAP per FSS (HCV) household prior to implementing this policy was $1,144.	In FY 2017, the FCRHA expects the average HAP per FSS (HCV) household after implementing this policy to be $1,100.		

Need/Justification for MTW Flexibility

The FCRHA requests HUD authorization to implement this activity under the following sections of its MTW Agreement:

- Attachment C, Section E Authorizations Related to Self Sufficiency

MTW authorization is required for this activity because this exclusion is currently not allowed under HUD regulations.

2017-5 Establish Gateway to Housing Choice Voucher Program from the Tenant-Based Rental Assistance Program

Cost Effectiveness

Self-Sufficiency

Increase Housing Choice

Description of Activity

The FCRHA has nearly 50 Tenant-Based Rental Assistance (TBRA) vouchers which provide housing assistance to formerly homeless households, non-elderly disabled households, and families that were not able to be served through the Public Housing program because of a reasonable accommodation or some other reason Public Housing was no longer suitable. The average bedroom size for this assistance is two bedrooms and the average housing assistance payment for these families is $54,000. All of these families will require long-term affordable housing assistance.

TBRA is funded through the Federal HOME Investments Partnership Program. During each Federal budget negotiation, the FCRHA is regularly concerned about a loss of funding for this program. While HOME is funded currently, the FCRHA would like to establish a gateway between the TBRA program and HCV, similar to the locally-funded Bridging Affordability program. Thus, should it be necessary to decrease the number of TBRA households funded through HOME, the gateway will be established by establishing a preference for priority on the HCV waiting list to ensure that these families continue to receive affordable housing assistance.

Activity Metrics/Source of Data

CE #1: Agency Cost Savings				
Unit of Measurement/ Source of Data	**Baseline**	**Benchmark**	**Outcome**	**Benchmark Achieved?**
Total cost of task in dollars (decrease).	*Cost of task prior to implementation of the activity (in dollars).*	*Expected cost of task after implementation of the activity (in dollars).*	*Actual cost of task after implementation of the activity (in dollars).*	*Whether the outcome meets or exceeds the benchmark.*
	There is no cost associated with this activity.	There is no cost associated with this activity.	There are no outcomes expected regarding agency cost savings.	

CE #2: Staff Time Savings				
Unit of Measurement/ Source of Data	**Baseline**	**Benchmark**	**Outcome**	**Benchmark Achieved?**
Total time to complete the task in staff hours (decrease).	*Total amount of staff time dedicated to the task prior to implementation of the activity (in hours).*	*Expected amount of total staff time dedicated to the task after implementation of the activity (in hours).*	*Actual amount of total staff time dedicated to the task after implementation of the activity (in hours).*	*Whether the outcome meets or exceeds the benchmark.*
	There is no staff time savings associated with this activity.	There is no staff time savings associated with this activity.	There are no outcomes expected regarding agency staff time savings.	

CE #3: Decrease in Error Rate of Task Execution				
Unit of Measurement/ Source of Data	**Baseline**	**Benchmark**	**Outcome**	**Benchmark Achieved?**
Average error rate in completing a task as a percentage (decrease).	*Average error rate of task prior to implementation of the activity (percentage).*	*Expected average error rate of task after implementation of the activity (percentage).*	*Actual average error rate of task after implementation of the activity (percentage).*	*Whether the outcome meets or exceeds the benchmark.*
	There are no error rates associated with this activity.	There are no benchmarks associated with error rates with this activity.	There are no outcomes expected error rates.	

Need/Justification for MTW Flexibility

The FCRHA requests HUD authorization to implement this activity under the following sections of its MTW Agreement:

- Attachment C, Section D.4 Waiting List Policies

MTW flexibility is necessary to modify waiting list procedures.

2017-6 Authorization to Establish a Local Moving to Work Project-Based Voucher Program

Cost Effectiveness
Self-Sufficiency
Increase Housing Choice

Description of Activity

The FCRHA and Fairfax County own affordable housing units as well as land which could provide additional affordable housing units throughout Fairfax County. The FY 2016 Strategic Plan for the FCRHA and HCD includes several strategies to increase affordable housing options for residents, as well as to preserve the existing affordable units. To be in a better position to do so—to be able to be opportunity driven--the FCRHA is requesting authorization to establish a local project-based voucher program. The key components of this authorization are to allow the FCRHA to provide a commitment of PBVs, without a competition, for:

1. Development or redevelopment by the FCRHA of FCRHA- or Fairfax County-owned housing units or land;
2. Development or redevelopment by private developers of FCRHA- or Fairfax County-owned housing units or land;
3. Development or redevelopment by private developers utilizing FCRHA financing.

Further, this authorization will allow the FCRHA to utilize PBVs for its own Fairfax County Rental Program (FCRP) units. Specific authorization from the FCRHA would be requested for the commitment of PBVs in projects under this authority. There will continue to be a PBV competition for other projects, as vouchers are available.

With regard to the commitment of PBVs to for-profit and non-profit partners, while the FCRHA or County may choose a specific development/redevelopment to pursue, the selection of the developer will continue to be competitive.

Establishment of a MTW PBV program will provide the FCRHA will the flexibility to work with private developers and commit a valuable asset to potentially close the financing gap in affordable housing projects. This will increase the housing choices of Fairfax County residents.

Activity Metrics/Source of Data

CE #1: Agency Cost Savings				
Unit of Measurement/ Source of Data	**Baseline**	**Benchmark**	**Outcome**	**Benchmark Achieved?**
Total cost of task in dollars (decrease).	*Cost of task prior to implementation of the activity (in dollars).*	*Expected cost of task after implementation of the activity (in dollars).*	*Actual cost of task after implementation of the activity (in dollars).*	*Whether the outcome meets or exceeds the benchmark.*
	There is no cost associated with this activity.	There is no cost associated with this activity.	There are no outcomes expected regarding agency cost savings.	

CE #2: Staff Time Savings				
Unit of Measurement/ Source of Data	**Baseline**	**Benchmark**	**Outcome**	**Benchmark Achieved?**
Total time to complete the task in staff hours (decrease).	*Total amount of staff time dedicated to the task prior to implementation of the activity (in hours).*	*Expected amount of total staff time dedicated to the task after implementation of the activity (in hours).*	*Actual amount of total staff time dedicated to the task after implementation of the activity (in hours).*	*Whether the outcome meets or exceeds the benchmark.*
	There is no staff savings related to this activity.	There are no benchmarks related to this activity.	There are no outcomes related to this activity.	

Need/Justification for MTW Flexibility

The FCRHA requests HUD authorization to implement this activity under the following sections of its MTW Agreement:

- Attachment C, Section D.7 Establishment of an Agency MTW Section 8 Project-Based Program

Authorization is requested because committing PBVs without competition to projects is currently no allowed.

IV.A. Approved MTW Activities: Implemented

The following MTW activities are currently being implemented. A summary and status update on these activities follows:

ACTIVITY	
2014-1	Reduction in Frequency of Reexaminations
2014-2	Eliminate Mandatory Earned Income Disregard Calculation
2014-3	Streamlined Inspections for Housing Choice Voucher Units
2014-9	Increase the Family's Share of Rent from 30 Percent to 35 Percent of Family Income in the Housing Choice Voucher and Public Housing Programs
2015-1	Eliminate Flat Rents in the Public Housing Program

2014-1 Reduction in Frequency of Reexaminations

Cost Effectiveness
Self-Sufficiency
Increase Housing Choice

Description of Activity/Status

This activity was first approved in the FY 2014 MTW Plan Year. The objectives of this activity are to provide a work incentive for all families and to reduce the burden on staff and families by reducing the frequency of income reexaminations. The FCRHA proposed the following changes:

- Reexaminations will be reduced from annually to once every two years. Families that claim to have zero income will continue to meet with FCRHA staff regularly.
- Reexaminations for families on fixed incomes (only SSI, SSDI, SS, or pensions, or any combination of those sources) will be conducted every three years.
- Interim increases—that is, increases in income between annual reexaminations—will be disregarded until the next scheduled biennial or triennial reexamination.
- Interim decreases, a reported decrease in income, will be limited to one during a calendar year and no interim decreases during the first six months after initial occupancy.

The reduction in the frequency of reexaminations provides an incentive to work for all families—including elderly families and/or people with disabilities who wish to be employed—who will not be subject to a rent increase when their income increases as a result of self-sufficiency successes such as new employment or job promotion. Through this activity, the FCRHA is reducing the regulatory burden both on the participant families and staff to allow a greater focus on people—not paperwork.

In early 2014, the FCRHA started the implementation of this activity by informing HCV households and all those households in the Public Housing Pilot Portfolio about the biennial/triennial reexamination cycle. In July 2014, the FCRHA began phasing in affected households to the alternate reexamination schedule and is expected to completely phase in by June 2016. The FCRHA has temporarily postponed its new interim policy.

Activity Metrics

There are no changes to the Activity Metrics for FY 2017.

2014-2 Eliminate Mandatory Earned Income Disregard Calculation

Cost Effectiveness
Self-Sufficiency
Increase Housing Choice

Description of Activity/Status

Eliminating the Mandatory Earned Income Disregard (EID) calculation was an opportunity for cost effectiveness and allowed staff to reallocate resources toward self-sufficiency development. EID regulations are cumbersome to apply yet affect only one percent of families in the Public Housing and Housing Choice Voucher programs. The FCRHA believes the time spent on complying with this relatively obscure calculation is better used to help families with Individual Development Plans and goal-setting.

As part of the HUD-mandated EID calculation, any family in the Public Housing program, and any family in the HCV program that included a member(s) with disabilities, was eligible for EID when an unemployed or under-employed family member obtained a job or increased their wages. The resulting income increase was fully excluded for 12 months and 50 percent excluded for an additional 12 months. In FY 2011, only 52 families in the FCRHA's Public Housing and HCV programs benefited from the EID calculation.

In its FY 2014 MTW Plan, the FCRHA proposed eliminating the HUD-mandated EID calculation and in February 2014 began notifying affected families. In order to allow families to prepare for any potential changes in rent, families that received notification within three months of their reexaminations are being phased out at their second annual reexamination. The FCRHA will complete this activity and eliminate all use of the EID calculation in Fiscal Year 2015. No new families will receive the disregard in FY 2016; that is, the EID calculation will no longer be included as part of any rent calculation. The FCRHA does not anticipate changes or modifications to this activity during the FY 2017 Plan year.

Activity Metrics

There are no changes to the Activity Metrics for FY 2017.

2014-3 Streamlined Inspections for Housing Choice Voucher Units

Cost Effectiveness
Self-Sufficiency
Increase Housing Choice

Description of Activity/Status

Streamlining Housing Choice Voucher inspections provides a two-part connection to the FCRHA's THRIVE initiative – (1) it reduces staff time spent on inspections of units that are historically of high-quality, and (2) it provides an incentive for families to maintain their units via less frequent inspections. This activity is expected to reduce the costs associated with conducting HCV inspections, encourage owners to maintain their units, and incentivize families to employ good housekeeping practices.

This activity was first approved in the FCRHA's 2014 MTW Plan. HUD regulations currently mandate that housing authorities inspect every HCV unit at least annually to ensure it meets Housing Quality Standards (HQS).

In FY 2014, the FCRHA re-evaluated the scope of its activity to streamline inspections for all HCV units in response to inspection staff concerns that units which have repeatedly failed inspections might continue to pose potential hazards to tenants if not reinspected. Rather than allowing all HCV units to transition to biennial inspections after one passed inspection and self-certification by the household and the landlord, the FCRHA relies on its inspectors to determine if the unit and both parties are prepared for biennial inspections. Inspectors now take into account whether or not landlords conduct their own annual inspection, respond to repairs timely and have a good history of working with the tenant to address lease violations. In addition, the inspector considers the tenant's housekeeping, ability to address housing issues with the landlord and ability to maintain their home in a decent, safe and sanitary condition.

Tenants, owners, or a third-party will continue to have the option to request Special Inspections at any time, and any complaints received by the FCRHA from a tenant, owner or third-party may revert a unit back to an annual inspection cycle. Additionally, all HCV units will be subject to Quality Control Inspections and the FCRHA will specifically focus those inspections on households less likely to report unsafe or unsanitary conditions. Inspection staff will follow HQS protocol including using HUD Form 52580 for all inspections.

While all HCV households received notification in Fiscal Year 2014 of the change in inspection cycle, the FCRHA began actual implementation of streamlined inspections in Fiscal Year 2015. Beginning November 2014, qualified units due for inspection received their last annual inspection and are being phased in to the biennial inspection.

Activity Metrics

There are no changes to the Activity Metrics for FY 2017.

2014-9 Increase the Family's Share of Rent from 30 Percent to 35 Percent of Family Income in the Housing Choice Voucher and Public Housing Programs

Cost Effectiveness

Self-Sufficiency

Increase Housing Choice

Description of Activity/Status

Previously, in the HCV and Public Housing programs, the amount that a participant family paid for rent and utilities (the family share) was based on the highest of: a minimum rent of $50, ten percent of the family's monthly gross income, or 30 percent of the family's monthly adjusted income. Along with other cost saving activities that were planned by the FCRHA, reforming the calculation used to determine the family's share of rent and utilities, by increasing the percent of the family's monthly adjusted income from 30 percent to 35 percent, allowed the FCRHA to counteract the financial impacts of federal sequestration. This reform, recommended by the THRIVE Advisory Committee, was implemented to stabilize the Public Housing and HCV programs and help close the operating subsidy shortfall in the Public Housing program.

The FCRHA proposed:

- Increase the percentage from 30 percent to 35 percent of adjusted income.
- Apply the change to all families in both programs, with the exception of families on fixed incomes (only SSI, SSDI, SS, or pensions, or any combination of those sources) and families in the Housing Choice Voucher Veterans Affairs Supportive Housing (VASH) program. These families will continue to pay the highest of (1) 30 percent of adjusted income, (2) 10 percent of gross income, or (3) the FCRHA's current minimum rent.

This was first approved in an amended FY 2014 MTW Plan. The FCRHA notified affected families and landlords of the change late in FY 2014. The FCRHA began phasing in implementation of this activity with reexaminations starting July 1, 2014 and completed phase in by June 2015.

Activity Metrics

There are no changes to the Activity Metrics in FY 2017.

2015-1 Eliminate Flat Rents in the Public Housing Program

Cost Effectiveness

Self-Sufficiency

Increase Housing Choice

Description of Activity/Status

In the Public Housing program, families have the choice between paying a rent based on 35 percent of their adjusted income, or a "flat rent" that is established by property and bedroom size. These flat rents are set by the FCRHA and are equivalent to what the unit would rent for on the private market. HUD's flat rent policy is intended to encourage self-sufficiency, but only 20 families in the FCRHA's Public Housing program have selected the flat rent option. These families are paying less than the 35 percent standard that all other families are paying.

In an amended FY 2015 MTW Plan, the FCRHA proposed to eliminate the flat rent option so that all families currently paying flat rent would be required to pay 35 percent of their adjusted income at their next annual recertification. HUD approved this activity in late 2015 and the FCRHA began implementation of this policy after the amended Plan was approved. The FCRHA sent letters to all affected families notifying them that a new rent calculation based on 35 percent of their adjusted income will become effective at their next annual recertification. They were given at least a 90-day notice. Families whose recertification fell less than 90 days from notification will receive the new rent calculation at their second annual recertification.

Activity Metrics

There are no changes to the Activity Metrics for FY 2017.

IV.B. Approved MTW Activities: Not Yet Implemented Activities

2014-5 Institute a New Minimum Rent

Cost Effectiveness

Self-Sufficiency

Increase Housing Choice

Description of Activity

Along with its "people not paperwork" focus, the FCRHA is committed to creating a THRIVE Housing Continuum that provides the right housing at the right time, based on a household's income and skill set – and allows participating households to move through the Housing Continuum as they become more self-sufficient. In order to achieve the next level of self-sufficiency and move through the Housing Continuum, families that are able to work must be engaging in some type of self-sufficiency activity. Families will need to be working, looking for work, in school, or in a job training program if they are to be successful at moving through the Housing Continuum. The FCRHA has long-standing relationships with job trainers and providers, such as the Northern Virginia Workforce Development Board and the Northern Virginia Community College that provide invaluable resources to families in FCRHA programs. This activity will be further supported by the "paperwork relief" achieved through other activities (less frequent reexaminations and streamlined inspections) in the FCRHA's MTW Plan.

The activity was first approved in the FCRHA's 2014 MTW Plan and was reproposed for HUD approval in the FY 2016 MTW Plan. In an effort to encourage families that are able to work to seek employment and stay employed, the FCRHA is proposing a new minimum rent based on working wages. Specifically, the FCRHA is proposing to increase the minimum rent from $50 to $220 per month for "workable" families. This rent is based on one family member working 20 hours per week for four weeks during the month earning the minimum wage of $7.25. This policy will be piloted with families in several properties in its Public Housing portfolio (THRIVE Pilot Portfolio) to best gauge the effects of raising the minimum rent on efforts to encourage families to work. These properties include Greenwood, West Ford, and The Park. Families will be given a one year notice of the minimum rent increase. Elderly and disabled families will be excluded from the higher minimum rent and eligible families will be able to apply for hardship exemption.

The FCRHA anticipates that:

- In the first year of implementation of this activity, the number of families that pay the new minimum rent will increase;
- In the second year of implementation of this activity, the number of families that pay minimum rent will begin to decrease; and
- Within three years of implementation of this activity, the majority of work able families that are not otherwise exempt will be working at least part-time in minimum wage jobs.

Impact Analysis: Instituting a New Minimum rent will be implemented with eligible households in three Public Housing properties: Greenwood, The Park, and West Ford, a total of 267 units. The anticipated impacts and the metrics that will be used to assess the impacts of this reform can be found above. Although the FCRHA does not anticipate that instituting a new minimum rent will disproportionately affect households in any specific group, raising the minimum rent may have the unintended consequence of increasing the number of families that are not able to make full and timely rent payments. In FY 2015 in all Public Housing units, 46 "workable" families are paying the current minimum rent, with 15 households living at Greenwood, The Park and West Ford communities. If minimum rent was raised to $220 from $50 beginning July 1, 2016 and none of the families' gain additional employment, 39 households living in the three Public Housing communities Greenwood, West Ford and The Park will be impacted. However, all families affected by the minimum rent activity will have access to case management services and incentives that focus on moving families toward self-sufficiency including access to employment services.

Annual Reevaluation of Rent Reform Initiative: Outcomes will be measured and reviewed annually using the metrics described above and, if necessary, the activity will be revised to mitigate negative impacts.

Hardship Case Criteria: Families eligible for the minimum rent will be subject the FCRHA's Hardship Policy. This policy is the following:

The FCRHA will grant an exemption to minimum rent in Public Housing if a family is unable to pay the new rent because of a financial hardship. The family must submit a request for a hardship exemption in writing. The request must explain the nature of the hardship and how the hardship has affected the family's ability to pay rent.

Financial hardship includes:

1. The family has lost eligibility for or is awaiting an eligibility determination for a Federal, state, or local assistance program.
   a. A hardship will be considered to exist only if the loss of eligibility has an impact on the family's ability to pay the higher rent.

b. For a family waiting for a determination of eligibility, the hardship period will end as of the first of the month following (1) implementation of assistance, if approved, or (2) the decision to deny assistance. A family whose request for assistance is denied may request a hardship exemption based upon one of the other allowable hardship circumstances.

2. The family would be evicted because it is unable to pay the rent. The cause of the eviction must be the family's failure to pay rent.

3. Family income has decreased because of changed family circumstances, including loss of employment.

4. A death has occurred in the family. The family must describe how the death has created a financial hardship.

Transition Period: All families will receive at least one year advance notice prior to implementation of the new minimum rent. During this transition period all affected families will have access to case management services aimed at improving self-sufficiency.

Update on Implementation of Activity/Timeline

Instituting a minimum rent has not been implemented yet. The FCRHA uses Yardi as its software to manage all aspects of its affordable housing operations. Fairfax County—the County Attorney's Office, the Department of Information Technology, and the FCRHA--and Yardi are currently negotiating a renewal contact. These negotiations have taken longer than expected and have delayed the implementation of this activity because of the necessity of having Yardi to manage this function. The contract is expected to be signed in early 2016 and implementation of this activity is expected to begin in July 2016.

There are no changes to this activity since it was approved.

2014-6 Design and Initiate a Rent Control Study

Cost Effectiveness

Self-Sufficiency

Increase Housing Choice

Description of Activity

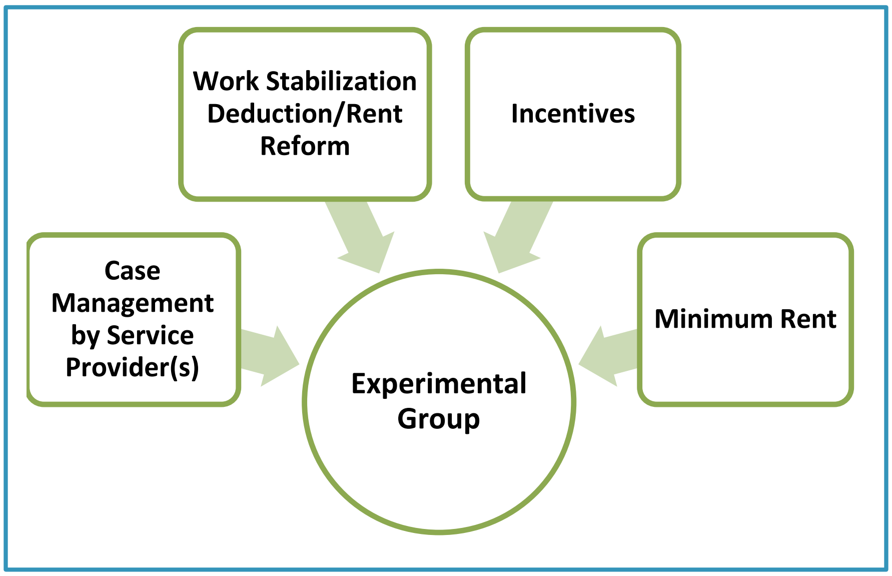
The FCRHA, in collaboration with George Mason University (GMU) and the THRIVE Rent Reform Subcommittee, has redesigned the alternate rent strategy for families in the rent control study giving them an opportunity to increase deductions as they increase their income. Coupled with more access to FCRHA staff and other County and non-profit self-sufficiency resources, as well as self-sufficiency incentives, the FCRHA believes this strategy will more effectively support self-sufficiency than HUD's current rent calculation. Additionally, the FCRHA's partnership with two centers at George Mason University – the Center for Regional Analysis and the Center for Social Science Research – will ensure the FCRHA can implement this study while maintaining the agency's financial solvency, serving the same number of families, and accurately evaluating the impact of the rent reform efforts.

The activity was first approved in the FCRHA's 2014 MTW Plan and, in the current version discussed below, is being reproposed for HUD approval in the FY 2016 MTW Plan.

The FCRHA's Rent Control Study proposes an alternate rent strategy for incentivizing families to increase their income and savings through a simplified approach to calculating a family's adjusted income by:

- Continuing to exclude income directly related to achieving self-sufficiency, such as income from training programs and student financial assistance;
- Utilizing a "work stabilization" deduction to replace existing deductions. The new Work Stabilization Deduction will equal 20 percent of the family's gross earned income;
- Alternating income reexaminations every two years so families can take advantage of income increases without a resulting rent increase;
- Providing case management services through a contract with non-profit organizations that will focus on moving families toward self-sufficiency and partnering with SkillSource, the local Workforce Development Board employment one-stop organization, to provide a dedicated employment specialist;
- Providing incentives for families that meet self-sufficiency goals; and
- Implementing a minimum rent to further encourage families to work. This activity is discussed under MTW activity <u>2014-5 Institute a New Minimum Rent</u>.

Staff from the Fairfax County Department of Housing and Community Development, together with the THRIVE Rent Reform Subcommittee, has been meeting regularly with George Mason University's Center for Regional Analysis and Center for Social Science Research to design the study. The study will focus on three large Public Housing properties—Greenwood, The Park, and West Ford--in the THRIVE Pilot Portfolio with a total of 267 units, the experimental group.[2] Residents in the experimental group will participate in the new minimum rent, the new rent reform, a self-sufficiency incentive program, and receive case management/self-sufficiency services through a non-profit organization (see Illustration below).



The control group will consist of residents living outside of the THRIVE Pilot Portfolio whose minimum rent and rent calculation will remain unchanged. The control group will not receive incentives or receive services beyond those generally available on their properties or in the community.

The GMU study will identify and report on independent, control and dependent variables and outcomes and primary data collection will come from FCRHA database records. The study will report on self-sufficiency metrics including changes to household income and savings, need for Temporary Assistance to Needy Families (TANF), changes in housing subsidies, and participation in services that increase self-sufficiency. The final GMU report will include a discussion of methodology and findings. Recommendations will cover substantive implications for the FCRHA, as well as suggestions for additional housing program research.

[2] A randomized selection of units is not possible as individual units receiving different rent structures would risk "contamination" effect and prevent efficient service delivery at centralized property locations.

The FCRHA anticipates that as a result of the rent reform activities:

- There will be an increase in the average household income;
- There will be an increase in average household savings;
- Fewer households will remain on TANF;
- All households in the study experiment group will be assisted with services aimed at increasing self-sufficiency; and
- There will be a reduction in the average unit subsidy of households in the test group.

Impact Analysis: A description of this rent reform initiative to institute a new minimum rent, its anticipated impacts and the metrics that will be used to assess the impacts of this reform are discussed above. The FCRHA does not anticipate that the rent reform study will disproportionately affect households in any specific group; elderly and disable households will not be part of study. In FY 2015, 618 families will be paying an average rent of approximately $632 based on 35 percent share of rent. The average deduction for these families is anticipated to be approximately $1,258. Under the proposed rent reform, the new work stabilization deduction will increase to approximately $4,148 and the average family share of rent will decrease to approximately $566. The FCRHA anticipates that the reduced rent, coupled with incentives and case management services, will result in increased household savings, achievement of family self-sufficiency goals and movement of families along the Housing Continuum.

Annual Reevaluation of Rent Reform Initiative: Outcomes will be measured and reviewed annually using the metrics described above and, if necessary, the activity will be revised to mitigate negative impacts.

Hardship Case Criteria: Families eligible for rent control study will be subject the FCRHA's Hardship Policy. This policy is the following:

The FCRHA will grant an exemption to Rent Reform if a family is unable to pay the new rent because of a financial hardship. The family must submit a request for a hardship exemption in writing. The request must explain the nature of the hardship and how the hardship has affected the family's ability to pay rent.

Financial hardship includes:

1. The family has lost eligibility for or is awaiting an eligibility determination for a federal, state, or local assistance program.
   a. A hardship will be considered to exist only if the loss of eligibility has an impact on the family's ability to pay the higher rent.
   b. For a family waiting for a determination of eligibility, the hardship period will end as of the first of the month following (1) implementation of assistance, if approved, or (2) the decision to deny assistance. A family whose request for

assistance is denied may request a hardship exemption based upon one of the other allowable hardship circumstances.

2. The family would be evicted because it is unable to pay the rent. The cause of the eviction must be the family's failure to pay rent.

3. Family income has decreased because of changed family circumstances, including loss of employment.

4. A death has occurred in the family. The family must describe how the death has created a financial hardship.

Transition Period: All families in properties selected for participation in the rent reform experiment group, specifically Greenwood, West Ford, and The Park, will receive at least a ninety-day notice prior to implementation of the new reform policies.

Update on Implementation of Activity/Timeline

Instituting a rent control has not been implement yet. The FCRHA uses Yardi as its software to manage all aspects of its affordable housing operations. Fairfax County—the County Attorney's Office and the Department of Information Technology, and the FCRHA--and Yardi are currently negotiating a renewal contact. These negotiations have taken longer than expected and have delayed the implementation of this activity because of the necessity of having Yardi to manage this function. The contract is expected to be signed in early 2016 and implementation of this activity is expected to begin in July 2016. **The evaluation is expected to be completed in two years; however, preliminary analysis may be available each year**.

There are no changes to this activity since it was approved.

2016-1 Use MTW Funds for Local, Non-Traditional Housing Program

Cost Effectiveness
Self-Sufficiency
Increase Housing Choice

Description of Activity

The FCRHA is committed to creating a THRIVE Housing Continuum that provides the right housing at the right time, based on a household's income and skill set – and allows participating households to move through the different steps of the Housing Continuum as they become more self-sufficient. Through this activity the FCRHA is proposing to create a gateway to the Federal programs for those at the first step of the Housing Continuum, using the Fairfax County Bridging Affordability (BA) program, to define the entry point into the BA program and the Housing Continuum, and to facilitate movement along the Housing Continuum. This activity will address the MTW statutory objectives of assisting families to move to self-sufficiency and increasing housing choice.

Historically, waiting lists for affordable housing in Fairfax County have been lengthy and very low income families can wait seven years or more before receiving a Housing Choice Voucher or Public Housing unit offer. The Fairfax County Department of Housing and Community Development operates the Bridging Affordability program, a locally-funded rental subsidy program for income-eligible households who are either: 1) homeless; or 2) on one of the County's waiting lists for affordable housing. The BA program provides temporary rental subsidies of one to three years to help these families while they wait for permanent housing opportunities and, by partnering with non-profit organizations, the program also provides case management/supportive services to help families with their unique needs.

The program was developed through the collective effort of non-profit organizations, community advocates, the FCRHA, Fairfax-Falls Church Community Services Board (CSB), and the Fairfax County Office to Prevent and End Homelessness. Bridging Affordability is operated by a collaborative of non-profit organizations led by Northern Virginia Family Service (NVFS), under contract with Fairfax County. Fairfax County provides rental subsidies, up to the Fair Market Rent, and NVFS manages the eligibility process, assists families in locating units, and provides services to families in an effort to achieve self-sufficiency. In addition, NVFS leverages resources that cover a wide variety of services, including supporting case managers, employment specialists, and housing locators.

The Bridging Affordability program is modeled after the Housing Choice Voucher program. Like the Housing Choice Voucher program, the Bridging Affordability program can be used across the County, and expands housing options for low-income households, including persons with physical or sensory disabilities and families eligible for services provided by the CSB, which serves persons with mental illness and intellectual and developmental disabilities. Similarly to the current Housing Choice Voucher program, families are phasing in to a 35 percent family share of rent. And like the Housing Choice Voucher program, all BA units must meet Housing Quality Standards. These similarities have been built into BA to ensure a seamless transition between steps in the Housing Continuum.

In FY 2016 the FCRHA will use MTW block grant funds to pay for security deposits for families entering into the Bridging Affordability program. These families often find it difficult to pay these initial expenses. Northern Virginia Family Services and the other organizations working with these families will determine those most needing security deposits to help them transition to affordable housing. The FCRHA anticipates that this activity will allow the County to provide affordable housing choice to up to 100 families each year, while at the same time assisting these families with their self-sufficiency needs.

Update on Implementation of Activity/Timeline

The FCRHA is currently in contract negotiations with the non-profit service providers of the Bridging Affordability program. This assistance is being included with this contract. It is expected that this activity will be implemented by July 2016.

There are no changes to this activity since it was approved.

2016-2 Modify Project-Based Voucher Choice Mobility Criteria

Cost Effectiveness
Self-Sufficiency
Increase Housing Choice

Description of Activity

Modifying the PBV Choice Mobility Criteria will allow the FCRHA to prioritize its limited resources to the neediest families and align housing resources with community needs. The FCRHA believes that changing the PBV choice mobility criteria will result in greater housing choice for new families entering the THRIVE Housing Continuum. The goal of this activity is to assist families not yet served while maintaining the stability of families already housed. The FCRHA plans to reserve a majority of the tenant-based voucher opportunities for new families on its waiting list and will promote the stability of families in PBV units by encouraging continued housing assistance at their current residence.

When its voucher program is fully leased, the FCRHA typically has fewer than 200 tenant-based vouchers available yearly due to attrition. Currently, families living in PBV units are given priority to receive tenant-based vouchers after only one year of residency (while keeping the project-based voucher at the original property), thereby reducing the number of tenant vouchers available to new families on the waiting list. Utilizing MTW, the FCRHA is proposing an alternative policy that prioritizes tenant vouchers for new families and limits the number of PBV holders that receive a tenant voucher in any given year. By modifying choice mobility criteria, the FCRHA will reduce the wait time for families on its tenant-based voucher list, thereby expanding affordable housing opportunities for families not currently served.

The FCRHA is proposing to:

- Maintain a waiting list of families that request to convert their project-based voucher to a tenant-based voucher.
- Allow PBV families that request to move, to be added to the "PBV to HCV conversion" waiting list after one year of residency.
- Allow approximately five percent of the projected tenant-based vouchers each fiscal year to be available for choice mobility of PBV holders.

This activity will not apply to RAD projects. In addition, Choice Mobility will be allowed for instances for reasonable accommodations and Violence Against Women Act (VAWA) cases.

Update on Implementation of Activity/Timeline

This activity is expected to be implemented by July 2016.

There are no changes to this activity since it was approved.

IV.C. Approved MTW Activities: Activities on Hold

2014-4 Streamlined Inspections for Public Housing Residents

Similarly to activity 2014-3 Streamlined Inspections for Housing Choice Voucher Units, the FCRHA believes that streamlining its Public Housing inspections will both reduce costs for the agency and provide another tool for families to engage in their own self-sufficiency. Rather than treat all units and families the same, the FCRHA will focus its inspection efforts on educating families on Uniform Physical Condition Standards (UPCS), monitoring and inspecting at-risk/problematic units, encouraging families to maintain their units, and providing incentives to families that do so. This activity provides the FCRHA the flexibility to better allocate resources and reward committed families.

The activity was first approved in the FCRHA's FY 2014 MTW Plan. The FCRHA is currently revising the PH housekeeping streamlined inspection process and the activity is currently on hold.

2014-8 Allow Implementation of Reduced Payment Standards at Next Annual Reexamination

Because of the financial impact on HCV families due to increasing the family share of rent to 35 percent, which was implemented in FY 2015, this activity has been put on hold. The FCRHA currently does not have plans to reactivate this activity.

2014-7 Convert Scattered-Site Public Housing Units to Project-Based Section 8 Assistance

The FCRHA applied for the RAD program and will convert all of its Public Housing stock to long-term Section 8 rental assistance contracts by the end of FY 2017. Therefore, this activity is being placed on hold until the conversion is completed.

IV.D. Approved MTW Activities: Closed Out

None

V. Sources and Uses of Funds

Estimated Sources of MTW Funding for the Fiscal Year		
PHAs shall provide the estimated sources and amounts of MTW funding by FDS line item.		
Sources		
FDS Line Item	**FDS Line Item Name**	**Dollar Amount**
70500 (70300+70400)	Total Tenant Revenue	$ 6,055,568
70600	HUD PHA Operating Grants	$ 53,413,381
70610	Capital Grants	$ 331,735
70700 (70710+70720+70730+70740+70750)	Total Fee Revenue	$ 1,162,041
71100+72000	Interest Income	$ 15,713
71600	Gain or Loss on Sale of Capital Assets	$ -
71200+71300+71310+71400+71500	Other Income	$ 6,541,008
70000	**Total Revenue**	$ 67,519,446

Estimated Uses of MTW Funding for the Fiscal Year

PHAs shall provide the estimated uses and amounts of MTW spending by FDS line item.

Uses

FDS Line Item	FDS Line Item Name	Dollar Amount
91000 (91100+91200+91400+91500+91600+91700+91800+91900)	Total Operating - Administrative	$ 6,680,367
91300+91310+92000	Management Fee Expense	$ 1,162,041
91810	Allocated Overhead	$ -
92500 (92100+92200+92300+92400)	Total Tenant Services	$ 117,803
93000 (93100+93600+93200+93300+93400+93800)	Total Utilities	$ 2,527,255
93500+93700	Labor	$ -
94000 (94100+94200+94300+94500)	Total Ordinary Maintenance	$ 4,036,768
95000 (95100+95200+95300+95500)	Total Protective Services	$ -
96100 (96110+96120+96130+96140)	Total insurance Premiums	$ -
96000 (96200+96210+96300+96400+96500+96600+96800)	Total Other General Expenses	$ 195,804
96700 (96710+96720+96730)	Total Interest Expense and Amortization Cost	$ -
97100+97200	Total Extraordinary Maintenance	$ -
97300+97350	Housing Assistance Payments + HAP Portability-In	$ 52,798,939
97400	Depreciation Expense	$ -
97500+97600+97700+97800	All Other Expenses	$ -
90000	Total Expenses	$ 67,518,977

Describe the Activities that Will Use Only MTW Single Fund Flexibility

In FY 2017, the FCRHA plans to utilize MTW Block Grant to:

- Provide a rental subsidy to new families entering the Bridging Affordability program. Housing choice will be provided to up to 100 new families.
- Implement the pilot Rent Reform Initiative. A new "work stabilization" deduction will be utilized to encourage families to work.
- Contract with a non-profit organization to provide case management to families involved in the pilot portfolio. Families will be connected to services to help them as they move to self-sufficiency.
- Enhance Yardi so that it can be utilized for the new pilot rent reform, as well as tracking certain metrics.

Ultimately, the success of the MTW Block Grant will be determined by looking at the outcomes achieved through the activities discussed above. The metrics for each MTW activity that uses MTW fund flexibility will be analyzed over the next two years for the MTW Block Grant study. In addition, any FCRHA use of MTW single fund flexibility that is not otherwise tracked though use of HUD Standard Metrics in an approved MTW activity will be analyzed with appropriate metrics developed by the FCRHA and which are designed to capture cost efficiencies, changes in family self-sufficiency and increased housing opportunities for low income families.

V.2.Plan.Local Asset Management Plan

B. MTW Plan: Local Asset Management Plan

Is the PHA allocating costs within statute?	Yes	or	
Is the PHA implementing a local asset management plan (LAMP)?		or	No

If the PHA is implementing a LAMP, it shall be described in an appendix every year beginning with the year it is proposed and approved. The narrative shall explain the deviations from existing HUD requirements and should be updated if any changes are made to the LAMP.

Has the PHA provided a LAMP in the appendix?		or	No

Not applicable

VI. Administrative

Board Resolution Adoption Annual Plan: TO BE INSERTED

Annual MTW Certification of Compliance: TO BE INSERTED

Certification of Consistency with the Consolidated Plan: TO BE INSERTED

Documentation of Public Hearing: TO BE INSERTED

Annual Statement/Performance and Evaluation Report
Capital Fund Program, Capital Fund Program Replacement Housing Factor and
Capital Fund Financing Program

U.S. Department of Housing and Urban Development
Office of Public and Indian Housing
OMB No. 2577-0226
Expires 06/30/2017

Part I: Summary					
PHA Name: Fairfax County Redevelopment and Housing Authority	**Grant Type and Number** Capital Fund Program Grant No: VA39P01950114 Replacement Housing Factor Grant No: Date of CFFP:			**FFY of Grant: 2014** **FFY of Grant Approval:**	
Type of Grant ☐ **Original Annual Statement** ☐ **Reserve for Disasters/Emergencies** ☐ **Revised Annual Statement (revision no: 1)** ☒ **Performance and Evaluation Report for Period Ending: 12/31/15** ☐ **Final Performance and Evaluation Report**					
Line	**Summary by Development Account**	**Total Estimated Cost**		**Total Actual Cost** [1]	
		Original	**Revised**[2]	**Obligated**	**Expended**
1	Total non-CFP Funds				
2	1406 Operations (may not exceed 20% of line 21) [3]				
3	1408 Management Improvements	$85,000	$0		
4	1410 Administration (may not exceed 10% of line 21)	$151,354	$151,354		
5	1411 Audit				
6	1415 Liquidated Damages				
7	1430 Fees and Costs	$423,000	$151,354		
8	1440 Site Acquisition				
9	1450 Site Improvement				
10	1460 Dwelling Structures	$854,191	$1,165,940		
11	1465.1 Dwelling Equipment—Nonexpendable				
12	1470 Non-dwelling Structures		$44,897		
13	1475 Non-dwelling Equipment				
14	1485 Demolition				
15	1492 Moving to Work Demonstration				
16	1495.1 Relocation Costs				
17	1499 Development Activities [4]				

[1] To be completed for the Performance and Evaluation Report.
[2] To be completed for the Performance and Evaluation Report or a Revised Annual Statement.
[3] PHAs with under 250 units in management may use 100% of CFP Grants for operations.
[4] RHF funds shall be included here.

Annual Statement/Performance and Evaluation Report
Capital Fund Program, Capital Fund Program Replacement Housing Factor and
Capital Fund Financing Program

U.S. Department of Housing and Urban Development
Office of Public and Indian Housing
OMB No. 2577-0226
Expires 06/30/2017

Part I: Summary

PHA Name: Fairfax County Redevelopment and Housing Authority	**Grant Type and Number** Capital Fund Program Grant No: VA39P01950114 Replacement Housing Factor Grant No: Date of CFFP:	**FFY of Grant:2014** **FFY of Grant Approval:**

Type of Grant

☐ **Original Annual Statement** ☐ **Reserve for Disasters/Emergencies** ☒ **Revised Annual Statement (revision no: 1)**

☐ **Performance and Evaluation Report for Period Ending:** ☐ **Final Performance and Evaluation Report**

Line	Summary by Development Account	Total Estimated Cost		Total Actual Cost [1]	
		Original	Revised [2]	Obligated	Expended
18a	1501 Collateralization or Debt Service paid by the PHA				
18ba	9000 Collateralization or Debt Service paid Via System of Direct Payment				
19	1502 Contingency (may not exceed 8% of line 20)				
20	Amount of Annual Grant:: (sum of lines 2 - 19)	$1,513,545	$1,513,545		
21	Amount of line 20 Related to LBP Activities				
22	Amount of line 20 Related to Section 504 Activities	$250,000	$287,146		$288,806
23	Amount of line 20 Related to Security - Soft Costs				
24	Amount of line 20 Related to Security - Hard Costs				
25	Amount of line 20 Related to Energy Conservation Measures	$0	$374,000		$374,270

Signature of Executive Director	**Date**	**Signature of Public Housing Director**	**Date**

[1] To be completed for the Performance and Evaluation Report.
[2] To be completed for the Performance and Evaluation Report or a Revised Annual Statement.
[3] PHAs with under 250 units in management may use 100% of CFP Grants for operations.
[4] RHF funds shall be included here.

Part II: Supporting Pages

PHA Name: **Fairfax County Redevelopment and Housing Authority**	**Grant Type and Number** Capital Fund Program Grant No: VA39P01950114 CFFP (Yes/ No): Replacement Housing Factor Grant No:	**Federal FFY of Grant: 2014**

Development Number Name/PHA-Wide Activities	General Description of Major Work Categories	Development Account No.	Quantity	Total Estimated Cost		Total Actual Cost		Status of Work
				Original	Revised [1]	Funds Obligated[2]	Funds Expended[2]	
VA1945 Ragan Oaks	Upgrade unit/s to meet UFAS standards.	1460	5	$100,000	$197,629		$197,629	100%
VA1913 The Atrium	Upgrade unit/s to meet UFAS standards.	1460	0	$50,000	$0			
VA1942 Old Mill	Upgrade unit/s to meet UFAS standards.	1460	2	$100,000	$91,177		$91,177	100%
VA1938 Kingsley Park	Replace all house wiring because of failing insulation. Funding will facilitate approximately 40% of the units.	1460	43	$604,191	$503,134	$520,488		20%
VA1934 Westford III	Replace failing main sprinkler pipes in Community Center	1470			$44,897		$44,897	100%
VA1956 Greenwood II	Replace HVAC systems.	1460	4		$30,000	$29,444		Not started
VA1928 Heritage South	Replace HVAC systems.	1460	12		$100,000	$61,932		Not started
VA1926 Heritage I	Replace HVAC systems.	1460	19		$128,250	$98,059		Not started
VA1925 Villages Falls Church	Replace HVAC systems.	1460	1		$6,750	$5,161		Not started
VA1939 Heritage North	Replace HVAC systems.	1460	12		$84,000	$61,932		Not started
VA1939 Springfield Green	Replace HVAC systems.	1460	5		$25,000	$29,036		Not started
VA1938 Kingsley Park	Replace HVAC systems	1460	13		$71,082			Not started
Management Improvements	Hardware and Software.	1408		$85,000	$0			
Administration	Salaries and Benefits for Coordination Staff.	1410		$151,354	$151,354			
Fees and Costs.	Construction Supervision and Inspections.	1430		$423,000	$151,354			

[1] To be completed for the Performance and Evaluation Report or a Revised Annual Statement.

Annual Statement/Performance and Evaluation Report
Capital Fund Program, Capital Fund Program Replacement Housing Factor and
Capital Fund Financing Program

U.S. Department of Housing and Urban Development
Office of Public and Indian Housing
OMB No. 2577-0226
Expires 06/30/2017

Part I: Summary

PHA Name: Fairfax County Redevelopment and Housing Authority	**Grant Type and Number** Capital Fund Program Grant No: VA39P01950115 Replacement Housing Factor Grant No: Date of CFFP:	**FFY of Grant: 2015** **FFY of Grant Approval:**

Type of Grant
☐ **Original Annual Statement** ☐ **Reserve for Disasters/Emergencies** ☐ **Revised Annual Statement (revision no: 1)**
☒ **Performance and Evaluation Report for Period Ending: 12/31/15** ☐ **Final Performance and Evaluation Report**

Line	**Summary by Development Account**	**Total Estimated Cost**		**Total Actual Cost** [1]	
		Original	**Revised**[2]	**Obligated**	**Expended**
1	Total non-CFP Funds				
2	1406 Operations (may not exceed 20% of line 21) [3]				
3	1408 Management Improvements	$38,475	$0		
4	1410 Administration (may not exceed 10% of line 21)	$153,896	$153,896		
5	1411 Audit				
6	1415 Liquidated Damages				
7	1430 Fees and Costs	$430,910	$153,896		
8	1440 Site Acquisition				
9	1450 Site Improvement		$110,000		
10	1460 Dwelling Structures	$915,684	$1,121,173		
11	1465.1 Dwelling Equipment—Nonexpendable				
12	1470 Non-dwelling Structures				
13	1475 Non-dwelling Equipment				
14	1485 Demolition				
15	1492 Moving to Work Demonstration				
16	1495.1 Relocation Costs				
17	1499 Development Activities [4]				

[1] To be completed for the Performance and Evaluation Report.
[2] To be completed for the Performance and Evaluation Report or a Revised Annual Statement.
[3] PHAs with under 250 units in management may use 100% of CFP Grants for operations.
[4] RHF funds shall be included here.

Annual Statement/Performance and Evaluation Report
Capital Fund Program, Capital Fund Program Replacement Housing Factor and
Capital Fund Financing Program

U.S. Department of Housing and Urban Development
Office of Public and Indian Housing
OMB No. 2577-0226
Expires 06/30/2017

Part I: Summary		
PHA Name: Fairfax County Redevelopment and Housing Authority	**Grant Type and Number** Capital Fund Program Grant No: VA39P01950115 Replacement Housing Factor Grant No: Date of CFFP:	**FFY of Grant:2015** **FFY of Grant Approval:**

Type of Grant

☐ **Original Annual Statement** ☐ **Reserve for Disasters/Emergencies** ☐ **Revised Annual Statement (revision no: 1)**

☒ **Performance and Evaluation Report for Period Ending: 12/31/15** ☐ **Final Performance and Evaluation Report**

Line	**Summary by Development Account**	**Total Estimated Cost**		**Total Actual Cost [1]**	
		Original	**Revised [2]**	**Obligated**	**Expended**
18a	1501 Collateralization or Debt Service paid by the PHA				
18ba	9000 Collateralization or Debt Service paid Via System of Direct Payment				
19	1502 Contingency (may not exceed 8% of line 20)				
20	Amount of Annual Grant:: (sum of lines 2 - 19)	$1,538,965	$1,538,965		
21	Amount of line 20 Related to LBP Activities				
22	Amount of line 20 Related to Section 504 Activities				
23	Amount of line 20 Related to Security - Soft Costs				
24	Amount of line 20 Related to Security - Hard Costs				
25	Amount of line 20 Related to Energy Conservation Measures		$856,534		

Signature of Executive Director	**Date**	**Signature of Public Housing Director**	**Date**

[1] To be completed for the Performance and Evaluation Report.
[2] To be completed for the Performance and Evaluation Report or a Revised Annual Statement.
[3] PHAs with under 250 units in management may use 100% of CFP Grants for operations.
[4] RHF funds shall be included here.

Part II: Supporting Pages								
PHA Name: **Fairfax County Redevelopment and Housing Authority**		**Grant Type and Number** Capital Fund Program Grant No: VA39P01950115 CFFP (Yes/ No): Replacement Housing Factor Grant No:				**Federal FFY of Grant: 2015**		
Development Number Name/PHA-Wide Activities	General Description of Major Work Categories	Development Account No.	Quantity	Total Estimated Cost		Total Actual Cost		Status of Work
				Original	Revised [1]	Funds Obligated[2]	Funds Expended[2]	
VA1938 Kingsley Park	Replace all house wiring because of failing insulation. Funding will facilitate rewiring of approximately 60% of the units. Replace approx. 30% of HVAC systems.	1460	65/32	$915,684	$1,121,173	$264,639		
VA1906 The Park	Remove old & repave & stripe parking lot. Repair where possible and replace where necessary all sidewalks.	1450	N/A	$0	$0			
VA1945 Ragan Oaks	Remove old & repave & stripe parking lot.	1450	N/A	$0	$45,000			
VA1940 Reston Towne Center	Remove old & repave & stripe parking lot.	1450	N/A	$0	$65,000			
Management Improvements	Hardware.	1408		$38,475	$0			
Administration	Salaries and benefits for coordination staff.	1410		$153,896	$153,896			
Fees and Costs	Construction supervision & inspections.	1430		$430,910	$153,896			

[1] To be completed for the Performance and Evaluation Report or a Revised Annual Statement.

Annual Statement/Performance and Evaluation Report
Capital Fund Program, Capital Fund Program Replacement Housing Factor and
Capital Fund Financing Program

U.S. Department of Housing and Urban Development
Office of Public and Indian Housing
OMB No. 2577-0226
Expires 06/30/2017

FCRHA Agenda Item
January 28, 2016

ADMINISTRATIVE- 2

RESOLUTION NUMBER: 02-16 Authorization to Submit to the U.S. Department of Housing and Urban Development (HUD) the Fairfax County Redevelopment and Housing Authority (FCRHA) Rental Assistance Demonstration-Specific Significant Amendment to the Moving to Work (MTW) Plan for Fiscal Year 2016

ISSUE:
Fairfax County Redevelopment and Housing Authority (FCRHA) authorization is requested to submit the FCRHA Rental Assistance Demonstration (RAD)-Specific Amendment to the Fiscal Year 2016 Moving to Work (MTW) Plan to HUD.

RECOMMENDATION:
The FCRHA Housing Ownership, Management and Security (HOMS) Committee reviewed this item and approved placing it on the January 28, 2016 FCRHA meeting agenda, with a recommendation for approval.

TIMING:
Immediate. HUD approval of the proposed Significant Amendment is required before the FCRHA may submit its “financing plan” for any “Phase One” RAD property to HUD. While the deadline for the FCRHA to submit its “Phase One” financing plans has been extended to April 11, 2016, it is still imperative that the FCRHA allow HUD sufficient time to grant approval of the proposed amendment.

RELATION TO FCRHA STRATEGIC PLAN:
This action directly supports the FCRHA mission of preserving affordable housing opportunities for low and moderate-income households.

BACKGROUND:
On October 29, 2015, the FCRHA authorized releasing the RAD-Specific Significant Amendment to the MTW Plan for Fiscal Year 2016 for public comment and scheduling of a public hearing at its December 10, 2016 FCRHA meeting. There were no speakers at the December 10 public hearing.

The public comment period and public hearing are required steps for the submission of a RAD-Specific Significant Amendment to HUD. Once approved by HUD, the Significant Amendment will be incorporated into the MTW FY 2016 Plan as an appendix and would also need to be submitted with the HUD-required financing plan for the Public Housing subsidy conversion under HUD’s RAD program.

STAFF IMPACT:
Staff spent significant time working to determine the FCRHA's RAD-related requirements under Moving to Work and to prepare the required Significant Amendment.

FISCAL IMPACT:
None.

ENCLOSED DOCUMENTS:
Attachment 1: Resolution 02-16
Attachment 2: FCRHA RAD-Specific Significant Amendment to MTW FY 2016 Plan

STAFF:
Thomas Fleetwood, Acting Director, Department of Housing and Community Development (HCD)
Robert Easley, Deputy Director, Operations, HCD
Nicole Wickliffe, Director, Asset Management Division, HCD
Russell Lee, Director, Rental Services Division, HCD
Elisa Johnson, Director, The PROGRESS Center, HCD

Attachment 1

RESOLUTION NUMBER 02-16

Authorization to Submit to the U.S. Department of Housing and Urban Development (HUD) the Fairfax County Redevelopment and Housing Authority (FCRHA) Rental Assistance Demonstration-Specific Significant Amendment to the Moving to Work (MTW) Plan for Fiscal Year 2016

BE IT RESOLVED THAT the Fairfax County Redevelopment and Housing Authority (FCRHA) authorizes the submission to the U.S. Department of Housing and Urban Development (HUD) of the FCRHA Rental Assistance Demonstration (RAD)-Specific Significant Amendment to the Moving to Work (MTW) Plan for Fiscal Year 2016, as presented to the FCRHA at its meeting on January 28, 2016.

Attachment 2

Fairfax County Redevelopment and Housing Authority
Fiscal Year 2016 Moving to Work (MTW) Annual Plan Amendment
<u>Rental Assistance Demonstration Significant Amendment</u>

The Fairfax County Redevelopment and Housing Authority (FCRHA) is amending its Fiscal Year 2016 Moving to Work (MTW) Annual Plan to incorporate additional information as required by the U.S. Department of Housing and Urban Development (HUD) concerning the planned conversion of certain FCRHA public housing units to project-based assistance under the Rental Assistance Demonstration (RAD).

Background

In October 2013, the FCRHA Board of Commissioners authorized the submission of two sets of applications for subsidy conversion under the RAD program. The FCRHA's approval came after a series of public meetings were held with residents of the impacted public housing developments to inform the residents about the RAD and their rights under the proposed RAD conversion. The initial set of applications was for Phase I of the planned conversion and consisted of eleven applications for 209 scattered site units and four multi-family developments with a total of 120 units. The second application was a "Portfolio Application" for the remaining public housing projects that totaled 731 units.

In Spring 2015, HUD approved the Phase I applications and issued a Commitment to Enter into a Housing Assistance Payments Contract (CHAP). After further evaluation, the FCRHA submitted a letter to HUD proposing to suspend the CHAPs for two multifamily projects in Phase I and to submit RAD applications for two other projects which are expected to require substantially less capital improvements. Those projects, subject to FCRHA approval, are The Atrium (VA 019013) and Audubon (VA 019001). Agency staff requested and received approval from the FCRHA Board at its meeting on October 29, 2015 to submit RAD applications for the replacement properties. Attachment 1 includes the current information for all units that are being proposed for conversion in Phase I, including the replacement units as described above. Accordingly, the FCRHA intends to proceed with RAD conversion under the guidelines of PIH Notice 2012-32, REV-2 and any other successor Notices issued by HUD.

One of the conditions of the CHAP is that the FCRHA must submit a Significant Amendment to its MTW Annual Plan that incorporates information on the FCRHA's conversion plans. The information included in this document provides the required information and serves as FCRHA's RAD Significant Amendment. The FCRHA provided a 30 day public comment period and conducted a Public Hearing on December 10, 2015 to allow residents and the general public an opportunity to comment on the RAD Significant Amendment. With the public comment and Public Hearing requirements satisfied, the FCRHA Board will conduct a vote on the RAD Significant Amendment at a meeting that is open to the public.

RAD Conversion Plan

Attachment 1 includes information on the 336 units that are proposed for conversion under Phase I, including:

Current Units:	Total number of units, bedroom size distribution and unit type.
Post Conversion Units:	If applicable, any changes proposed to the current number of units, the bedroom size distribution or the unit type.
Transfer of Assistance:	Whether FCRHA intends to transfer assistance to another development as part of the RAD conversion.
PBV or PBRA:	Whether FCRHA intends to convert the development to the Project Based Voucher (PBV) or the Project Based Rental Assistance (PBRA) program, along with information on resident rights, participation, waiting list and grievance procedures. A more detailed discussion of PBV and PBRA follows below.
Capital Fund Impact:	The current amount of Capital Fund dollars received prior to RAD conversion. Developments converted through RAD are not eligible for Public Housing Capital Funds. A more detailed discussion of the projected Capital Fund impact of RAD conversion follows below.
Transfer of Waiting List:	How waiting lists will be addressed as part of the conversion.

Conversion to Project Based Vouchers or Project Based Rental Assistance

Public Housing developments that are converted to project-based assistance will no longer be subject to HUD rules and regulations pertaining to the Public Housing program. Upon conversion to RAD, the former Public Housing units will be subject to the rules and regulations pertaining to either the Housing Choice Voucher PBV or PBRA programs, depending on which program option is selected by FCRHA. HUD has modified program rules and regulations for both PBV and PBRA to incorporate additional provisions that apply solely to units covered under RAD which provide important protections to public housing residents affected by a RAD conversion.

The FCRHA currently plans to convert the RAD units listed in Attachment 1 to the PBV program. As part of the conversion, the FCRHA will adopt all required RAD PBV rules per the guidelines of PIH Notice 2012-32, REV 2 and will modify its existing HCV Administrative Plan to incorporate these requirements.

Attachment 2 provides information on the PBV program related to: resident screening and right to return; phasing in of rent increases if applicable; eligibility for Family Self-Sufficiency program services; resident participation rights; lease renewal and termination provisions; grievance processes; and establishment of a waiting list.

Capital Fund Budget

Conversion of existing Public Housing developments under RAD will enable the FCRHA to leverage existing funds to secure additional private and other funding. This new funding will be used to undertake long-deferred capital improvements.

The FCRHA currently receives HUD Capital Funds on an annual basis. Upon conversion to RAD, the FCRHA will no longer receive a Capital Fund allocation for units that have been converted and the annual Capital Fund will be decreased.

The estimated reduction in PHA Capital Funds on an annual basis is $488,673, assuming that all public housing units that have been issued a CHAP are converted under RAD. Over a five year period, the estimated Capital Fund reduction is $2,443,365. As RAD conversions are completed, the FCRHA will modify its existing capital plans to reflect the reduction in funding and change in work scope.

Site and Neighborhoods Certification

The FCRHA certifies that the sites listed in Attachment 1 comply with the site selection requirements set forth at 24 CFR § 983.57, and will comply with the requirements of the Fair Housing Act, Title VI of the Civil Rights Act of 1964 including implementing regulations at 24 CFR § 1.4(b)(3), Section 504 of the Rehabilitation Act of 1973, including implementing regulations at 24 CFR § 8.4(b)(5), and the Americans with Disabilities Act.

Compliance

HUD has certified that the FCRHA has fulfilled the requirements of a Voluntary Compliance Agreement that was in place and that the FCRHA is in full compliance with the VCA. The HUD certificate was dated June 4, 2014 and is on file at the FCRHA's offices.

Moving to Work

The FCRHA may utilize MTW fungibility and programmatic flexibility to support the RAD conversion subject to the FCRHA board and HUD approvals. The FCRHA will continue to maintain service levels for the remaining portfolio of public housing units by utilizing available funding from the Public Housing Operating Fund, Capital Fund, and Tenant Rental Income, and any funds made available through MTW flexibilities.

Substantial Deviation Definition

As part of the RAD conversion, the FCRHA will change its definition of "Substantial Deviation" that would normally require a significant amendment. On approval of the amendment by HUD, a Significant Amendment to the MTW Plan will <u>not</u> be required for the following RAD-specific actions, provided that changes to the RAD plans are authorized by the FCRHA board in the normal course of business:

- The decision to convert to either PBV assistance or PBRA assistance;
- Changes to the Capital Fund Budget produced as a result of each approved RAD conversion;
- Changes to the construction and rehabilitation plan for each approved conversion; and
- Changes to the financing structure for each approved RAD conversion

Attachment 1
Fiscal Year 2016 Moving to Work (MTW) Annual Plan Amendment
Rental Assistance Demonstration Significant Amendment

All units will be converting to Project Based Voucher Assistance

Multi-Family Developments

Development Name/PIC ID #	0 BR	1 BR	2 BR	3 BR	**Total**
Atrium/VA019013		25	12		**37**
Audubon/VA019001	32	14			**46**

Scattered-site units

Property Affiliation/ PIC ID #	0 BR	1 BR	2 BR	3 BR	**Total**
Barkley Square/VA019056b				3	**3**
Belleview/VA019036		10	26	4	**40**
Briarcliff II/VA019031			4	16	**20**
Colchester/VA019039a				8	**8**
Greenwood II/VA019056a				4	**4**
Heritage Woods South/VA019028			11	2	**13**
Heritage Woods I/VA019026			13	6	**19**
Heritage Woods North/VA019039b				12	**12**
Newington Station/VA019004			10	26	**36**
Shadowood/VA019011				16	**16**
Sheffield Village/VA019029			1	7	**8**
Springfield Green/VA01939b				5	**5**
The Park/VA019006			12	12	**24**
Villages at Falls Church/VA019025a		7	29		**36**
Water’s Edge/VA019052				9	**9**
Totals	**32**	**56**	**118**	**130**	**336**

Pre-Conversion Total Units 336
Post-Conversion Total Units 336

Transfer of Assistance No

Capital Fund Grant $488,673

Transfer of Waiting List Current area-based waiting lists will be incorporated into project specific PBV waiting lists

Attachment 2
Fiscal Year 2016 Moving to Work (MTW) Annual Plan Amendment
Rental Assistance Demonstration Significant Amendment

The following applicable provisions affecting residents' rights and participation, waiting list and grievance procedures are taken directly from the HUD RAD final implementation guidelines found in PIH Notice 2012-32 (HA), REV-2.

PBV Resident Rights and Participation

1. **No Re-screening of Tenants upon Conversion.** Pursuant to the RAD statute, at conversion, current households are not subject to re-screening, income eligibility, or income targeting. Consequently, current households will be grandfathered for conditions that occurred prior to conversion but will be subject to any ongoing eligibility requirements for actions that occur after conversion. For example, a unit with a household that was over-income at time of conversion would continue to be treated as an assisted unit. Thus, 24 CFR § 982.201, concerning eligibility and targeting will not apply for current households. Once that remaining household moves out, the unit must be leased to an eligible family. MTW agencies may not alter this requirement.

2. **Right to Return.** Any resident that may need to temporarily be relocated to facilitate rehabilitation or construction has a right to return to an assisted unit at the Covered Project once rehabilitation or construction is completed. Permanent involuntary displacement of residents may not occur as a result of a project's conversion of assistance, including, but not limited to, as a result in the change in bedroom distribution, a de minimis reduction of units, the reconfiguration of efficiency apartments, or the repurposing of dwelling units in order to facilitate social service delivery. Where the transfer of assistance to a new site is warranted and approved, residents of the Covered Project will have the right to reside in an assisted unit at the new site once rehabilitation or construction is complete.

3. **Renewal of Lease.** Project Owners are required to renew all leases upon lease expiration, unless cause exists. MTW agencies may not alter this requirement.

4. **Phase-in of tenant Rent Increases.** The FCRHA does not anticipate an increase to tenants' monthly rent purely as a result of conversion. In the unexpected event that a tenant's monthly rent does increase more than the greater of 10 percent or $25.00 purely as a result of conversion, the rent increase will be phased in over 3 or 5 years in accordance with the guidance in Section 1.6.C.4 of PIH Notice 2012-32 (HA), REV 2.

5. **Family Self-Sufficiency (FSS).** Public Housing (PH) residents that are current FSS participants will continue to be eligible for FSS once their housing is converted under RAD, and Public Housing Authorities will be allowed to use any remaining PH FSS funds to serve those FSS participants who live in units converted by RAD. Other provisions related to FSS will be applied in accordance with Section 1.6.C.7 of PIH Notice 2012-32 (HA), REV 2.

6. **Resident Participation and Funding.** Residents of Covered Projects with converted PBV assistance will have the right to establish and operate a resident organization for the purpose of addressing issues related to their living environment and be eligible for resident participation funding.

7. **Resident Procedural Rights.** The following items must be incorporated into both the Section 8 Administrative Plan and the Project Owner's lease, which includes the required tenancy addendum, as appropriate. Evidence of such incorporation may be requested by HUD for purposes of monitoring the program.

    1. Termination Notification. HUD is incorporating additional termination notification requirements for public housing projects that convert assistance under RAD. In addition to the regulations at 24 CFR § 983.257 related to Project Owner termination of tenancy and eviction, the termination procedure for RAD conversions to PBV will require that PHAs provide adequate written notice of termination of the lease which shall not be less than:

    a. A reasonable period of time, but not to exceed 30 days:
        i. If the health and safety of other tenants, PHA employees, or persons residing in the immediate vicinity of the premises is threatened; or
        ii. In the event of any drug-related or violent criminal activity or any felony conviction
    b. 14 days in the case of nonpayment of rent; and
    c. 30 days in any other case, except that if a State or local law provides for a shorter period of time, such shorter period shall apply.

    2. Grievance Process. Pursuant to requirements in the RAD statute, HUD is establishing additional procedural rights. For issues related to tenancy and termination of assistance, PBV program rules require the Project Owner to provide an opportunity for an informal hearing, as outlined in 24 CFR § 982.555. RAD will specify alternative requirements for 24 CFR § 982.555(b) in part, which outlines when informal hearings are not required, to require that:

    a. An opportunity for an informal hearing must be given to residents for any dispute that a resident may have with respect to a Project Owner action in accordance with the individual's lease that adversely affect the resident's rights, obligations, welfare, or status.
    b. There is no right for an informal hearing for class grievances or to disputes between residents not involving the Project Owner or contract administrator.
    c. The Project Owner gives residents notice of their ability to request an informal hearing as outlined in 24 CFR § 982.555(c)(1) for informal hearings that will address circumstances that fall outside the scope of 24 CFR § 982.555(a)(1)(i)-(vi).
    d. The Project Owner provides opportunity for an informal hearing before an eviction.

8. **When Total Tenant Payment Exceeds Gross Rent.** In the event a tenant's Total Tenant Payment exceeds the gross rent for the unit, FCRHA will implement guidance outlined in section 1.6.C.10 of PIH Notice 2012-32 (HA), REV 2.

9. **Under-Occupied Unit.** If a family is an under-occupied unit at time of conversion, the family may remain in this unit until an appropriate sized unit becomes available in the Covered Project. When an appropriate sized unit becomes available in the Covered Project, the family living in the under-occupied unit must move to the appropriate-sized unit within a reasonable period of time, as determined by FCRHA. In order to allow the

family to remain in the under-occupied unit until an appropriate sized unit becomes available in the Covered Project, 24 CFR § 983.259 is waived. MTW agencies may not modify this requirement.

10. **Establishment of Waiting List.** The FCRHA currently utilizes an area-based waiting list for Public Housing and a site based waiting list for PBV that is in accordance with 24 CFR § 983.251. Upon conversion, all applicants on the area-based waiting list that includes the Covered Project will be placed on the site-based waiting list for that property. All other applicants will be informed on how to apply for the site-based waiting list for the Covered Property.

11. **Choice Mobility.** If, as a result of participation in RAD, most or all of the FCRHA's turnover vouchers are used to assist RAD PBV families who wish to exercise mobility, the FCRHA will implement the alternative mobility policy established by HUD. The alternative mobility policy provides that an eligible voucher agency would not be required to provide more than three-quarters of its turnover vouchers in any single year to the residents of Covered Projects. If the voucher inventory cap is implemented, the FCRHA will create and maintain a waiting list in the order in which requests from the eligible households were received. This alternative mobility policy will be included in the FCRHA Administrative Plan.

ADMINISTRATIVE – 3

RESOLUTION NUMBER 03-16: Extending the Five-Year Fairfax County Redevelopment and Housing Authority (FCRHA) Strategic Plan through Fiscal Year 2017

ISSUE:
The Fairfax County Redevelopment and Housing Authority (FCRHA) Strategic Plan for Fiscal Years 2011 through 2015 was extended in November 2014 due to an impending change in leadership at the Department of Housing and Community Development (HCD) in January 2015. It is set to expire on June 30, 2016. HCD is in a leadership transition process again, and it is recommended that the FCRHA extend the Five-Year Strategic Plan through Fiscal Year 2017.

RECOMMENDATION:
The FCRHA Finance Committee reviewed this item and approved placing it on the January 28, 2016 FCRHA meeting agenda, with a recommendation for approval.

TIMING:
Immediate.

RELATION TO FCRHA STRATEGIC PLAN:
The proposed action will extend the currently adopted FCRHA Five-Year Strategic Plan by one year.

BACKGROUND:
On December 10, 2009 the FCRHA adopted a five-year Strategic Plan for the period from July 1, 2010 through June 30, 2015. The FCRHA adopts one-year Action Plans each year to outline how the FCRHA and HCD will meet the goals of the Strategic Plan and the HCD Vision, in response to current trends and needs, and within available resources.

In November 2014, a leadership transition was underway at HCD with the upcoming retirement of then-HCD Director Paula Sampson in January 2015, and the appointment of Kurt Creager as her successor. In order to facilitate this transition and permit the new Director to participate meaningfully in the development of the next five-year plan, the FCRHA extend the adopted plan by one year.

With the departure of then-HCD Director Kurt Creager in July 2015, HCD is now in a leadership transition again. Therefore, it is recommended that the FCRHA extend the

Five-Year Strategic Plan an additional year, through Fiscal Year 2017. In addition to accommodating the leadership transition, this action will allow staff to maintain the schedule for developing and proposing the Strategic Plan - Action Plan for FY 2017 and coordinate the strategic plan with the development of the FCRHA/HCD budget for FY 2017.

STAFF IMPACT:
None

FISCAL IMPACT:
None

ENCLOSED DOCUMENTS:
Attachment 1: Resolution Number 03-16
Attachment 2: FCRHA Five-Year Strategic Plan for Fiscal Years 2011 through 2015

STAFF:
Thomas E. Fleetwood, Acting Director, Department of Housing and Community Development (HCD)
Stephen E. Knippler, Senior Program Manager, FCRHA Policy, Reporting and Communications Division, HCD

Attachment 1

RESOLUTION NUMBER 03-16

Extending the Five-Year Fairfax County Redevelopment and Housing Authority (FCRHA) Strategic Plan through Fiscal Year 2017

NOW THEREFORE, BE IT RESOLVED, THAT the Fairfax County Redevelopment and Housing Authority (FCRHA) approves extending the currently adopted Five-Year FCRHA Strategic Plan through Fiscal Year 2017, as described in the Administrative Item presented on January 28, 2016.

ATTACHMENT 2

Five-Year Strategic Plan

Fiscal Year 2011 through Fiscal Year 2015

Fairfax County Redevelopment and Housing Authority

Fairfax County, Virginia

Adopted December 10, 2009

Fairfax County Redevelopment and Housing Authority Commissioners
(As of October 2009)

Ronald F. Christian (Braddock District), Chairman
Elisabeth Lardner (Mt. Vernon District), Vice-Chairman
Robert C. Carlson (Sully District)
Willard O. Jasper (At-Large)
Richard Kennedy (Hunter Mill District)
John C. Kershenstein (Springfield District)
H. Charlen Kyle (At-Large)
Rod Solomon (Providence District)
Albert J. McAloon (Lee District)
Robert H. Schwaninger (Mason District)
Richard C. Sullivan (Dranesville District)

Senior Staff of the Fairfax County
Department of Housing and Community Development

Paula C. Sampson, Director
Mary A. Stevens, Deputy Director
John L. Payne, Deputy Director, Real Estate
Carol Erhard, Director, Rental Services
Curtis Hall, Director, Information Services & Systems
Cynthia Ianni, Director, Design, Development and Construction
Kristina Norvell, Director, Public Affairs
Aseem Nigam, Director, Real Estate Finance & Grants Management
Patti Schlener, Director of Administration
Barbara Silberzahn, Director, Homeownership/Relocation Services
Steve Solomon, Director of Finance
James Speight, Director, Property Improvement and Maintenance
Christina White, Director, Property Management
Tom Fleetwood, Strategic Planner

Mission Statement

The mission of the Fairfax County Redevelopment and Housing Authority is to initiate and provide opportunities for Fairfax County residents to live in safe, affordable housing and to help develop, preserve, and revitalize communities through fiscally responsible and open processes.

Strategic Planning Guiding Principles

Guiding Principle 1: Preserving, renovating and maintaining FCRHA-owned properties is a high priority and resources should be allocated regularly for this purpose.

Guiding Principle 2: The FCRHA should invest its financial resources, and use the housing units it owns and operates, to serve low and moderate-income households earning 80 percent of the Area Median Income (AMI) and below.

Guiding Principle 3: To serve the current and future housing needs of Fairfax County's low and moderate income workforce, the FCRHA should foster the private development of sufficient workforce housing and encourage tools to facilitate its development (density, financing, etc.) through policy and advocacy efforts such as the Fairfax County Workforce Housing Policy.

NOTE: The intent of Guiding Principles 2 and 3 is to make the following distinction: FCRHA funding will serve low and moderate income households earning at or below 80 percent AMI; advocacy efforts – in contrast to funding – will be used to ensure sufficient development of workforce housing including that for higher incomes.

Shared Values, 2011-2015

We, the Commissioners of the Fairfax County Redevelopment and Housing Authority, value:

Value 1. Community involvement in decision-making.

Value 2. Partnering with the community, individuals, and public and private entities.

Value 3. Promoting, developing, encouraging and being responsive to community initiatives.

Value 4. Our responsibility as Commissioners to establish FCRHA policies and to ensure that HCD staff will implement those policies in an open and professional manner.

Value 5. Maintaining and enhancing the professionalism of Housing and Community Development staff supporting the FCRHA mission. Providing the best management, maintenance and operational support for all projects and programs.

Value 6. Integrity as the foundation of our work to ensure that all transactions are rooted in ethical principles.

Value 7. Communication that is open, honest and respectful of other points of view.

Value 8. Empowering the residents of FCRHA properties with the means to become as self-sufficient as possible, encouraging and facilitating movement toward financial independence beyond the need for FCRHA services, while recognizing the needs and limitations of persons with disabilities, the elderly and others with special needs.

Value 9. Fiscal responsibility in our role as stewards of resources that belong to the community.

Value 10. Innovation as we envision and carry out our mission.

Value 11. Strategic thinking as we anticipate community needs and challenges.

Goal Statements, 2011-2015

Goal 1. To preserve, expand and facilitate affordable housing opportunities in Fairfax County.

Goal 2. To support revitalization and entrepreneurial initiatives that benefit the communities and residents of Fairfax County.

Goal 3. To facilitate the self-sufficiency of FCRHA residents as they move toward financial independence, while recognizing the needs of special populations.

Goal 4. To generate and increase opportunities for homeownership as ~~a~~ one means to self-sufficiency, asset growth, neighborhood stability and allow those who work in Fairfax County to live in the County.

Goal 5. To provide opportunities for those who work in Fairfax County to live in Fairfax County.

Goal 6. To assure the continued excellent reputation of the FCRHA through fiscally responsible policies, sound business practices, and well-maintained properties that meet the high community standards of Fairfax County.

Goal 7. To support the quality work and professionalism of the HCD staff to assure highly effective programs.

Goal 8. To incorporate and maintain up-to-date Information Technology solutions in FCRHA/HCD business and communication functions.

Goal 9. To give citizens a sense of ownership in policies and programs, through open and two-way communication of ideas and information about housing and community development challenges and opportunities.

Goal 10. To commit to a strong and cooperative relationship with other Fairfax County boards, commissions and authorities, businesses and the broader community.

Goal 11. To commit to strategic and innovative solutions for meeting changing community needs and challenges.

ADMINISTRATIVE – 4

RESOLUTION NUMBER 04-16: Authorization to Advertise a Public Hearing for the Fairfax County Redevelopment and Housing Authority (FCRHA) FY 2017 Proposed Budget and the Certification that the FY 2017 Proposed Budget is Consistent with the Proposed FCRHA Strategic Plan – Action Plan for FY 2017

ISSUE:
Virginia Code Ann. § 36-19.2(B) (2014) requires local housing authorities to hold a public hearing prior to submission of its proposed budget to the local governing body. Staff requests that the Fairfax County Redevelopment and Housing Authority schedule a public hearing for this purpose at its regular meeting on March 10, 2016.

RECOMMENDATION:
The FCRHA Finance Committee reviewed this item and approved placing it on the January 28, 2016 FCRHA meeting agenda, with a recommendation for approval.

TIMING:
Immediate.

RELATION TO FCRHA STRATEGIC PLAN:
A public hearing on the budget will give citizens a sense of ownership in policies and programs, through an open and two-way communication of ideas and information about housing and revitalization challenges and opportunities.

BACKGROUND:
In order to comply with state law, the FCRHA is requested to schedule a public hearing at its regular meeting on March 10, 2016 on the proposed budget and the certification of the proposed budget as consistent with the FCRHA Strategic Plan – Action Plan for FY 2017.

Attachment 2 is a draft one-page overview of the FY 2017 Requested Budget. A user-friendly document will be developed prior to advertising the public hearing to aid citizens in understanding the proposed FCRHA budget. The proposed FCRHA Strategic Plan – Action Plan for FY 2017 will be presented to the FCRHA for adoption at the planned FCRHA Special Meeting on March 2, 2016, which is the FCRHA's Finance Committee's regularly scheduled committee day. This schedule will allow the FCRHA to meet the statutory requirement in a timely manner, consistent with the county's budget calendar. It should be noted that the draft FCRHA Strategic Plan – Action Plan for FY 2017 will be released as part of the advertisement of the public hearing simultaneous with the release of the FCRHA package for the March 2, 2016, Special Meeting.

STAFF IMPACT:
None

FISCAL IMPACT:
The cost of the advertisement in the local newspaper is estimated to be $2,500 and will be paid from Fund 810-C81000, FCRHA General Operating.

ENCLOSED DOCUMENTS:
Attachment 1: Resolution Number 04-16
Attachment 2: Overview: Proposed HCD/FCRHA FY 2017 Budget
Attachment 3: Notice of Public Hearing

STAFF:
Tom Fleetwood, Acting Director, Department of Housing and Community Development (HCD)
Stephen Knippler, Senior Program Manager, FCRHA Policy, Reporting and Communications, HCD

Attachment 1

RESOLUTION NUMBER 04-16

Authorization to Advertise a Public Hearing for the Fairfax County Redevelopment and Housing Authority (FCRHA) FY 2017 Proposed Budget and the Certification that the FY 2017 Proposed Budget is Consistent with the Proposed FCRHA Strategic Plan – Action Plan for FY 2017

WHEREAS Title 36 (Housing Authorities Law) of the Code of Virginia requires that "Before any [housing] authority gives final approval to (i) its budget or (ii) any request for funding for submission to the governing body, the authority shall hold at least one public hearing to receive the views of citizens within the area of operation of the authority."

NOW THEREFORE, BE IT RESOLVED, THAT the Fairfax County Redevelopment and Housing Authority (FCRHA) authorizes the scheduling of a public hearing on the FY 2017 Proposed Budget and the certification of the proposed budget as consistent with the proposed FCRHA Strategic Plan – Action Plan for FY 2017, at its Regular Meeting on March 10, 2016.

FY 2017 DHCD/FCRHA TOTAL BUDGET REQUESTED

FUND	FUND TITLE	REVENUE	TOTAL EXPENDITURES
100-C10001	General Fund	$ 6,255,389	$ 6,255,389
400-C40330 through 400-C40334	Elderly Housing Program	$ 3,554,393	$ 3,554,393
500-C50800	CDBG	$ 4,873,926	$ 4,873,926
400-C40360 through 400-C40383	Homeowner/Business Loan Program [1]	$ 2,276,304	$ 2,331,087
400-C40300	Housing Trust Fund	$ 484,155	$ 484,155
500-C50810	HOME	$ 1,431,830	$ 1,431,830
300-C30300 through 300-C30301	Penny for Affordable Housing	$ 12,251,850	$ 12,251,850
300-C30310	Housing Assistance Program	$ -	$ -
810-C81000	FCRHA General Operating	$ 3,082,975	$ 3,487,359
810-C81100 through 810-C81146	Fairfax County Rental Program	$ 4,580,619	$ 4,443,616
810-C81020	Non-County Appropriated Rehab Loan Prgrm	$ 381	$ -
810-C81030	FCRHA Revolving	$ 6,154	$ -
810-C81050	FCRHA Private Financing	$ 4,103	$ 4,103
810-C81060	FCRHA Internal Service Fund [2]	$ 3,409,540	$ 3,409,540
810-C81200 through 810-C81208	Housing Partnerships	$ 1,867,080	$ 1,867,080
815-C81500	Housing Grants	$ -	$ -
815-C81510	Section 8/Housing Choice Voucher	$ 59,013,804	$ 59,171,671
815-C81520	Public Housing	$ 10,362,811	$ 10,427,812
815-C81530	Comp Grant/Capital Fund	$ -	$ -
	Total Budget Request - All Funds	$ 113,455,314	$ 113,993,811
	Less Internal Service Fund [2]	$ 3,409,540	$ 3,409,540
	Total Revised Annual Budget Request	$ 110,045,774	$ 110,584,271

1 Due to timing issues, the FY 2017 budget request is required to be out of balance; FY 2017 revenue anticipated to be slightly lower than overall expenditures. The difference is covered by Unreserved Operating Balances in specific funds.

2 The Internal Service Fund was established to facilitate transactions that are spread directly, or indirectly (such as Pender operating costs) to other funds. The fund acts as a central point allowing for expedited payments and is only a pass-through fund. As such, individual funds include estimates of those spreads in their budgets and in order to reflect the "true" annual budget, the Internal Service Fund is being eliminated.

Attachment 3

NOTICE OF PUBLIC HEARING
Thursday, March 10, 7:00 p.m.

The Fairfax County Redevelopment and Housing Authority (FCRHA) will conduct a public hearing on its proposed FY 2017 Budget and certification of the proposed budget as consistent with the FCRHA Strategic Plan - Action Plan for Fiscal Year 2017 at its meeting on March 10, 2016. The hearing is being conducted in compliance with Section 36-19.2(B) of the Code of Virginia. The FCRHA meeting will be held at 4500 University Drive, Fairfax, VA at 7:00 p.m. on March 10, 2016. Interested residents are invited to share their views on the budget at the public hearing. An overview of the proposed FY 2017 FCRHA Budget and the draft FCRHA Strategic Plan - Action Plan for Fiscal Year 2017 are available for public review on the county website at **http://www.fairfaxcounty.gov/rha/strategicplan/** and at the Fairfax County Department of Housing and Community Development, 3700 Pender Drive, Suite 300, Fairfax, VA, or by calling 703-246-5161. The draft Strategic Plan – Action Plan for FY 2017 will be presented to the FCRHA for approval on March 2, 2016. Please check back on the website listed above for any updates resulting from the FCRHA's actions on the draft Plan. If you have any questions concerning the public hearing, please call 703-246-5161, TTY: 703-385-3578.

Fairfax County is committed to a policy of nondiscrimination in all county programs, services and activities and will provide reasonable accommodations upon request. To request special accommodations call 703-246-5101 or TTY 703-385-3578. Please allow 48 hours in advance of the event in order to make the necessary arrangements. Equal Housing/Equal Opportunity Employer

FCRHA Agenda Item
January 28, 2016

INFORMATION – 1

Fairfax County Redevelopment and Housing Authority Regular Meeting Summary – December 10, 2015

On December 10, 2015, the Commissioners of the Fairfax County Redevelopment and Housing Authority (FCRHA) met in the FCRHA Board Room, One University Plaza, 4500 University Drive, Fairfax, Virginia.

Call to Order

FCRHA Chair Robert Schwaninger called the Meeting of the FCRHA to order at 7:00 p.m. FCRHA Commissioners present for a portion or all of the meeting were as follows: Robert Schwaninger, Willard Japser, John Betts, Robert C. Carlson, Christopher Craig, C. Melissa Jonas, Richard Kennedy, and Albert J. McAloon and Commissioners Matthew Bell, H. Charlen Kyle, and Rod Solomon were absent.

Public Hearing

Draft Significant Amendment to the Fiscal Year 2016 Fairfax County Redevelopment and Housing Authority (FCRHA) Moving to Work Plan.

The FCRHA Chair opened the Public Hearing at 7:02. No one had signed up in advance and no one in the audience wanted to speak. Accordingly, the Chair closed the Public Hearing at 7:02.

Citizen Time

The FCRHA Chair opened Citizen Time at 7:02. Mr. James Edmondson, on behalf of AHOME, spoke on a number of issues related to affordable housing. No one else in the audience wanted to speak. Accordingly, the Chair closed Citizen Time at 7:13.

Approval of Minutes

October 29, 2015

Commissioner Kennedy moved approval of the Minutes of the October 29, 2015 FCRHA Meeting, which Commissioner Jonas seconded. The motion carried with Commissioner Betts and Jasper abstaining.

Action Items

Resolution Number 37-15 adopted	Approval of Updated Financing Plan for the Preservation and Rehabilitation of the Murraygate Village Apartments (Lee District)
Resolution Number 38-15 adopted	Approval to (1) Issue a Request for Financial Services for First Lender (2) and Obtain a Loan from a Private Lender for the Purposes of

	Financing the Preservation and Rehabilitation of the Murraygate Village Apartments that shall be Secured by the Property in First Lien Position (Lee District)
Resolution Number 39-15 adopted	Approval for Payment of a Negative Cash Balance in the Approximate Amount of $261,152 from the FCRHA Operating Fund, for the Purposes of Preservation and Rehabilitation of the Murraygate Village Apartments (Lee District)
Resolution Number 40-15 adopted	Approval to Assume an Existing $500,000 FCRHA Loan and Extend the Maturity of the Loan to be Coterminous with the Housing Blueprint Loan (Lee District), for the Purposes of Preservation and Rehabilitation of the Murraygate Village Apartments (Lee District)
Resolution Number 41-15 adopted	Approval to (1) Establish Murraygate Village Limited Partnership for the Purposes of Applying for and Syndicating Low-Income Housing Tax Credits (LIHTC); (2) Transfer the Project from Fairfax County Redevelopment and Housing Authority/HCDC Two, L.P. to Murraygate Village Limited Partnership; (3) Issue a Request for Financial Services for a Syndicator for 9 Percent Low-Income Housing Tax Credits (LIHTC); and (4) Enter into an Amended and Restated Limited Partnership Agreement with Investor Limited Partner Chosen in Response to the Request for Financial Services (Lee District) for the Purposes of Preservation and Rehabilitation of the Murraygate Village Apartments (Lee District)

Administrative Items

Resolution Number 42-15 adopted	Approval to Submit Comments to U.S. Department of Housing and Urban Development (HUD) on Proposed Rule Concerning Smoke-Free Public Housing

Information Items

1. Fairfax County Redevelopment and Housing Authority Regular Meeting Summary – October 29, 2015

2. Minutes of the Housing Ownership, Management and Security Committee Meeting – December 2, 2015

3. Minutes of the Finance Committee Meeting – December 2, 2015

4. FCRHA Strategic Plan: Status Report on Fiscal Year 2015 Action Plan – Brief Discussion

5. Rental Assistance Demonstration (RAD) Status Report – Brief Discussion

6. Fairfax County Redevelopment and Housing Authority Calendar of Meetings – January and February 2016

Closed Session
Commissioner Carlson moved that the Fairfax County Redevelopment and Housing Authority ("FCRHA") go into Closed Session for consultation with legal counsel, pursuant to the Virginia Freedom of Information Act ("VFOIA"). Commissioner McAloon seconded the motion.

The motion carried and the FCRHA went into Closed Session at 7:45 p.m.

Open Session Resumes
Commissioner Carlson made a motion certifying that during Closed Session the members of the FCRHA only heard, discussed, or considered matters that were properly the subject of Closed Session pursuant to VFOIA. Commissioner Jasper seconded the motion, which unanimously passed.

The Open Meeting resumed at 8:07 p.m.

Board Matters

Adjournment
Commissioner Kennedy moved to adjourn the meeting at 8:21, which Commissioner McAloon seconded. The motion passed unanimously.

ENCLOSED DOCUMENTS
None.

STAFF
Thomas Fleetwood, Acting Director, Department of Housing and Community Development (HCD)

INFORMATION - 2

Minutes of the Housing Ownership, Management, and Security Committee Meeting – January 20, 2016

A meeting of the Fairfax County Redevelopment and Housing Authority (FCRHA) Housing Ownership, Management, and Security (HOMS) Committee was held on January 20, 2016 in the FCRHA Board Room, One University Plaza, Fairfax, Virginia 22030. Chairman Kennedy called the HOMS meeting to order at 5:32 p.m. The following Commissioners were present or absent:

Present	**Absent**
Richard Kennedy, Chair	Charlen Kyle
Albert McAloon	
Robert Schwaninger	

Also present for all or a portion of the meeting were: FCRHA Commissioners Matthew Bell and Willard Jasper. Department of Housing and Community Development (HCD) staff present at the HOMS Committee meeting were: Tom Fleetwood, Acting Director; Robert Easley, Deputy Director, Operations; Hossein Malayeri, Deputy Director, Real Estate, Finance and Development; Leo Leduc, Director, Property Management (PM) Division; Russell Lee, Director, Rental Services Division; Kris Miracle, Director, Administration Division; Elisa Johnson, HCD IV, The PROGRESS Center; Steve Knippler, Senior Program Manager, FCRHA Policy, Reporting and Communications Division; Samantha Gallo, Housing Services Specialist IV; and Joan Beckner, Financial Specialist III.

Administrative Item 1: Approval to Release for Public Comment the Draft Fairfax County Redevelopment and Housing Authority Moving to Work Plan for Fiscal Year 2017, and Authorization to Advertise a Public Hearing on the Draft Plan.

Committee Action: The HOMS Committee reviewed this item and approved placing it on the January 28, 2016 FCRHA meeting agenda, with a recommendation for approval, with changes as discussed.

Administrative Item 2: Authorization to Submit to the U.S. Department of Housing and Urban Development (HUD) the Fairfax County Redevelopment and Housing Authority (FCRHA) Rental Assistance Demonstration-Specific Significant Amendment to the Moving to Work (MTW) Plan for Fiscal Year 2016.

Committee Action: The HOMS Committee reviewed this item and approved placing it on the January 28, 2016 FCRHA meeting agenda, with a recommendation for approval.

OTHER BUSINESS:
None.

ADJOURNMENT:
The HOMS Committee meeting adjourned at 6:43 p.m. The next meeting of the HOMS Committee will be Wednesday, March 2, 2016 at 5:30 p.m. in the FCRHA Board Room at One University Plaza, Fairfax.

ENCLOSED DOCUMENTS:
None.

STAFF:
Thomas Fleetwood, Acting Director, Department of Housing and Community Development (HCD)
Robert Easley, Deputy Director, Operations, HCD
Russell Lee, Director, Rental Services Division, HCD

INFORMATION – 3

Minutes of the Finance Committee Meeting – January 20, 2016

A meeting of the Fairfax County Redevelopment and Housing Authority (FCRHA) Finance Committee was held on January 20, 2016 in the FCRHA Board Room, One University Plaza, Fairfax, Virginia 22030. Chairman Schwaninger called the meeting to order at 6:43 p.m. The following Commissioners were present or absent:

Present	**Absent**
Robert Schwaninger, Chair	Christopher Craig
Matthew Bell	Robert C. Carlson
Richard Kennedy	

Also present for all or a portion of the meeting was FCRHA Commissioners Willard Jasper and Albert J. McAloon. Department of Housing and Community Development (HCD) staff present were: Thomas Fleetwood, Acting Director; Robert Easley, Deputy Director, Operations; Hossein Malayeri, Deputy Director, Real Estate, Finance and Development; Russell Lee, Director, Rental Services; Elisa Johnson, Director, PROGRESS Center, Rental Services; Samantha Gallo, Housing Services Specialist IV, PROGRESS Center, Rental Services; Steve Knippler, Housing Community Developer IV, FCRHA Policy, Reporting and Communications; Kris Miracle, Director, Administration; Leo LeDuc, Director, Property Management.

Administrative Item: Extending the Five-Year Fairfax County Redevelopment and Housing Authority (FCRHA) Strategic Plan through Fiscal Year 2017

Committee Action: The Finance Committee reviewed this item and approved placing it on the January 28, 2016 FCRHA meeting agenda, with a recommendation for approval.

Administrative Item: Authorization to Advertise a Public Hearing for the Fairfax County Redevelopment and Housing Authority (FCRHA) FY 2017 Proposed Budget is Consistent with the Proposed FCRHA Strategic Plan – Action Plan for FY 2017

Committee Action: The Finance Committee reviewed this item and approved placing it on the January 28, 2016 FCRHA meeting agenda, with a recommendation for approval.

OTHER BUSINESS:
None.

ADJOURNMENT:
The Finance Committee meeting adjourned at 6:53 p.m. The next meeting of the Finance Committee will be Wednesday, March 2, 2016 at 5:30 p.m. in the FCRHA Board Room at One University Plaza, Fairfax.

ENCLOSED DOCUMENTS:
None.

STAFF:
Thomas Fleetwood, Acting Director, Department of Housing and Community Development (HCD)
Robert Easley, Deputy Director, Operations, HCD

INFORMATION – 4

Update on the Public Housing Subsidy Conversion through the Rental Assistance Demonstration (RAD)

In an Information Item presented at the September 17, 2015 Fairfax County Redevelopment and Housing Authority (FCRHA) meeting, staff committed to providing regular updates on the FCRHA's applications to the U.S. Department of Housing and Urban Development (HUD) for participation in its Rental Assistance Demonstration (RAD) program. This item is provided to follow through on that commitment.

PHASE ONE APPLICATIONS

On October 29, 2015, following staff presentation of an item, the FCRHA approved the submittal of RAD applications to HUD for Audubon Apartments and The Atrium, as replacements for the Reston Town Center and Robinson Square properties. These applications were subsequently submitted to HUD in November 2015. Submission of these two applications to HUD concludes the submittal of RAD applications for the "Phase One" conversion.

AMENDMENT TO MOVING TO WORK PLAN

After a staff presentation of a separate item also on October 29, 2015, the FCRHA approved the release of the HUD-required draft Significant Amendment to the FCRHA Fiscal Year 2016 Moving to Work (MTW) plan for a 30-day public comment period and the scheduling of a public hearing on the draft amendment, which was held at its December 10, 2015 meeting. There were no public speakers or comments provided at the public hearing. The FCRHA must amend its MTW plan to note the program changes that would occur if the "Phase One" units are converted under RAD. The FCRHA will submit the amendment to HUD upon authorization at the January 28, 2016 FCRHA Meeting. HUD must approve the amendment before the FCRHA may submit its 'financing plan' for any "Phase One" property. We expect to hear back from HUD within 60 to 90 days.

"PHASE ONE" PROPERTY FINANCING PLANS AND FINAL APPROVALS

As noted in the September Information Item, the FCRHA must develop a "financing plan" for each "Phase One" property to be submitted to HUD for approval before HUD will complete or "close" on the conversion. For the purpose of RAD, the HUD-required "financing plans" include a Capital Needs Assessment (CNA; discussed below), the scope of work to be performed based on the CNA, accessibility requirements, relocation plans (if applicable) and a development budget for the property. The purpose of the CNA is to determine the financial viability of the conversion by identifying any immediate capital needs and repairs and replacements needed over the next 20 years. The Department of Housing and Community Development (HCD) engaged a contractor to perform the HUD-required CNAs on the “Phase One” projects, including Audubon Apartments and The Atrium. However, CNA studies had not been conducted on the “Phase One” scattered site condominium units because HUD had not provided written guidance advising if CNA studies are applicable to condominium units when ownership within the development is less than 20 percent. HCD has been in close contact with HUD on this issue and HUD, through Field Office staff, has advised that a streamlined CNA study would be required for the condominium units. The streamlined approach will entail a study of the system components in the units under the FCRHAs control and replacement requirements as well as examine energy consumption information from interior components. The CNA will provide HCD with an updated scope and cost for the condominium units in the coming month, in an effort to schedule and complete the assessments of these units in February 2016.

The draft CNAs, excluding the scattered site condominium developments, were presented to HCD in November 2015. Staff is working closely with the CNA contractor to finalize the CNAs in February 2016.

Under normal processes, these financing plans and related final FCRHA approvals for the “Phase One” conversions would be required to be submitted to HUD by January 11, 2016. However, due to the timing of the MTW plan amendment process, staff requested an extension of this deadline from HUD. HUD has granted an extension to April 11, 2016.

Accordingly, staff intends to present an item to the FCRHA in March 2016 that would request approval of the “Phase One” financing plans for submission to HUD as well as authorization to execute the RAD closing documentation – including the Housing Assistance Payment (HAP) contract and RAD Use Agreement – upon HUD’s written approval of the submitted financing plans. Effectively, this would be the FCRHA’s final approval to proceed with conversion of the “Phase One” properties under RAD.

PHASE TWO CONVERSION

In terms of the remaining properties in the Portfolio Application, which will constitute “Phase Two” of the FCRHA’s RAD conversion, specific RAD applications must be submitted by July 15, 2016.

It is anticipated that the “Phase Two” conversion will be much more complex than the “Phase One” conversion due to issues such as relocation, transfer of assistance, securing of debt, and substantial rehabilitation.

While continuing to manage the “Phase One” conversion, staff has been simultaneously working to prepare for the “Phase Two” applications and will provide regular updates to the FCRHA going forward. It is also anticipated that the FCRHA will be asked to reconvene its ad hoc RAD Committee to provide strategic guidance throughout Phase Two.

The following projects are part of the “Phase Two” Conversion.

Scattered Site(s)

Development Name	District	Type of Unit	Number of Units
Copper Mill (The Green)	Hunter Mill	Townhouse	4
Monroe Chase (The Green)	Hunter Mill	Townhouse	3
Virginia Station (The Green)	Providence	Townhouse	6
Walney Oaks (The Green)	Sully	Townhouse	6
Woodland Glen (The Green)	Springfield	Townhouse	5
			24

Multi-Family Development

Development Name	District	Type of Unit	Number of Units
Ragan Oaks	Springfield	Apartments	50
Barros Circle	Sully	Townhouse	44
West Glade	Hunter Mill	Apartments	26
Kingsley Park	Providence	Townhouse	107
Rosedale Manor	Mason	Apartments	96
Robinson Square	Braddock	Townhouse	46
Reston Town Center	Hunter Mill	Townhouse	30
Old Mill Gardens	Mt Vernon	Apartments	47
Greenwood	Mason	Apartments	138
West Ford I	Mt Vernon	Townhouse	24
West Ford II	Mt Vernon	Townhouse	22
West Ford III	Mt Vernon	Townhouse	59
Tavenner	Lee	Apartments	12
			701

STAFF:
Thomas Fleetwood, Acting Director, Department of Housing and Community Development (HCD)
Robert Easley, Deputy Director, Operations, HCD
Nicole Wickliffe, Director, Asset Management Division, HCD
Derek DuBard, Asset Portfolio Manager, Asset Management Division, HCD

FCRHA Agenda Item
January 28, 2016

INFORMATION – 5

FY 2015 Audited Financial Statements, Single Audit, and Internal Audit Reports

This item summarizes the results for the Fairfax County Redevelopment and Housing Authority's (FCRHA) FY 2015 financial audit, Single Audit (OMB Circular A-133), and Internal Audit. CliftonLarsonAllen LLP (CLA) conducted the financial audit, and KPMG LLP conducted the Single Audit.

The FCRHA received an unqualified audit opinion on the annual FCRHA audit. The independent auditor's report on these basic financial statements, which are the responsibility of FCRHA's management, is included on the first three pages of the financial report (Attachment 1).

The Single Audit was performed on the Moving to Work (MTW) program. There were three Notice of Findings and Recommendations (NFR) that were identified as one "Material Weakness" and two "Significant Deficiencies" in internal control over compliance (Attachment 2). As discussed in Board Matters at the FCRHA's December 10, 2015 meeting, staff is aware of and addressing these issues. A summary of the findings and management responses is included (Attachment 3).

The Auditor of the Board, July 2015, performed an audit of the Housing Choice Voucher (HCV) Compliance and Collections based on the changes to tenant portion of rent, HCV payment standards, and recertification and inspection schedules. The program received "Satisfactory" controls on tenant file maintenance and "Needs Improvement" on the two other objectives (Attachment 4).

ENCLOSED DOCUMENTS:
Attachment 1: FCRHA FY 2015 Financial Statements and Audit Opinion
Attachment 2: Fairfax County FY 2015 Single Audit Statements and Reports
Attachment 3: Single Audit NFRs and Management Reponses
Attachment 4: Auditor of the Board Audit Report, July 2015

STAFF:
Thomas Fleetwood, Acting Director, Dept. of Housing and Community Development (HCD)
Robert Easley, Deputy Director, Operations, HCD
Doris Ramos, Financial Specialist IV, Financial Management Division, HCD

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CliftonLarsonAllen LLP
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Board of Commissioners
Fairfax County Redevelopment and Housing Authority
3700 Pender Drive, Suite 300
Fairfax, VA 22030-7444

We have audited the financial statements of the business-type activities and the aggregate discretely presented component units of Fairfax County Redevelopment and Housing Authority (the Authority) as of and for the year ended June 30, 2015, and have issued our report thereon dated November 17, 2015. We have previously communicated to you information about our responsibilities under auditing standards generally accepted in the United States of America and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

Significant audit findings

Qualitative aspects of accounting practices

<u>Accounting policies</u>

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Authority are described in Note 1 to the financial statements.

As described in Note 1, the Authority changed accounting policies related to the accounting and financial reporting for pensions by adopting Statement of Governmental Accounting Standards (GASB Statement) No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment to GASB Statement No. 68* in the year ended June 30, 2015 by recognizing its net pension liability related to its pension plan.

We noted no transactions entered into by the Authority during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

<u>Accounting estimates</u>

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was the allowance for doubtful accounts. Management's estimate of the allowance for doubtful accounts is based on historical losses and an analysis of the collectability of individual accounts. We evaluated the key factors and assumptions used to develop the allowance in determining that it is reasonable in relation to the financial statements taken as a whole.

Financial statement disclosures

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. There were no particularly sensitive financial statement disclosures.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties encountered in performing the audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Uncorrected misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management did not identify and we did not notify them of any uncorrected financial statement misstatements.

Corrected misstatements

Management did not identify and we did not notify them of any financial statement misstatements detected as a result of audit procedures

Disagreements with management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. No such disagreements arose during our audit.

Management representations

We have requested certain representations from management that are included in the attached management representation letter dated November 17, 2015.

Management consultations with other independent accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the entity's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Significant issues discussed with management prior to engagement

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to engagement as the Authority's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our engagement.

Audits of group financial statements

We noted no matters related to the group audit that we consider to be significant to the responsibilities of those charged with governance of the group.

Quality of component auditor's work

There were no instances in which our evaluation of the work of a component auditor gave rise to a concern about the quality of that auditor's work.

Limitations on the group audit

There were no restrictions on our access to information of components or other limitations on the group audit.

Other information in documents containing audited financial statements

With respect to the required supplementary information (RSI) accompanying the financial statements, we made certain inquiries of management about the methods of preparing the RSI, including whether the RSI has been measured and presented in accordance with prescribed guidelines, whether the methods of measurement and preparation have been changed from the prior period and the reasons for any such changes, and whether there were any significant assumptions or interpretations underlying the measurement or presentation of the RSI. We compared the RSI for consistency with management's responses to the foregoing inquiries, the basic financial statements, and other knowledge obtained during the audit of the basic financial statements. Because these limited procedures do not provide sufficient evidence, we did not express an opinion or provide any assurance on the RSI.

With respect to the Statement of Certification of Program Costs (collectively, the supplementary information) accompanying the financial statements, on which we were engaged to report in relation to the financial statements as a whole, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period or the reasons for such changes, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves. We have issued our report thereon dated November 17, 2015.

Our auditors' opinion, the audited financial statements, and the notes to financial statements should only be used in their entirety. Inclusion of the audited financial statements in a document you prepare, such as an annual report, should be done only with our prior approval and review of the document.

This communication is intended solely for the information and use of the Board of Commissioners and management of Fairfax County Redevelopment and Housing Authority and is not intended to be, and should not be, used by anyone other than these specified parties.

CliftonLarsonAllen LLP

Calverton, Maryland
November 17, 2015

County of Fairfax, Virginia

To protect and enrich the quality of life for the people, neighborhoods and diverse communities of Fairfax County

November 17, 2015

CliftonLarsonAllen LLP
11710 Beltsville Drive, Suite 300
Calverton, MD 20705

This representation letter is provided in connection with your audit of the financial statements of Fairfax County Redevelopment and Housing Authority, which comprise the respective financial position of the business-type activities and the aggregate discretely presented component units as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows for the year then ended, and the related notes to the financial statements, for the purpose of expressing opinions on whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm, to the best of our knowledge and belief, as of November 17, 2015, the following representations made to you during your audit.

Financial Statements

- We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated April 16, 2015, for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP. The financial statements include all properly classified funds and other financial information of the primary government and all component units required by generally accepted accounting principles to be included in the financial reporting entity.

- We acknowledge and have fulfilled our responsibility 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.

- We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.

- We have identified all accounting estimates that could be material to the financial statements, including the key factors and significant assumptions used in making those estimates, and we believe the estimates (including those measured at fair value) and the significant assumptions used in making those accounting estimates are reasonable.

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3700 Pender Drive, Suite 300
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- Significant estimates have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP. Significant estimates are estimates at the financial statement date that could change materially within the next year.

- Related party relationships and transactions, including, but not limited to, revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.

- All events occurring subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.

- We have not identified or been notified of any uncorrected financial statement misstatements.

- We are not aware of any pending or threatened litigation, claims, or assessments or unasserted claims or assessments that are required to be accrued or disclosed in the financial statements in accordance with U.S. GAAP, and we have not consulted a lawyer concerning litigation, claims, or assessments.

- Receivables recorded in the financial statements represent valid claims against debtors for transactions arising on or before the financial statement date and have been reduced to their estimated net realizable value.

- We have no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or equity.

- We believe that the actuarial assumptions and methods used to measure pension and other postemployment benefits (OPEB) liabilities and costs for financial accounting purposes are appropriate in the circumstances.

- We do not plan to make frequent amendments to our pension or other postretirement benefit plans.

- We believe that the effects of the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB 68 Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, have been properly reflected in the financial statements.

- We are responsible for the preparation and electronic submission of the annual financial information required under the uniform annual financial reporting standards for HUD's Public Housing, Section 8 Housing, other assisted housing and multifamily insured housing programs.

- We are responsible for the supplementary information accompanying the basic financial statements required by *HUD's Uniform Financial Reporting Standards for HUD Housing Programs*, and the information submitted to HUD through the FASS submission templates is supported by the financial statements and underlying accounting records.

- We are responsible for the information included in the Actual Modernization Cost Certifications required to be completed by HUD for the year ended June 30, 2015.

Information Provided

- We have provided you with:
  - Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements such as records, documentation, and other matters.
  - Additional information that you have requested from us for the purpose of the audit.
  - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
  - Complete minutes of the meetings of the governing board and related committees, or summaries of actions of recent meetings for which minutes have not yet been prepared.
  - Access to all audit or relevant monitoring reports, if any, received from funding sources.
- All material transactions have been recorded in the accounting records and are reflected in the financial statements.
- We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- We have no knowledge of any fraud or suspected fraud that affects the entity and involves:
  - Management;
  - Employees who have significant roles in internal control; or
  - Others when the fraud could have a material effect on the financial statements.
- We have no knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, grantors, regulators, or others.
- We have no knowledge of any instances of noncompliance or suspected noncompliance with laws and regulations and provisions of contracts and grant agreements, or abuse whose effects should be considered when preparing financial statements.
- We are not aware of any pending or threatened litigation, claims, or assessments, or unasserted claims or assessments, that are required to be accrued or disclosed in the financial statements in accordance with U.S. GAAP, and we have not consulted a lawyer concerning litigation, claims, or assessments.
- There are no other material liabilities or gain or loss contingencies that are required to be accrued or disclosed in accordance with U.S. GAAP.

- We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.

- The entity has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets, nor has any asset been pledged as collateral, except as made known to you and disclosed in the financial statements.

- We have a process to track the status of audit findings and recommendations.

- We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.

- We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to Fairfax County Redevelopment and Housing Authority, including tax or debt limits and debt contracts; and we have identified and disclosed to you all laws, regulations, and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts or other financial data significant to the audit objectives, including legal and contractual provisions for reporting specific activities in separate funds.

- There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.

- The entity has complied with all aspects of contractual or grant agreements that would have a material effect on the financial statements in the event of noncompliance.

- We have complied with all restrictions on resources (including donor restrictions) and all aspects of contractual and grant agreements that would have a material effect on the financial statements in the event of noncompliance. This includes complying with donor requirements to maintain a specific asset composition necessary to satisfy their restrictions.

- We are responsible for determining whether we have received, expended, or otherwise been the beneficiary of any federal awards during the period of this audit in an amount that cumulatively totals from all sources $500,000 or more. For this representation, "award" means financial assistance and federal cost-reimbursement contracts that non-federal entities receive directly from federal awarding agencies or indirectly from pass-through entities. It does not include procurement contracts, user grants, or contracts used to buy goods or services from vendors. The Authority is included in the financial statements of Fairfax County and the County is responsible for engaging an auditor to perform the single audit.

- We have followed all applicable laws and regulations in adopting, approving, and amending budgets.

- The financial statements include all component units as well as joint ventures with an equity interest, and properly disclose all other joint ventures, jointly governed organizations, and other related organizations.

- The financial statements properly classify all funds and activities.

- All funds that meet the quantitative criteria in GASB Statement Nos. 34 and 37 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.

- Components of net position (net investment in capital assets; restricted; and unrestricted) and equity amounts are properly classified and, if applicable, approved.

- Investments, derivative instruments, and land and other real estate held by endowments are properly valued.

- Provisions for uncollectible receivables have been properly identified and recorded.

- Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.

- Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.

- Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.

- Deposits and investment securities and derivative instruments are properly classified as to risk and are properly valued and disclosed.

- Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated.

- We have appropriately disclosed the entity's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and have determined that net position is properly recognized under the policy.

- We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.

- We acknowledge our responsibility for presenting the Statement and Certification of Program Costs (the supplementary information) in accordance with U.S. GAAP, and we believe the supplementary information, including its form and content, is fairly presented in accordance with U.S. GAAP. The methods of measurement and presentation of the supplementary information have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information. If the supplementary information is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information no later than the date we issue the supplementary information and the auditors' report thereon.

- As part of your audit, you prepared the draft financial statements and related notes. We have designated an individual who possesses suitable skill, knowledge, and/or experience to understand and oversee your services; have made all management judgments and decisions; and have assumed all management responsibilities. We have evaluated the adequacy and results of the service. We have reviewed, approved, and accepted responsibility for those financial statements and related notes.

Signature: ______________________ Title: Acting Director, Department of Housing

Thomas Fleetwood

Signature: Marijke Hannam Title: Director, Financial Management Division

Marijke Hannam

FAIRFAX COUNTY REDEVELOPMENT
AND HOUSING AUTHORITY
(A Component Unit of the County of Fairfax, Virginia)
Fairfax, Virginia

FINANCIAL STATEMENTS
June 30, 2015

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INDEPENDENT AUDITORS' REPORT

Board of Supervisors
County of Fairfax, Virginia

Board of Commissioners
Fairfax County Redevelopment
and Housing Authority
Fairfax, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component units of Fairfax County Redevelopment and Housing Authority (the Authority), a component unit of the County of Fairfax, Virginia, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of four blended component units (Herndon Harbor House I L.P, Fairfax County Redevelopment and Housing Authority/HCDC One, L.P. - Stonegate, Fairfax County Redevelopment and Housing Authority/HCDC Two, L.P. – Murraygate, and The Green, L.P.), which represent 12.2 percent, 14.3 percent, and 5.8 percent, respectively, of the assets and deferred outflows, net position, and revenues of the business-type activities. We did not audit the financial statements of the discretely presented component units, which represent 100 percent, respectively, of the assets and deferred outflows, net position, and revenues of the discretely presented component units. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the four blended component units and the discretely presented component units, is based solely on the report of the other auditors. We conducted our audit 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the discretely presented component units were not audited in accordance with *Government Auditing Standards*.

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

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

Opinion

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and the aggregate discretely presented component units of the Authority as of June 30, 2015, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

Change In the Reporting Entity

As discussed in Note 14 to the financial statements, the Authority previously reported four real estate partnerships as discrete component units. The Authority now also controls the partnership interests for these partnerships and has therefore considered them blended component units. Our auditors' opinion is not modified with respect to the restatement.

Change in Accounting Principle

During fiscal year ended June 30, 2015, the Authority adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and the related GASB Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. As a result of the implementation of these standards, the Authority reported a restatement for the change in accounting principle (see Note 14.) Our auditors' opinion is not modified with respect to the restatement.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 11, the Schedule of Authority's Proportionate Share of Net Pension Liability – ERS Pension Plan on page 54 and the Schedule of Authority's Contributions – ERS Pension Plan on page 55 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's 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 Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The Statement and Certification of Program Costs listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Statement and Certification of Program Costs 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. Such 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 by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the report of the other auditors, the financial data schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 17, 2015, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

CliftonLarsonAllen LLP

Calverton, Maryland
November 17, 2015

Introduction

The Fairfax County Redevelopment and Housing Authority (the Authority or FCRHA) is a political subdivision of the Commonwealth of Virginia and is empowered to implement housing, community development, redevelopment and revitalization programs within Fairfax County (the County), as well as towns, cities, and counties with which it has cooperation agreements. The Fairfax County Board of Supervisors (the Board) created the Department of Housing and Community Development (HCD) to act as the development and administrative agency for the FCRHA and the Board in meeting the housing and community development needs of the County's low and moderate income residents.

The FCRHA's fiscal year (FY) 2015 annual financial report consists of two parts – the management's discussion and analysis (MD&A) and the basic financial statements and notes to those financial statements.

The FCRHA presents this MD&A of its financial performance as of and for the fiscal year ended June 30, 2015, to assist the reader in focusing on significant financial issues and concerns. This year's MD&A presents a comparative analysis of financial data to help the reader ascertain the reasons for changes in assets, liabilities, expenses, revenues, and net asset balances from the previous year.

This MD&A is focused on the activities of the FCRHA's Enterprise Fund as a primary government. The Authority is the general partner in five real estate partnerships and also controls the limited partnership interest in these entities. One entity has a June 30 fiscal year end and the other four have December 31 fiscal year ends. The financial balances of those entities for the fiscal year end that falls within the year ended June 30, 2015 are included in the balances of the enterprise fund.

Financial Highlights for FY 2015

The FCRHA's FY 2015 financial highlights included the following:

- Total assets, deferred outflows of resources, liabilities and deferred inflows of resources of the FCRHA were approximately $189.3 million, $2.2 million, $70.3 million and $4.0 million respectively; thus total net position was approximately $117.2 million at June 30, 2015. Of this amount, approximately $27.3 million (unrestricted net position) may be used to meet the FCRHA's future operational needs.

- Total revenues and expenses were approximately $101.0 million and $97.8 million, respectively, resulting in an increase in net position of approximately $3.2 million during the fiscal year compared with an increase in net position of approximately $3.7 million during the prior year, or a decrease of 13.5%. Prior period adjustments related to a change in accounting principle (GASB 68) and a change in reporting entity (the inclusion of additional blended component units) resulted in a decrease in net position of approximately $11.7 million. See note 14 for additional details on the restatement.

- Cash and cash equivalents increased by approximately $6.6 million.

FCRHA Financial Statements

The FCRHA's mission in the County focuses on the planning, development, preservation, rehabilitation, financing, and management of housing, primarily for low- and moderate-income households in Fairfax County. The FCRHA, as of June 30, 2015, owned and/or operated a total of 3,027 units of multifamily housing, and 832 units/beds of specialized housing that were leased to families and individuals with low- and moderate-incomes. The specialized housing is comprised of 504 units of independent senior housing, 112 beds of assisted living, and 39 units of other specialized housing. In addition, the FCRHA owns group homes and shelter facilities with 62 beds of supportive housing and a mobile home park with 115 pads. The United States Department of Housing and Urban Development (HUD) has granted the FCRHA the authority to lease up to 288 vouchers under the federal Housing Choice Voucher program, and 3,568 vouchers under the federal Moving to Work (MTW) program with an MTW voucher baseline of 3,244 units.

In FY 2007, the County's Board of Supervisors set a goal and tasked the FCRHA to preserve 1,000 units of affordable housing. The preservation of affordable rental housing has long been a concern of the County's Board of Supervisors and the FCRHA. The stock of privately-owned subsidized units and non-subsidized rental housing with modest rents in the County has been declining as owners reposition their properties in the market. The centerpiece of the initiative is the Penny for Affordable Housing Fund, which is the dedication of a "half penny" of the real estate tax rate for affordable housing initiatives. The value of the "half penny" in FY 2015 was $10,930,000. The Board's Affordable Housing Preservation Initiative has preserved a total of 2,757 units of affordable housing as of the end of FY 2015.

In late 2013, the FCRHA was designated as a "Moving to Work" (MTW) agency by the Department of Housing and Urban Development (HUD). The elite MTW designation gives housing authorities the flexibility to create programs that work best for their residents, allowing them to design and test innovative, locally-designed strategies to improve cost-effectiveness and help families achieve self-sufficiency. FCRHA began to implement activities that were included in the FCRHA's initial THRIVE (Total Housing Reinvention for Individual Success, Vital Services and Economic Empowerment) program which is designed to link residents to services and programs offered by other County agencies and non-profit partners, with the goal of helping them become more self-sufficient. These programs are intended to help residents better manage their finances, train for a new job, pursue college or other training, become a better parent, learn English, improve their health, and perhaps even purchase a home. The FCRHA will implement the programmatic and organizational changes associated with the MTW designation during the transformation to the delivery of housing assistance in Fairfax County.

In FY 2015, the FCRHA continued to promote the production of Affordable Dwelling Units (ADU) and Workforce Dwelling Units (WDUs). The Affordable Dwelling Unit (ADU) Ordinance requires developers of certain housing developments to set aside up to 12.5 percent of new units as affordable housing (6.25 percent for multifamily rentals) in return for the grant of additional density. The FCRHA has the right to acquire one-third of the ADUs offered for sale and to lease up to one-third of the rental units. The remaining units are sold or rented to moderate income households. As of June 30, 2015, a total of 2,598 units (1,219 rentals and 1,379 for-sale units) have been produced under the ADU program; the FCRHA has acquired 143 of the for-sale units, which are maintained as permanent affordable rental housing.

A total of 5,130 WDUs have been committed by developers via approved rezoning actions; as of June 2015, 316 units have been constructed and will be delivered. (The WDU policy is a proffer-based incentive system adopted by the Board in September 2007 as a part of the Comprehensive Plan. This policy is designed to foster the construction of housing affordable to moderate-income households in high-rise, high-density projects that are otherwise exempt from the ADU requirement.)

The FCRHA has also evaluated its Public Housing portfolio for conversion under the HUD Rental Assistance Demonstration (RAD) program. RAD allows housing authorities to convert traditional Public Housing units to a new, project-based Section 8 subsidy model. Conversion to RAD has a number of advantages, including providing more mobility for residents that is not currently available under Public Housing. For housing authorities like the FCRHA, a major advantage of converting to RAD is that the subsidies are "bankable", meaning they can be used to leverage private equity to make capital improvements on aging Public Housing properties.

The FCRHA presents its financial results in three basic financial statements – the statement of net position; the statement of revenues, expenses, and changes in net position; and the statement of cash flows. The statement of net position reports all financial and capital resources of the FCRHA and is presented in a format where assets plus deferred outflows of resources, minus liabilities minus deferred inflows of resources equals net position. Net position is broken down into the following three categories:

- *Net investment in capital assets* consist of all capital assets net of accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of these assets.

- *Restricted net position* consists of assets on which constraints are placed by creditors (such as debt covenants), grantors, contributors, laws, or regulations.

- *Unrestricted net position* consists of net position that does not meet the definition of net position that fall in either one of the two categories discussed above – net investment in capital assets or restricted net position.

The statement of revenues, expenses, and changes in net position includes operating revenues, such as rental income; operating expenses, such as administrative, utilities, maintenance, and depreciation expense; and non-operating revenues and expenses, such as grant revenue, investment income, interest expense, and gain on disposition of assets. The statement's focus is the change in net position.

Finally, a statement of cash flows is included, which discloses net cash flows from operating activities, noncapital financing activities, capital and related financing activities, and investing activities.

These financial statements were prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

Summary of Net Position

The following table presents a summary of FCRHA's net position as of June 30, 2015 and 2014.

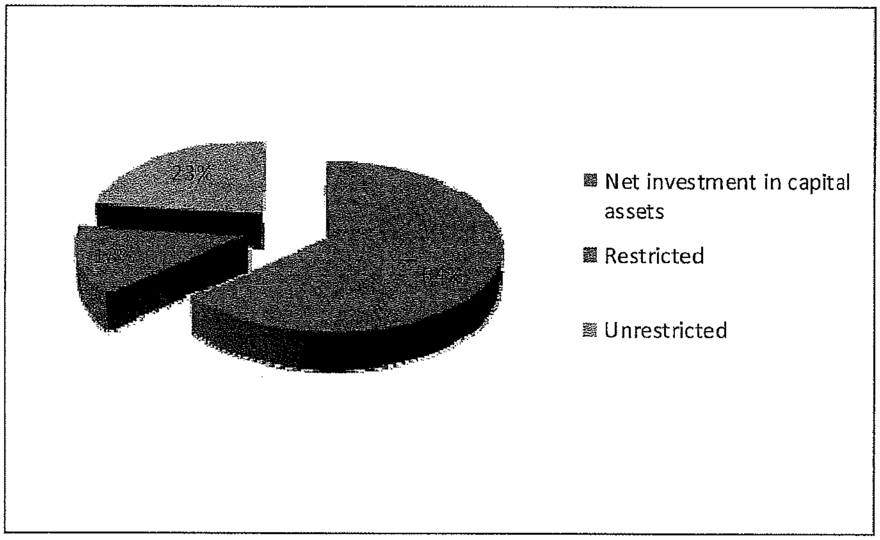
Table 1
Summary of Net Position
(in millions)

Description	2015	As Restated 2014	Increase (Decrease)	% Changed
Current and other assets	$ 94.5	$ 92.7	$ 1.8	1.9%
Capital assets	94.8	96.8	(2.0)	-2.1%
Total assets	189.3	189.5	(0.2)	-0.1%
Deferred outflow of resources	2.2	2.2	-	100.0%
Current liabilities	11.1	12.4	(1.3)	-10.5%
Noncurrent liabilities	59.2	65.3	(6.1)	-9.3%
Total liabilities	70.3	77.7	(7.4)	-9.5%
Deferred inflow of resources	4.0	-	4.0	100.0%
Net position:				
Net investment in capital assets	74.5	67.3	7.2	10.7%
Restricted	15.4	12.1	3.3	27.3%
Unrestricted	27.3	34.6	(7.3)	-21.1%
Total net position	$ 117.2	$ 114.0	$ 3.2	2.8%

As of June 30, 2015, the FCRHA's net position totaled approximately $117.2 million, an increase of approximately $3.2 million, or 2.8%, over the restated net position balance as of June 30, 2014. This change was due to certain transactions that affected the FCRHA's asset balances during the year and the two prior period adjustments previously discussed.

The FCRHA's total net position also consisted of restricted net position of $15.4 million at June 30, 2015 and $12.1 million at June 30, 2014, and unrestricted net position of $27.3 million and $34.6 million at June 30, 2015 and 2014, respectively. Restricted net position includes cash and investments consisting of restricted deposits and funded reserves for repairs and replacements required by HUD and Virginia Housing Development Authority (the VHDA) guidelines, as well as cash balances in accordance with certain bond indentures. The following pie chart illustrates the relative percentage of the FCRHA's net position invested in capital assets and the remaining restricted and unrestricted net position at June 30, 2015.

Composition of FCRHA's Net Position



Capital Assets and Debt Administration

Capital Assets. The FCRHA's capital assets at June 30, 2015 and 2014, included land, buildings and improvements, equipment, and construction in progress, which totaled $94.8 million and $96.8 million, respectively, net of accumulated depreciation of approximately $114.7 million and $110.2 million at June 30, 2015 and 2014, respectively. For further details see note 5, Capital Assets.

Short-term and long-term debt. The FCRHA's June 30, 2015 and 2014 statement of net position includes debt – consisting of housing loans, notes, and bonds payable – of approximately $40.4 million and $33.9 million, respectively.

Public bond issues are project specific and have been rated by Standard and Poor's at either "AA" or "AAA" depending upon the collateral securing the debt. The FCRHA also has debt created by direct placement with institutional lenders without the need for a credit rating. For further details, see note 6, Short-Term and Long-Term Obligations – Loans, Notes and Bonds Payable.

Revenues, Expenses, and Changes in Net Position

The results of the FCRHA's operations are reported in the statement of revenues, expenses, and changes in net position. In FY 2015, the FCRHA's enterprise programs realized an increase in net position of approximately $3.2 million. Table 2 presents a summary of data from the FCRHA's statement of revenues, expenses, and changes in net position for FY 2015 and FY 2014 and a comparative analysis of activities in these years.

Table 2
Summary of Revenues, Expenses and Changes in Net Position
(in millions)

Description	2015	As Restated 2014	Increase (Decrease)	% Changed
Revenues:				
Operating revenues	$ 36.9	$ 31.0	$ 5.9	19.0%
Nonoperating revenues and contributions	64.1	65.0	(0.9)	-1.4%
Total revenues	101.0	96.0	5.0	5.2%
Expenses:				
Operating expenses	91.2	86.4	4.8	5.6%
Nonoperating expenses	6.6	5.9	0.7	11.9%
Total expenses	97.8	92.3	5.5	6.0%
Changes in net position	3.2	3.7	(0.5)	-13.5%
Total net position, beginning of year	114.0	122.0	(8.0)	-6.6%
Total net position, end of year, as previously stated	-	125.7	(125.7)	-100.0%
Prior period adjustments (see note 14)	-	(11.7)	11.7	100.0%
Total net position, end of year, as restated	$ 117.2	$ 114.0	$ 3.2	2.8%

The FCRHA's total overall revenues during the year were up by approximately $5.0 million or 5.2%. Overall, operating revenues were up by approximately $5.9 million or 19.0%, rental revenues (a component of operating revenues) were stable year to year showing a modest increase of approximately $5.4 million, however, other operating income (a component of operating revenue) increased approximately $441,331 or 12.4%. This increase was the result of marginal increases in several operating funds as well as an increase in management fee revenue.

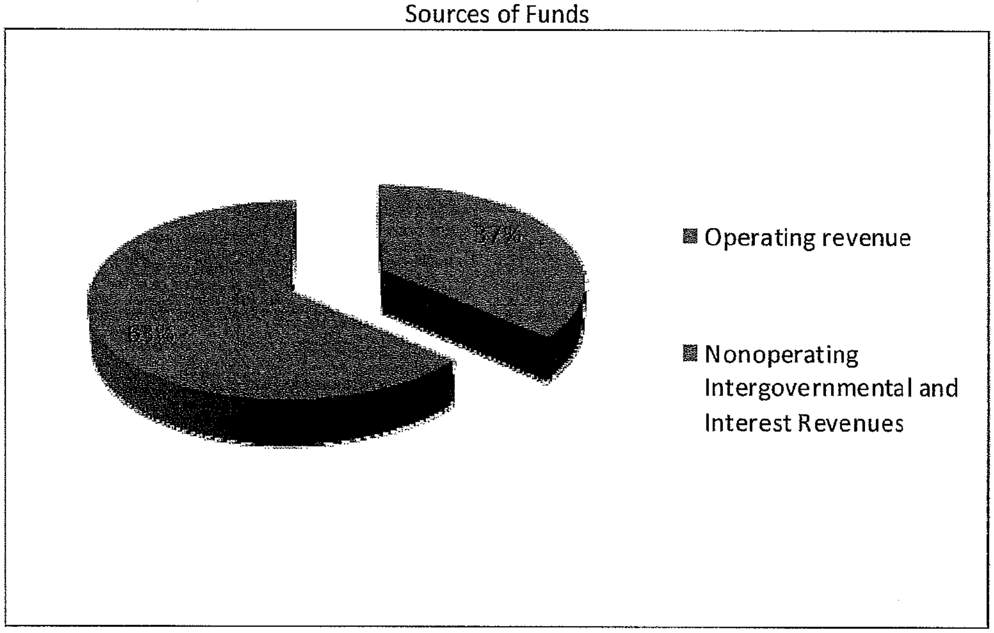
In addition, non-operating revenues reflected a decrease, on a year to year basis, of approximately $0.9 million or 1.4%. Although intergovernmental revenues generally fluctuate on a year to year basis, the majority of the decrease for this revenue category was attributable to the Rental Program that experienced a decline in County contributions. Mitigating this decrease was the Capital Contribution from HUD to the Public Housing program that showed a significant increase in FY 2015. The increased HUD contribution correlates with the completion of several rehabilitation projects.

The FCRHA's operating expenses in FY 2015 increased by approximately $4.8 million, or 5.6% primarily due to increased costs in the Fairfax County Rental Program related to property repairs and maintenance. The increase in repairs and maintenance expenses of approximately $2.0 million was due to heavier than normal rehabilitation work in the rental properties. However, these expenses were offset by a decrease in Housing Assistance Payments (HAP) in the Housing Choice Voucher (HCV) program as a net result of a decrease in portability HAP and a decrease in HAP for the MTW and HCV programs primarily due to the implementation of the 35% total tenant payment (TTP) phased in at each annual recertification. Non-operating expenses increased by $0.7 million in FY 2015. This expenditure category consists of an annual grant to the County from the operations of the Wedgewood Apartment complex towards the future rehabilitation of the property and interest expense. In FY 2015, the grant to the County was $5.6 million, an increase of $0.4 million, while interest expense was recorded at $0.9 million, an increase of approximately $0.3 million from FY 2014.

Approximately 63.5% of the FCRHA's total revenues in FY 2015 were non-operating revenues, interest revenues, and contributions that were derived from federal grants from HUD, County contributions, and interest. The remaining 36.5% were operating revenues derived from rents and other user charges, and developer and financing fees. The following pie chart illustrates the major sources of these revenues and their relative percent of the total for FY 2015.

FCRHA's Enterprise Programs

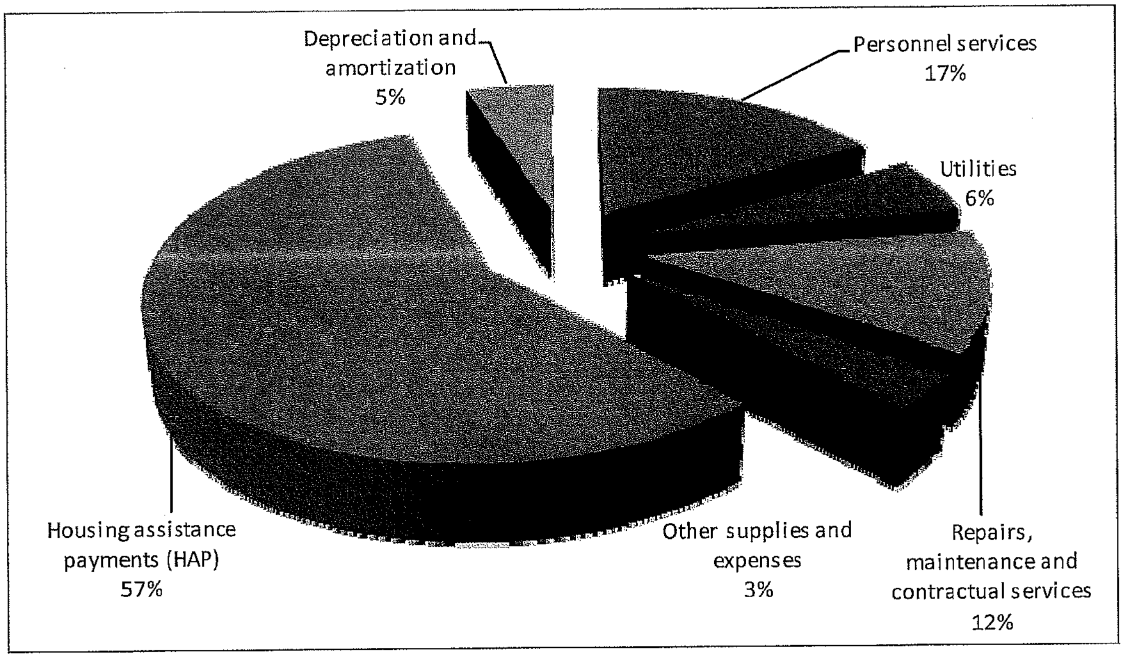
Sources of Funds



In FY 2015, the FCRHA incurred operating expenses in its enterprise programs totaling approximately $91.2 million. The following pie chart illustrates major operating expense groups and their relative percent of the total.

FCRHA's Enterprise Programs

Operating Expenses



Contacting FCRHA Management

This financial report is designed to provide the citizens of Fairfax County, taxpayers, customers, investors, and creditors with a general overview of the FCRHA's operations and finances and to demonstrate the FCRHA's accountability for the money it receives. Questions concerning this report, any of the component unit financial reports, or requests for additional financial information should be directed to the Director, Financial Management Division, Department of Housing and Community Development, 3700 Pender Drive, Suite 300, Fairfax, Virginia 22030.

FINANCIAL STATEMENTS

FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY
(A Component Unit of the County of Fairfax, Virginia)
STATEMENT OF NET POSITION
June 30, 2015

	Enterprise Fund	Component Units (FASB)	Total Reporting Entity
ASSETS			
Current assets:			
Cash in bank (note 2)	$ 11,664,743	$ 3,228,219	$ 14,892,962
Cash on deposit with the County of Fairfax, Virginia (note 2)	31,820,153	-	31,820,153
Cash reserves	276,615	-	276,615
Investments (note 3)	4,655,000	-	4,655,000
Restricted cash:			
Deposit held in trust	3,089,022	283,466	3,372,488
Investments (note 3)	2,450,000	-	2,450,000
Accrued interest receivable	410,056	-	410,056
Accounts receivable (net of allowances) (note 4)	1,380,716	103,870	1,484,586
Notes, mortgages, and other receivables (note 4)	436,901	90,147	527,048
Property held for sale	1,315,872	-	1,315,872
Prepaid items and other assets	426,642	2,806	429,448
Total current assets	57,925,720	3,708,508	61,634,228
Noncurrent assets:			
Restricted assets:			
Cash reserves	11,233,519	3,798,046	15,031,565
Investments	434,180	-	434,180
Total restricted assets	11,667,699	3,798,046	15,465,745
Other noncurrent assets:			
Notes, mortgages and other receivables (note 4)	24,462,379	-	24,462,379
Prepaid items and other assets	401,458	85,007	486,465
Deferred financing fees (net of accumulated amortization of $96,252)	55,274	903,323	958,597
Total other noncurrent assets	24,919,111	988,330	25,907,441
Capital assets (note 5):			
Nondepreciable:			
Land	35,534,733	6,932,159	42,466,892
Construction in progress	144,891	-	144,891
Depreciable:			
Buildings and improvements	172,974,380	53,956,148	226,930,528
Equipment	792,082	1,151,029	1,943,111
Accumulated depreciation	(114,691,187)	(17,156,413)	(131,847,600)
Total capital assets, net	94,754,899	44,882,923	139,637,822
Total noncurrent assets	131,341,709	49,669,299	181,011,008
Total assets	189,267,429	53,377,807	242,645,236
DEFERRED OUTFLOW OF RESOURCES	2,245,647	-	2,245,647
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	2,101,728	2,285,025	4,386,753
Accrued salaries and benefits	772,885	-	772,885
Due to the County of Fairfax, Virginia	1,370,860	1,259,200	2,630,060
Deposits held in trust	1,942,761	241,931	2,184,692
Unearned revenue	1,809,346	102,311	1,911,657
Accrued compensated absences (note 7)	635,529	-	635,529
Loans, notes, and bonds payable (note 6)	2,455,124	467,721	2,922,845
Total current liabilities	11,088,233	4,356,188	15,444,421
Noncurrent liabilities:			
Accrued compensated absences (note 7)	530,192	-	530,192
Loans, notes, and bonds payable (note 6)	37,929,383	42,787,003	80,716,386
Net pension liability	17,501,779	-	17,501,779
Other accrued long-term interest	3,248,885	3,293,530	6,542,415
Total noncurrent liabilities	59,210,239	46,080,533	105,290,772
Total liabilities	70,298,472	50,436,721	120,735,193
DEFERRED INFLOW OF RESOURCES	3,970,934	-	3,970,934
NET POSITION			
Net investment in capital assets	74,473,555	-	74,473,555
Restricted	15,400,266	-	15,400,266
Unrestricted	27,369,849	-	27,369,849
Partner's equity	-	2,941,086	2,941,086
TOTAL NET POSITION	$ 117,243,670	$ 2,941,086	$ 120,184,756

The accompanying notes are an integral part of the financial statements.

FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY
(A Component Unit of the County of Fairfax, Virginia)
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Year Ended June 30, 2015

	Enterprise Fund	Component Units (FASB)	Total Reporting Entity
OPERATING REVENUES			
Dwelling rentals	$ 32,893,044	$ 5,998,124	$ 38,891,168
Other	3,997,937	455,380	4,453,317
Total operating revenues	36,890,981	6,453,504	43,344,485
OPERATING EXPENSES			
Personnel services	15,359,509	1,207,401	16,566,910
Contractual services	257,479	89,983	347,462
Utilities	5,253,410	453,703	5,707,113
Repairs and maintenance	10,613,582	819,038	11,432,620
Other supplies and expenses	3,232,687	1,496,674	4,729,361
Housing assistance payments (HAP)	52,087,470	-	52,087,470
Depreciation and amortization	4,444,230	1,759,062	6,203,292
Total operating expenses	91,248,367	5,825,861	97,074,228
Operating income (loss)	(54,357,386)	627,643	(53,729,743)
NONOPERATING REVENUES (EXPENSES)			
Intergovernmental revenue	62,266,387	-	62,266,387
Interest revenue	284,454	3,636	288,090
Interest expense	(912,404)	(2,240,615)	(3,153,019)
Miscellaneous nonoperating expense	-	(160,803)	(160,803)
Grant to Fairfax County	(5,631,029)	-	(5,631,029)
Total nonoperating revenues (expenses), net	56,007,408	(2,397,782)	53,609,626
Income before contributions	1,650,022	(1,770,139)	(120,117)
CONTRIBUTIONS			
HUD capital contributions	1,599,304	-	1,599,304
Total contributions	1,599,304	-	1,599,304
CHANGE IN NET POSITION	3,249,326	(1,770,139)	1,479,187
TOTAL NET POSITION, BEGINNING OF YEAR, AS RESTATED	113,994,344	4,711,225	118,705,569
TOTAL NET POSITION, END OF YEAR	$ 117,243,670	$ 2,941,086	$ 120,184,756

The accompanying notes are an integral part of the financial statements.

FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY
(A Component Unit of the County of Fairfax, Virginia)
STATEMENT OF CASH FLOWS
Year Ended June 30, 2015

	Enterprise Fund	Component Units (FASB)	Total Reporting Entity
CASH FLOWS FROM OPERATING ACTIVITIES			
Rental receipts	$ 32,541,128	$ 5,977,544	$ 38,518,672
Other operating cash receipts	3,350,353	408,128	3,758,481
Purchase of property held for sale	(1,794,581)	-	(1,794,581)
Receipts from sale of property held for sale	1,994,061	-	1,994,061
Payments to employees for services	(15,954,184)	(1,207,401)	(17,161,585)
Housing assistance payments	(47,949,874)	-	(47,949,874)
Payments to suppliers for goods and services	(18,853,780)	(1,501,242)	(20,355,022)
Net cash provided by (used in) operating activities	(46,666,877)	3,677,029	(42,989,848)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Retirement of loans, notes and bond payables	(289,194)	-	(289,194)
Intergovernmental revenues received	62,212,001	36,880	62,248,881
Grant to Fairfax County	(5,631,029)	-	(5,631,029)
Net cash provided by noncapital financing activities	56,291,778	36,880	56,328,658
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of capital assets	(1,834,713)	-	(1,834,713)
Intergovernmental revenue - capital grant	(577,609)	-	(577,609)
Proceeds from issuance of debt	-	186,763	186,763
Interest paid	(806,375)	(2,908,054)	(3,714,429)
Debt principal paid	(1,164,748)	(428,187)	(1,592,935)
HUD debt service and capital contributions	1,599,304	-	1,599,304
Net cash used in capital and related financing activities	(2,784,141)	(3,149,478)	(5,933,619)
CASH FLOWS FROM INVESTING ACTIVITIES			
Receipt of loan and advance repayments	193,110	-	193,110
Disbursement of loans and advances receivable	(266,158)	-	(266,158)
Maturity of investments	430,898	-	430,898
Acquisition of investments	(814,040)	-	(814,040)
Interest and gain received on investments	235,489	3,661	239,150
Net cash provided by (used in) investing activities	(220,701)	3,661	(217,040)
NET INCREASE IN CASH AND CASH EQUIVALENTS	6,620,059	568,092	7,188,151
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	51,463,993	6,741,639	58,205,632
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 58,084,052	$ 7,309,731	$ 65,393,783
RECONCILIATION TO STATEMENT OF NET ASSETS			
Cash in bank	$ 11,664,743	$ 3,228,219	$ 14,892,962
Cash on deposit with the County of Fairfax, Virginia	31,820,153	-	31,820,153
Cash deposits held in trust	3,089,022	283,466	3,372,488
Cash reserves	11,510,134	3,798,046	15,308,180
CASH AND CASH EQUIVALENTS	$ 58,084,052	$ 7,309,731	$ 65,393,783
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES			
Operating income (loss)	$ (54,357,386)	$ 627,643	$ (53,729,743)
Depreciation and amortization	4,444,230	1,759,062	6,203,292
Effects of changes in operating assets and liabilities:			
Accounts receivable	(728,399)	(45,516)	(773,915)
Prepaid items and other assets	4,028,068	(107,886)	3,920,182
Deferred outflows of resources	(2,245,647)	-	(2,245,647)
Accounts payable and accrued liabilities	1,008,451	1,418,029	2,426,480
Deposits held in trust	(176,569)	761	(175,808)
Net pension liability	1,450,735	-	1,450,735
Unearned revenue	(90,360)	24,936	(65,424)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	$ (46,666,877)	$ 3,677,029	$ (42,989,848)

The accompanying notes are an integral part of the financial statements.

FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY
(A Component Unit of the County of Fairfax, Virginia)
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization Profile

These financial statements include the activities of the Fairfax County Redevelopment and Housing Authority (the Authority or FCRHA). The Authority administers various housing and community development programs within the County of Fairfax, Virginia (the County). The Authority is a political subdivision of the Commonwealth of Virginia created pursuant to Chapter 1 of Title 36 of the Code of Virginia of 1950, as amended, by resolution of the Board of Supervisors of Fairfax County and approved in a referendum of voters in the County on November 2, 1965. On February 23, 1966, the Board of Supervisors declared the Authority activated. The powers, duties, and responsibilities of the Authority are set forth in Title 36 of the Code of Virginia of 1950, as amended. The Authority is a component unit of the County.

The accounting policies of the Authority conform to U.S. generally accepted accounting principles (GAAP) as applicable to proprietary funds of governmental units. The following is a summary of the Authority's significant accounting policies.

Reporting Entity

As required by GAAP, the accompanying financial statements present the financial position and result of operations of the Authority (the primary government) and its component units. The financial results of the component units are included in the Authority's basic financial statements because of the significance of their operational or financial relationships with the Authority. The Authority and its component units are together referred to as the Reporting Entity.

Blended Component Units

The Authority is the general partner of five real estate partnerships (Little River Glen, Herndon Harbor House I L.P, Fairfax County Redevelopment and Housing Authority/HCDC One, L.P. - Stonegate, Fairfax County Redevelopment and Housing Authority/HCDC Two, L.P. – Murryagate and The Green, L.P.) that are considered component units of the Authority for the same reasons discussed in the following paragraph. However, because the Authority is not only the general partner, but also controls the limited partnership interests, they are considered blended component units. Little River Glen has a June 30 fiscal year-end. Herndon Harbor 1, Stonegate, Murraygate and the Green have December 31 year-ends, therefore the amounts included for these entities are as of and for the year end that falls within the year ended June 30, 2015. Separate financial statements for the blended component units can be obtained from the Authority.

Discretely Presented Component Units

Additionally, the Authority is also the general partner in seven other real estate limited partnerships (Herndon Harbor House II L.P., Tavenner Lane, L.P., Castellani Meadows L.P., Morris Glen L.P., Gum Springs Glen L.P., Cedar Ridge, L.P., and FCRHA Olley Glen, L.P.). However, the limited partnership interests are held by third parties unrelated to the Authority. As the general partner, the Authority has certain rights and

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Discretely Presented Component Units (Continued)

responsibilities, which enable it to impose its will on the limited partnerships. Additionally, the Authority is financially accountable for the limited partnerships as the Authority is legally obligated to fund operating deficits up to a maximum limit per partnership, in accordance with the terms of the partnership agreements.

All discretely presented component units have a December 31 calendar year-end. Accordingly, the amounts included for each component unit are as of and for the year-end that falls within the year ended June 30, 2015. Separate financial statements for the individual limited partnerships can be obtained from the Authority. All limited partnerships follow FASB pronouncements and have not been converted for purposes of these financial statements. All limited partnership financial statements are prepared in accordance with Generally Accepted Accounting Principles.

Basis of Presentation

The accounts of the Authority are presented in single proprietary fund financial statements consisting of various programs. This financial statement presentation provides an indication of the financial performance of the Authority as a whole. The operations of the Authority are accounted for in the three basic financial statements: the statement of net position; the statement of revenues, expenses, and changes in net position; and the statement of cash flows. These statements report information on all activities of the Authority and its component units. Likewise, the Authority is reported separately from legally separate component units for which the Authority is financially accountable.

The Authority's activities include the following programs:

The following two programs include programs provided by the County through its Department of Housing and Community Development (HCD). The HCD was established by the Board of Supervisors on December 12, 1973, to assume the administrative functions of the Authority and to function as the County's agency for administration of all housing and community development programs. In this action, the Board of Supervisors also established that the County Executive would be the Executive Director and the Secretary of the Authority.

- *Elderly Housing Programs* are used to account for the affordable rental housing owned by the Authority and occupied by the elderly.

- *Homeowners and Business Loan Program* is used to account for funds used to assist low and moderate income families to become homeowners in the County or to improve their current living space through repair or rehabilitation.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (continued)

The Authority's other programs, described below, are financed primarily by federal grants from the U.S. Department of Housing and Urban Development (HUD), rents, and other user charges resulting from the operations of subsidized housing, development and financing fees, investment income, and loan proceeds. These funds provide rental housing, housing for the elderly/group homes, loans for home ownership and home improvement, tenant rental assistance, community development, and the development and administration of these programs. A description of each of these programs follows:

- *Public Housing Program* is used to account for operating and capital costs of rental housing owned and operated by the Authority and subsidized by the HUD public housing program. Other funding sources include rental income and other user charges.

- *Housing Choice Voucher Program* is a federal housing assistance program for lower income families seeking housing in the private market place. HUD provides funds to pay a portion of the family's rent.

- *Operating Program* is used to account for projects and for real property that is not accounted for in other Authority programs. The primary source of revenues is management fees earned from partnership properties, monitoring and service fees charged to developers.

- *Revolving Development Program* is used to provide funds for initial project costs, such as new site investigations, architectural and engineering plans, studies, and fees. This funding ensures that adequate plans and proposals are completed prior to application for project financing from federal, state, or private sources. These initial costs are anticipated to be recovered from permanent project financing.

- *Private Finance Program* is used to budget and report costs for capital projects that are supported wholly or partially by funds borrowed by the Authority or through the Authority's sale of notes or bonds. Housing development and improvement projects may be financed with funds borrowed from private lenders, the Virginia Housing Development Authority (VHDA), or the federal government.

- *Rehabilitation Loan Program* is used to account for the Authority's portion of the funding for the Home Improvement Loan Program (HILP). The HILP provides financial and technical assistance to low- and moderate-income homeowners for rehabilitation of their properties. Funding for this program has been provided by the federal Community Development Block Grant (CDBG), County appropriation and commercial banks.

- *Fairfax County Rental Program* (FCRP) is used to provide affordable rental housing (other than federal public housing) in the County for low- and moderate-income families.

- *Grant Program* is used to account for the HUD Resident Opportunities and Self Sufficiency grant.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus and Basis of Accounting

The proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The Authority is required to follow all statements of GASB. GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, was issued to incorporate FASB and AICPA guidance into GASB authoritative literature.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Authority's enterprise fund are rental charges and other charges related to the use of property. The Authority also recognizes as operating revenues management and development fees, excess utility charges, and other tenant charges. Operating expenses include personnel services, contractual services, administrative expenses, utility expenses, ordinary repair and maintenance expenses, housing assistance payments, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as either non-operating revenues or expenses or contributions.

Use of Estimates in Preparing Financial Statements

The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Temporary Investments

Cash in Bank is maintained by the County's Investment and Cash Management Division (ICM) in a separate bank account in order to comply with the provisions of bond indentures. Cash on Deposit with the County of Fairfax, Virginia, is also maintained by ICM in a single pooled account. Deposits held in trust reflect amounts collected as security deposits from tenants, as well as accrued interest on these deposits. Cash Reserves primarily consist of restricted deposits and funded reserves for repairs and replacements required to be maintained under HUD and VHDA guidelines, as well as cash balances in accordance with certain bond indentures. All of the primary government's cash deposits are covered by federal depository insurance and have been fully insured or collateralized. Temporary investments consist of money market investments that have a remaining maturity at the time of purchase of one year or less and are reported at amortized cost, which approximates fair values. The County allocates, on a monthly basis, any temporary investment earnings, less an administrative charge, based on the Authority's average balance pooled cash and temporary investments.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

The Authority maintains an investment policy, the overall objectives of which are the preservation of capital and the protection of investment principal; maintenance of sufficient liquidity to meet operating requirements; conformance with federal, state and other legal requirements and attainment of a market rate of return. Oversight of the investment activity is the responsibility of the Investment Committee, which is comprised of the Deputy Directors, HCD, Director of Financial Management Division (FMD), Director of Real Estate Finance and Grants Management Division (REFGM), Associate Director, REFGM and Fiscal Administrators, FMD.

Authorized investments for public funds are set forth in the "Investment of Public Funds Act" of the Code of Virginia. Within the permitted statutory framework, the Authority limits the investment of assets to the Money Market Accounts, Certificates of Deposit and U.S. Treasury Securities. Temporary investments consist of money market investments that have a remaining maturity at the time of purchase of one year or less and are reported at amortized cost, which approximates fair value.

This investment policy applies to all financial assets of the Authority, all General Obligation bond funds, all funds deposited in the Authority's bank accounts, and the County's pooled cash. Bond proceeds shall be invested in accordance with the requirements and restrictions outlined in bond documents. All Authority investments are held by the financial institution's trust department in its name and are collateralized by United States Government securities.

Cash and Cash Equivalents

For purposes of preparing the statement of cash flows, cash and cash equivalents include unrestricted cash in bank, cash on deposit with the County of Fairfax, Virginia, deposits held in trust and restricted cash reserves. In addition, only the changes in the operating portion of assets and liabilities are accounted for in this statement's reconciliation of operating income (loss) to net cash provided by (used in) operating activities.

Interest Rate Risk

The Authority's policy is to minimize the risk that the market value of securities in its portfolio will fall due to changes in market interest rates. To achieve this minimization of risk, the County structures the pooled investment portfolio so that sufficient securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity. Pooled investments that are purchased to meet liquidity needs shall have a target weighted average maturity of 90 days. All other pooled funds are invested primarily in shorter-term securities, with a maximum maturity of one year.

Credit Risk

The Authority's policy is to minimize the risk of loss due to the failure of an issuer or other counterparty to an investment to fulfill its obligations. The Authority limits its investments to the safest types of securities.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Concentration of Credit Risk

The Authority's investment policy limits the investment of assets to Money Market Accounts, Certificates of Deposit, and U.S. Treasury Securities.

Custodial Credit Risk

For deposits, custodial credit risk is the risk that in the event of a failure of a depository financial institution, the Authority may not recover its deposits. In accordance with the Virginia Security for Public Deposits Act (Act), all of the Authority's deposits are covered by federal depository insurance or collateralized in accordance with the Act, which provides for the pooling of collateral pledged by financial institutions with the Treasurer of Virginia to secure public deposits as a class. No specific collateral can be identified as security for one public depositor, and public depositors are prohibited from holding collateral in their name as security for deposits. If any member financial institution fails, the entire collateral pool becomes available to satisfy the claims of governmental entities. If the value of the pool's collateral is inadequate to cover a loss, additional amounts are assessed on a pro rata basis to the members of the pool. The State Treasury Board is responsible for monitoring compliance with the collateralization and reporting requirements of the Act and for notifying local governments of compliance by participating financial institutions. A multiple financial institution collateral pool that provides for additional assessments is similar to depository insurance, therefore, funds deposited in accordance with the requirements of the Act are considered to be fully insured.

For investments, custodial credit risk is the risk that, in the event of the failure of a counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Per policy, all of the investments purchased by the Authority are insured or registered or are securities held by the Authority or its agent in the Authority's name.

Foreign Currency Risk

Per the Authority's policy, investments are limited to U.S. dollar denominated instruments.

Capital Assets

Capital assets, which include land, buildings and improvements, equipment, and construction in progress are reported in the financial statements at cost when purchased and at estimated fair value when donated. Capital assets are defined by the Authority as assets with an initial individual cost of more than $5,000 and an estimated useful life of more than one year. Depreciation has been provided for in amounts sufficient to relate the cost of the depreciable assets to operations over their estimated useful lives using the straight line method. The estimated useful lives range from 15 to 28 years for buildings and improvements and from 5 to 15 years for equipment. With respect to the Capital Grant program, the Authority capitalizes assets in accordance with HUD guidance.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows/Inflows of Resources

A deferred outflow of resources represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expenditure) until the future period. The Authority recognizes deferred outflows for contributions made subsequent to the measurement date related to pensions.

A deferred inflow of resources represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until the future period. The Authority recognizes deferred inflows for the difference between the projected and actual investment earnings related to pensions as well as changes in the proportion of pension related to the Authority.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the County Employees Retirement System (ERS) and additions to/deductions from the ERS's fiduciary net position have been determined on the same basis as they are reported by ERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Compensated Absences

Employees are granted vacation and sick leave based on their length of service. Unused vacation leave is payable to employees upon termination based on the employees' current rate of pay, up to certain limits. Sick leave does not vest with the employees; however, it is converted to years of service upon retirement. In addition, employees may accrue compensatory leave for hours worked in excess of their scheduled hours.

Compensatory leave in excess of 240 hours at the end of the calendar year is forfeited. The current pay rate, including certain additional employer-related fringe benefits, is used to calculate compensated absences accruals at June 30.

Property Held for Sale

Property held for sale are First-Time Homebuyers (FTHB) program properties the Authority purchased for the purpose of resale to first-time homebuyers. The FTHB is designed to provide affordable homeownership opportunities for low- to moderate-income families who otherwise could not afford to purchase a home, and includes the Moderate Income Direct Sales Program, the Affordable Dwelling Unit Program, the First-Time Homebuyer Direct Sales Program and the Founders Ridge Program.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property Held for Sale (Continued)

Applicants in the FTHB Program are required to participate in homeownership education classes, obtain a pre-conditional approval from a lender, and meet other program eligibility criteria to participate in drawings to receive the opportunity to purchase these homes.

The repurchased properties generally undergo minor repairs and are put on the market for re-sale to first-time homebuyers within a year. New 30-year covenants are recorded on the properties at the time of resale to maintain affordable housing resources in Fairfax County for future residents.

Notes, Mortgages, and Other Receivables

Notes, mortgages, and other receivables are carried at amounts advanced, net of a reserve for uncollectible accounts, if any.

Restricted Assets and Net Position

Restricted assets are liquid assets which have third-party limitations on their use. When both restricted and unrestricted resources are available for capital use, it is the Authority's policy to use restricted resources first, then unrestricted resources as they are needed. In regard to operating reserves, it is the Authority's policy to use unrestricted resources first, and then restricted resources. In accordance with requirements of HUD and VHDA, the Authority is required to maintain certain restricted deposits and funded reserves for repairs and replacements.

Net position is displayed in three components:

<u>Net Investment in Capital Assets:</u> This component of net position consists of all capital assets, reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

<u>Restricted Net Position:</u> This component of net position consists of restricted assets when constraints are placed on the asset by creditors (such as debt covenants), grantors, contributors, laws, regulations, etc.

<u>Unrestricted Net Position:</u> This component of net position consists of net position that does not meet the definition of "Net Investment in Capital Assets" or "Restricted Net Position."

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition

The Authority has entered into Annual Contributions Contracts with HUD to develop, manage, and own public housing projects and to administer the Housing Choice Voucher Program, whereby monthly housing assistance payments are made to landlords on behalf of eligible lower income individuals and families. HUD makes monthly operating subsidy contributions within the Public Housing Program and monthly contributions for housing assistance payments and administration fees for the Housing Choice Voucher Program. In addition, the County makes annual contributions to various programs (e.g., Elderly Housing program) to support operational costs. Such contributions are reflected as intergovernmental revenue in the accompanying financial statements. Other intergovernmental revenues are reported under the legal contractual requirements of the individual programs.

Intergovernmental revenues are recognized in the period in which all grant requirements are satisfied, which is typically when the Authority has expended the funds on allowable costs. Grant funds received in advance of satisfying all requirements are recorded as deferred revenue. Effective in FY 2006, HUD mandated that authorities who administer the Housing Choice Voucher (HCV) program should recognize revenue for Housing Assistance Payments (HAP) based on the current year's budget received, rather than the methodology used in previous years of recognizing revenue based on expenditures incurred.

Dwelling rental revenues are recorded as rentals become due. Rental payments received in advance are deferred until earned. Tenant receivables are charged to bad debt expense when they are determined to be uncollectible based upon a periodic review of the accounts by management. The allowance method is used to recognize bad debts.

New Accounting Pronouncements

In fiscal year 2015, the Authority implemented GASB Statement Nos. 68, 69 and 71 as follows:

Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27* - The objective of this Statement is to improve accounting and financial reporting by state and local government employers for the pension in which they are involved. See notes 12 and 14 for further details about the restatement required to establish the entity's net pension liability.

Statement No. 69, *Government Combinations and Disposals of Government Operations* - This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations.

Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an Amendment of GASB Statement No. 68* – The objective of this statement is to address the application of transition provisions of Statement No. 68 related to contributions made to a defined benefit pension plan after the measurement date of the entity's beginning net pension liability. See notes 12 and 14 for further details about the restatement required to establish the entity's net pension liability.

NOTE 2 – CASH AND CASH EQUIVALENTS

Cash deposits maintained in banks are covered by U.S. Federal Deposit Insurance and by collateral held by custodial banks in the Authority's name based upon the average daily funds available as determined by the banks.

Collateral is required for demand and time deposits and certificates of deposit not covered by Federal Deposit Insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the state and its municipalities.

Custodial credit risk for deposits is the risk that in the event of a bank failure the Authority's deposits may not be returned to it. For the fiscal year ended June 30, 2015 the carrying amount of the Authority's cash and cash equivalents was $58,084,052 and the bank balance was $58,252,634, respectively. All deposits were entirely insured or collateralized with securities held by the Authority's agent in the Authority's name as of June 30, 2015.

NOTE 3 – INVESTMENTS

As of June 30, 2015, the Authority had the following investment type:

	Fair Value	Weighted Average Maturity (Days)
Investment Type:		
Investment GIC	$ 434,180	
Various CD's	7,105,000	
Total fair value	$ 7,539,180	
Portfolio weighted average maturity		173.79

Weighted Average Maturity days have been increased to 173.79 days from 164.47 days for FY 2015 and FY 2014, respectively.

NOTE 4 – RECEIVABLES

Accounts Receivable

Accounts receivable at June 30, 2015, consisted of the following:

Tenant receivable (net of allowances of $132,207)	$ 366,236
Landlord and HCV tenant receivables (net of allowances of $1,602)	249,620
Due from U.S. Department of Housing and Urban Development	728,496
Other receivables	11,238
Due from other governments (Section 8 Portability)	25,126
Total	$ 1,380,716

NOTE 4 – RECEIVABLES (CONTINUED)

Notes Receivable

Notes receivable at June 30, 2015, consisted of the following:

Lake Ann of Reston	Unsecured notes, bearing interest at 3.73% to 7.90%, maturing July 1, 2015, principal and interest payments of $28,400 due annually.	$	5,769
Herndon Harbor House II	Secured note bearing interest at 6%, maturing April 1, 2029, interest and principal payments of $12,480 due monthly.		1,399,881
Castellani Meadows	Secured note bearing interest at 6.15%, maturing March 1, 2028, interest and principal payments of $5,542 due monthly.		584,187
Cedar Ridge LP	Secured note bearing interest at 5.01%, maturing October 1, 2048, principal and interest deferred until this date, interest will compound and be added to the outstanding principal balance of the loan annually.		741,556
Homeowners and Business Loan Program	Unsecured and secured notes with varying interest rates and repayment terms, net of allowance for uncollectible notes of $1,232,958.		1,540,988
Cedar Ridge LP	Secured note bearing interest at 5.984%, maturing October 1, 2048, interest and principal payments beginning December 1, 2008 of $72,481 are due monthly.		12,462,053
FCRHA Olley Glen LP	Secured note bearing interest at 6.4%, maturing August 1, 2051. Interest only payments through July 1, 2011. Beginning August 1, 2011, interest and principal payments of $28,455 are due monthly. The principal paydown of $7.3 million took place on August 1, 2011.		4,802,056
Morris Glen	Unsecured notes, bearing interest at LIBOR rate plus 180 basis points maturing July 2016 and February 2017, monthly payment of interest only is required.		681,381
FCRHA Olley Glen LP	Secured note bearing interest at 5% beginning on August 1, 2011 (zero percent until that date) and maturing August 1, 2051. Beginning May 1, 2012, interest and principal payments of $118,620 are due annually. Payment will be based on net cash flow and any amount not paid will be deferred and either paid with the next installment or deferred until sufficient net cash flow allows for payment or until maturity.		2,050,000
Total			24,267,871
Less current notes			436,901
Noncurrent notes receivable		$	23,830,970

NOTE 4 – RECEIVABLES (CONTINUED)

Mortgages Receivable

Under the Authority's Home Improvement Loan Program, qualified County residents who are unable to obtain financing from commercial sources may be loaned funds by the Authority. At June 30, 2015, long-term home improvement loans receivable under this program were $26,440 bearing interest at varying rates up to 3%.

Other Receivables

The following table provides a reconciliation of the notes, mortgages and other receivables to the Statement of Net Position at June 30, 2015:

Notes receivable	$ 436,901
Other receivables	-
Current portion	436,901
Notes receivable	23,830,970
Mortgages receivable	26,440
Other receivables	604,969
Long-term portion	24,462,379
Total notes, mortgages and other receivables, net	$ 24,899,280

NOTE 5 – CAPITAL ASSETS

The enterprise fund's capital asset activity for the year ended June 30, 2015, is as follows:

	Beginning Balance, as restated	Increases	Decreases	CIP Transfers	Ending Balance
Capital assets, non-depreciable:					
Land	$ 35,379,733	$ 155,000	$ -	$ -	$ 35,534,733
Construction-in-progress	289,546	1,599,306	-	(1,743,961)	144,891
Total capital assets, non-depreciable	35,669,279	1,754,306	-	(1,743,961)	35,679,624
Capital assets, depreciable:					
Buildings and improvements	170,590,471	639,948	-	1,743,961	$ 172,974,380
Equipment	792,082	-	-	-	792,082
Total capital assets, depreciable	171,382,553	639,948	-	1,743,961	173,766,462
Less accumulated depreciation for:					
Buildings and improvements	(109,679,892)	(4,443,943)	-	-	$ (114,123,835)
Equipment	(567,065)	(287)	-	-	(567,352)
Total accumulated depreciation	(110,246,957)	(4,444,230)	-	-	(114,691,187)
Total depreciable capital assets, net	61,135,596	(3,804,282)	-	1,743,961	59,075,275
Total enterprise fund capital assets, net	$ 96,804,875	$ (2,049,976)	$ -	$ -	$ 94,754,899

The component unit's capital asset activity for the year ended December 31, 2014 is as follows:

	Beginning Balance, as restated	Increases	Decreases	Ending Balance
Capital assets, non-depreciable:				
Land	$ 6,932,159	$ -	$ -	$ 6,932,159
Construction-in-progress	-	-	-	-
Total capital assets, non-depreciable	6,932,159	-	-	6,932,159
Capital assets, depreciable:				
Buildings and improvements	53,956,148	-	-	53,956,148
Equipment	1,151,029	-	-	1,151,029
Total capital assets, depreciable	55,107,177	-	-	55,107,177
Less accumulated depreciation for:				
Buildings and improvements	(15,429,136)	(1,727,277)	-	(17,156,413)
Total accumulated depreciation	(15,429,136)	(1,727,277)	-	(17,156,413)
Total depreciable capital assets, net	39,678,041			37,950,764
Total component unit capital assets, net	$ 46,610,200			$ 44,882,923

NOTE 6 – SHORT-TERM AND LONG-TERM OBLIGATIONS – LOANS, NOTES AND BONDS PAYABLE

Long-Term Debt – Component Units

The long-term debt of the component units are primarily non-recourse debt of each of the limited partnerships, which is collateralized by the land, buildings, and equipment of each limited partnership and having varying repayment terms and interest rates ranging from 1.00% to 9.25%.

The component units' long-term liability activity for year ended December 31, 2014 was as follows:

	Beginning Balance	Additions	Reduction	Ending Balance	Due Within One Year
Component unit debt	$ 53,255,638	$ -	$ 10,000,914	$ 43,254,724	$ 467,721

The annual principal requirements of the component units' long-term debt are as follows:

	Principal
Year ended December 31:	
2016	$ 467,721
2017	482,331
2018	1,190,393
2019	537,215
2020	567,090
Thereafter	40,009,974
Total	$ 43,254,724

NOTE 6 – SHORT-TERM AND LONG-TERM OBLIGATIONS – LOANS, NOTES AND BONDS PAYABLE (CONTINUED)

Notes Payable

Notes payable of enterprise funds consist of the following at June 30, 2015:

Note Holder(s)	Terms	Outstanding Balance
Virginia Housing Development Authority	Secured by Minerva Fisher-Hall Group Home property, bearing interest at 8.07%, maturing June 1, 2019, principal and interest payments of $3,063, monthly.	$ 124,240
Virginia Housing Development Authority	Secured by Penderbrook rental property, bearing interest at 7.17%, maturing October 1, 2018, principal and interest payments of $5,874 monthly.	208,436
Fairfax County	The HOME Loan, in the original principal amount of $659,000, was obtained by Herndon Harbor House I. The note is payable at maturity, including simple interest at 2% per annum, on August 1, 2027. The note is collateralized by a second deed of trust on the rental property.	553,853
Fairfax County	The CDBG Loan, in the original amount of $527,000, was obtained by Herndon Harbor House I. The note is payable at maturity, including simple interest at 2% per annum, on August 1, 2027. The note is collateralized by a third-deed of trust on the rental property.	525,298
Fairfax County	The Housing Trust Fund Loan, in the original principal amount of $1,827,433, was obtained by Herndon Harbor House I. The note is payable at maturity, including simple interest at 2% per annum, on August 1, 2027. The note is collateralized by a fourth deed of trust on the rental property.	1,573,719
The City of Fairfax	Unsecured funds provided by the City of Fairfax to the FCRHA for the purpose of making Home Improvement Loans (HILP) to City of Fairfax residences. These funds are only paid back to the City of Fairfax when the program is terminated.	47,221
United Bank	Secured by Faircrest North rental property, bearing interest at 6.21%, maturing December 1, 2021, principal and interest payments of $3,056 monthly.	375,664

NOTE 6 – SHORT-TERM AND LONG-TERM OBLIGATIONS – LOANS, NOTES AND BONDS PAYABLE (CONTINUED)

Notes Payable (continued)

Note Holder(s)	Terms	Outstanding Balance
United Bank	Secured by Laurel Hill rental property, bearing interest at 6.21%, maturing December 1, 2021, principal and interest payments of $3,056 monthly.	$ 375,650
United Bank	Secured by the Courts of Westcott Ridge rental property, bearing interest at 6.21%, maturing December 1, 2021, principal and interest payments of $4,023 monthly.	494,181
United Bank	Secured by Holly Acres rental property, bearing interest at 6.21%, maturing December 1, 2021, principal and interest payments of $943 monthly.	115,319
United Bank	Secured by Legato Corner rental property, bearing interest at 6.21%, maturing December 1, 2021, principal and interest payments of $5,472 monthly.	672,412
United Bank	Secured by Willow Oaks rental property, bearing interest at 6.21%, maturing December 1, 2021, principal and interest payments of $3,345 monthly.	412,269
United Bank	Unsecured draw on $5,000,000 taxable line of credit with interest only payments required until maturity of note on March 31, 2020. Interest is calculated based on the 3 month LIBOR rate plus 150 basis points. The LIBOR rate plus the additional basis points was 1.76% at June 30, 2015.	1,389,100
SunTrust Bank	Secured by the LeLand Road Group Home property, bearing interest at 5.5%, maturing April 1, 2017, principal and interest payments of $4,581 monthly.	95,612
Virginia Housing Development Authority	Fund in the original principal amount of $1,000,000. The loan bears interest at a rate of 5% per annum and is payable in monthly installments of principal and interest of $5,368 through maturity on June 1, 2015 based on a 30-year amortization period.	693,857
Virginia Housing Development Authority	Secured by the First Stop Group Home property, bearing interest at 7.61%, maturing March 1, 2025, principal and interest payments of $3,234 monthly.	266,556
U.S. Dept. of Housing and Urban Development	Section 108 notes secured by various Authority rental properties, bearing interest at 5.36% to 7.66%, maturing at varying dates through August 1, 2015, variable principal and interest payments due semiannually.	25,000

NOTE 6 – SHORT-TERM AND LONG-TERM OBLIGATIONS – LOANS, NOTES AND BONDS PAYABLE (CONTINUED)

Notes Payable (continued)

Note Holder(s)	Terms	Balance
U.S. Dept. of Housing and Urban Development	Section 108 notes secured by various Authority rental properties, bearing interest at 1.21% to 5.39%, maturing at varying dates through August 1, 2017, variable principal and interest payments due semiannually.	$ 108,000
RHA	Secured by HCDC Two, LP (Murraygate) rental property, bearing interest at 1%, maturing October 1, 2024, principal and interest payments due monthly.	500,000
RHA	Secured by HCDC One, LP (Stonegate) rental property, bearing interest at 1%, maturing April 1, 2024, principal and interest payments due monthly.	250,000
RHA	Secured by HCDC One, LP (Stonegate) rental property, bearing interest at 1%, maturing April 1, 2024, principal and interest payments due monthly.	1,436,400
RHA	The loan payable to RHA, one of the general partners, represents $270,500 in CDBG funds advanced to Stonegate to assist in financing renovation of the property. The amount is non-repayable, unless the property ceases to be used for the purpose of providing affordable housing to qualified tenants.	270,500
SunTrust Bank	Secured by HCDC One, LP (Stonegate) rental property, bearing interest at 6.16%, maturing January 8, 2024, principal and interest payments due monthly.	777,743
SunTrust Bank	Secured by Hopkins Glen rental property, bearing interest at 4.33%, maturing October 1, 2016, principal and interest payments due monthly.	95,500
SunTrust Bank	Secured by The Green rental property, bearing interest at 7.14%, maturing August 1, 2015, principal and interest payments due monthly.	309,148
Fairfax County	The Public Housing Fund Loan for The Green rental property bears interest at 2%.	22,360
Fairfax County	The Private Financing Fund Loan for The Green rental property bears interest at 2%.	108,397

NOTE 6 – SHORT-TERM AND LONG-TERM OBLIGATIONS – LOANS, NOTES AND BONDS PAYABLE (CONTINUED)

Notes Payable (continued)

Note Holder(s)	Terms	Balance
Fairfax County	The Housing Trust Fund Loan is secured by The Green rental property, bearing interest at 3.37%, maturing November 1, 2028 principal and interest payments due monthly.	$ 907,267
Fairfax County	The Comprehensive Grant Fund Loan is secured by The Green rental property, bearing interest at 3.37%, maturing November 1, 2028 principal and interest payments due monthly.	325,484
United Bank	Secured by East Market rental property, bearing interest at 6.14%, maturing December 1, 2022, principal and interest payments of $619 monthly.	78,924
United Bank	Secured by East Market rental property, bearing interest at 6.14%, maturing December 1, 2022, principal and interest payments of $1,130 monthly.	144,065
United Bank	Secured by Fair Oaks rental property, bearing interest at 6.14%, maturing December 1, 2022, principal and interest payments of $1,857 monthly.	237,612
United Bank	Secured by Bryson at Woodland Park rental property, bearing interest at 6.14%, maturing December 1, 2022, principal and interest payments of $2,033 monthly.	260,774
United Bank	Secured by Stockwell rental property, bearing interest at 6.11% and amortized over 30 years maturing July 1, 2024. Principal and interest payments of $1,680 monthly with a balloon payment of $150,841 due with final payment.	222,609
United Bank	Secured by Northampton rental property, bearing interest at 6.11% and amortized over 30 years maturing July 1, 2024. Principal and interest payments of $2,318 monthly with a balloon payment of $208,197 due with final payments.	310,735
United Bank	Secured by Halstead I rental property, bearing interest at 6.11% and amortized over 30 years maturing July 1, 2024. Principal and interest payments of $875 monthly with a balloon payment of $78,576 due with final payment.	117,290
United Bank	Secured by Halstead II rental property, bearing interest at 6.11% and amortized over 30 years maturing July 1, 2024. Principal and interest payments of $806 monthly with a balloon payment of $72,409 due with final payment.	108,086

NOTE 6– SHORT-TERM AND LONG-TERM OBLIGATIONS – LOANS, NOTES AND BONDS PAYABLE (CONTINUED)

Notes Payable (continued)

Note Holder(s)	Terms	Balance
U.S. Dept. of Housing and Urban Development	Section 108 notes secured by property owned by the FCRHA Olley Glen, L.P. and bearing variable interest rates, initially on Libor plus 20 basis points. Loan is composed of two draws; draw one requires annual principal payments in addition to interest payments; draw two requires interest only payments through August 2011, and then the outstanding principal amount will be amortized over an eighteen-year period.	$ 1,287,000
Total		15,826,281
Less current notes		1,673,525
Noncurrent notes payable		$ 14,152,756

Annual debt service requirements to maturity for notes payable are as follows:

	Principal	Interest
Year ended June 30:		
2016	$ 1,673,525	$ 342,955
2017	1,921,904	311,971
2018	489,692	287,955
2019	432,040	265,201
2020	395,694	763,171
2021-2025	6,307,656	12,971
2026-2030	4,335,270	-
2031-2035	-	-
2036-2040	-	-
2041-2045	-	-
2046-2050	-	-
2051-2055	270,500	-
Total	$ 15,826,281	$ 1,984,224

NOTE 6 – SHORT-TERM AND LONG-TERM OBLIGATIONS – LOANS, NOTES AND BONDS PAYABLE (CONTINUED)

Bonds Payable

Bonds payable consist of the following at June 30, 2015:

	Outstanding Balance
On August 29, 1996, on behalf of the Little River Glen project, the Authority issued Federal Housing Authority insured mortgage revenue bonds with an original principal amount of $6,340,000, and interest rates, which vary between 4.65% and 6.10%, with final payment due September 1, 2026, to advance refund the Elderly Bonds, Series 1989A, with an original principal amount of $6,120,000 and interest rate of 8.95%. The land, buildings, and equipment of the Little River Glen project are pledged as security for the bonds. The old bonds were fully redeemed in fiscal year 1999.	$ 3,880,000
In June 1998, the Authority issued Series 1998 Lease Revenue bonds with an original principal amount of $3,630,000 and an interest rate of 4.71%, with final payment due June 15, 2018, to advance refund certain previously issued special limited obligation bonds. The new bonds are secured by the Authority's interest in payments under a lease agreement between the Authority and the County, whereby the Authority leases its Pender Drive Office building to the County, and a first deed of trust on the office building. Proceeds from the new bonds, along with other cash sources totaling approximately $4,000,000 were placed in irrevocable escrow accounts to provide for all future debt service payments on the old bonds, which were fully redeemed in 2003.	785,000
In August 1997, on behalf of Herndon Harbor House I Limited Partnership, the Authority issued tax-exempt revenue bonds with a principal amount totaling $2,875,000 and interest rate of 6.35% with final payment due July 1, 2027. The land, building, and equipment of the Herndon Harbor House I Limited Partnership are pledged as security for the bonds. Proceeds from the bonds were loaned to the Herndon Harbor House I Limited Partnership to finance a portion of the cost for the acquisition, construction, and equipping of the rental facility.	645,049
In May 1999, on behalf of Herndon Harbor House II Limited Partnership, the Authority issued Series 1999A Multifamily Housing Revenue Bonds with a principal amount totaling $2,000,000. The Series A, 1999 term bonds have an original principal amount of $225,000 with an interest rate of 4.875% with final payment due May 1, 2009. The Series A, 1999 term bond has an original principal payment amount of $1,775,000 with an interest rate of 6% with final payment due May 1, 2029. The land, building, and equipment of the Herndon Harbor House II Limited Partnership are pledged as security for the bonds. Proceeds from the bonds were loaned to the Herndon Harbor House II Limited Partnership to finance a portion of the cost for the acquisition, construction, and equipping of the rental facility.	1,399,881
In April 1998, on behalf of Castellani Meadows Limited Partnership, the Authority issued tax-exempt revenue bonds with a principal amount totaling $1,700,000 and an interest rate of 5.25% with final payment due March 1, 2028. Prior to March 1, 2001, a principal payment in the amount of $825,000 was due, at which time the interest rate changed to 6.15% per annum. The land, building, and equipment of the Castellani Meadows Limited Partnership are pledged as security for the bonds. Proceeds from the bonds were loaned to the Castellani Meadows Limited Partnership to finance a portion of the cost for the acquisition, construction, and equipping of the rental facility.	584,187

NOTE 6 – SHORT-TERM AND LONG-TERM OBLIGATIONS – LOANS, NOTES AND BONDS PAYABLE (CONTINUED)

Bonds Payable (continued)

	Balance
In March 2007, on behalf of Cedar Ridge Limited Partnership, the Authority issued a tax-exempt multi-family housing revenue bond with a principal amount totaling $13,200,000 and an interest rate of 5.984% with final payment due October 1, 2048. Interest only is payable monthly through November 1, 2008. Beginning on December 1, 2008, monthly payments of principal and interest of $72,481 are payable until the maturity date of the note. The note is collateralized by a first deed of trust on the rental property of the Cedar Ridge Limited Partnership. Proceeds from the bonds were loaned to the Cedar Ridge Limited Partnership to finance a portion of the cost for the acquisition, construction, and equipping of the rental facility.	$ 12,462,053
In August 2008, on behalf of the FCRHA Olley Glen Limited Partnership, the Authority issued a tax-exempt multi-family housing revenue bond with a principal amount totaling $12,220,000 and an average coupon rate of 5.37% with final payment due August 1, 2051. Interest only is payable monthly through July 1, 2011. Beginning August 1, 2011, monthly payments of principal and interest of $28,455 are payable until the maturity date of the note. The note is collateralized by a first deed of trust on the senior rental property of the FCRHA Olley Glen Limited Partnership. Proceeds from the bonds were loaned to the FCRHA Olley Glen Limited Partnership to finance a portion of the cost for acquisition, construction, and equipping of the senior facility.	4,802,056
Total	24,558,226
Less current bonds	781,599
Total noncurrent bonds payable	$ 23,776,627

NOTE 6 – SHORT-TERM AND LONG-TERM OBLIGATIONS – LOANS, NOTES AND BONDS PAYABLE (CONTINUED)

Bonds Payable (continued)

Annual debt service requirements to maturity for bonds payable are as follows:

	Principal	Interest
Year ended June 30:		
2016	$ 781,599	$ 1,325,757
2017	825,059	1,282,329
2018	874,645	1,236,548
2019	635,415	1,192,752
2020	672,009	1,153,083
2021-2025	4,050,019	5,127,971
2026-2030	3,521,875	3,902,963
2031-2035	2,090,670	3,253,409
2036-2040	2,981,874	2,582,372
2041-2045	3,964,709	1,687,874
2046-2050	3,781,130	554,150
2051-2052	379,222	13,449
Total	$ 24,558,226	$ 23,312,657

Changes in Short-Term and Long-Term Liabilities

The enterprise fund's long-term liability activity for the year ended June 30, 2015 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable	$ 25,302,420	$ -	$ 744,194	$ 24,558,226	$ 781,599
Notes payable - long-term	8,585,993	8,271,517	1,031,229	15,826,281	1,673,525
Total	$ 33,888,413	$ 8,271,517	$ 1,775,423	$ 40,384,507	$ 2,455,124

NOTE 7 – CHANGES IN COMPENSATED ABSENCES PAYABLE

	Beginning Balance	Additions	Reduction	Ending Balance	Due Within One Year
Compensated absences payable	$ 1,126,091	$ 572,635	$ 533,005	$ 1,165,721	$ 635,529

NOTE 8 – TAX CREDIT LIMITED PARTNERSHIPS

The tax credit program is the result of Federal legislation that allows investors certain incentives for investing in low-income housing. Under terms of the federal tax code and extended use agreements with the State of Virginia, the buildings must continue to serve the targeted population for 30 years; after 15 years the Authority has the option to purchase the property from the partnership.

Tax Credit Limited Partnerships are created to finance and own affordable housing. The Authority acts as Managing General Partner of each partnership. Although each tax credit limited partnership is structured differently, they are generally financed via loans to the partnership, contributions of equity by the general and limited partners, and other sources. In some transactions, the Authority issues bonds and loans the proceeds to the tax credit limited partnership. Tax-exempt bond issuances are secured by the underlying partnership real estate and, in some cases, by the general revenues of the Authority. The Authority may receive grant funds or other loans to assist in purchasing the properties and in preserving affordability within the projects.

NOTE 9 – CONDUIT DEBT

The Authority is empowered by the Commonwealth of Virginia to issue tax-exempt bonds on behalf of qualified businesses to develop or rehabilitate low income housing within the County. Principal and interest on the tax-exempt bonds is paid entirely by the owners of the properties, which have entered into binding contracts to develop or rehabilitate the subject property. The terms of the tax-exempt bonds stipulate that neither the Authority nor the County guarantee the repayment of principal and interest to the bondholders. The bondholders' sole remedy in the event of default on the tax-exempt bonds is the subject property and third-party beneficiaries. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2015, the cumulative total of bonds outstanding under the Authority's name was approximately $27,076,305.

From 1996 through 2004, the FCRHA issued a total of $26,290,000 of lease revenue bonds for the purpose of financing the construction, renovation, and expansion of Mott Community Center, and Gum Springs Community Center, Baileys Community Center, the construction of Herndon Harbor II Adult Day Care Center, and Gum Springs Glen Head Start facility for child care and James Lee Community Center. In March 2010, the Economic Development Authority issued $43,390,000 of lease revenue bonds to current refund and advance refund for Mott Community Center, Gum Springs Community Center, Baileys Community Center, and Herndon Harbor II Adult Day Care Center. As of June 30, 2015, the balance of the Gum Springs Glen Head Start facility for child care was $1,259,498. As the County is responsible, under the related documents and subject to annual appropriation, to make payments to a trustee sufficient to pay principal and interest on these bonds, the related transactions, including the liability for these bonds, have been recorded in the County's financial statements and not on those of the FCRHA.

NOTE 9– CONDUIT DEBT (CONTINUED)

On February 16, 2006, the Authority issued a $40,600,000 bond anticipation note (BAN) to partially finance the purchase of a multi-family rental housing complex as part of the County's affordable housing initiative. The note matured on February 15, 2007, and was repaid through the issuance of another note and funding available in the County's Penny for Affordable Housing capital projects fund. On February 13, 2007, the Authority issued the $40,465,000 refunding BAN. The note matured on February 12, 2008, and was repaid through the issuance of a long-term note and funding available in the County's Penny for Affordable Housing capital projects fund. In February 2008, the Authority issued a $37,615,000 refunding BAN. The long-term note matured on March 1, 2013. In May 2011, the FCRHA issued $28,905,000 of bond anticipation notes to current refund $30,215,000 of outstanding Series 2008A bond anticipation notes. In February 2013, the FCRHA issued $24,650,000 of bond anticipation notes to current refund $26,725,000 of outstanding Series 2011 bond anticipation notes. In February 2015, the FCRHA authorized securing a taxable direct bank loan of $18.5 million to current refund of $21.47 million of current outstanding Series 2013 bond anticipation notes. The loan matures on March 1, 2018.

On November 28, 2007, the FCRHA issued a $105,485,000 bond anticipation note to finance a portion of the purchase price of a multi-family rental housing property as part of the County's affordable housing initiative. On October 6, 2008, the FCRHA issued the $104,105,000 refunding bond anticipation note. The note bore interest at 2.44 percent and matured on October 1, 2009 and was repaid through the issuance of revenue bonds and refunding available in the County's Penny for Affordable Housing capital project fund. On August 20, 2009, the FCHRA issued $94,950,000 of lease revenue bonds to repay a portion of an outstanding series 2008B bond anticipation note. The Bond bears an average interest rate of 4.53 percent and matures on October 1, 2039. As the County is responsible, under the related documents and subject to appropriation, to pay the principal and interest on the note at maturity, the related transactions, including the liability for the note, have been recorded in the County's financial statements and not in those of the FCRHA. The note is not a general obligation debt of the County, and the full faith and credit of the County is not pledged to the note.

In March 2015, the FCRHA issued Multifamily Housing Revenue Bonds in one or more series in the aggregate principal amount not to exceed $15,000,000. The tax-exempt bonds would provide funding for construction of a 120-unit project known as Residences at Government Center. The project would be owned by Fairfax Corner Partners. FCRHA is a conduit issuer for these bonds and the bondholders will be paid solely from the project's revenues.

NOTE 10 – CONTINGENCIES

The Authority, as the general partner of the tax credit limited partnerships reported as discretely presented component units, is responsible for ensuring that the partnerships maintain the properties as qualified low income housing projects for a period of 15 years (the tax credit compliance period). In the event that the qualified status of the properties is not maintained for the full period of 15 years, the Authority is contingently liable for the payment of certain special distributions to the limited partners. The amount of these distributions, if any, is to be determined using a formula based on the amount of tax credits that are disallowed. The maximum amount of this distribution is not to exceed the amount contributed by the limited partners to the partnership, plus any penalties and interest costs incurred as a result of the disqualification.

NOTE 10 – CONTINGENCIES (CONTINUED)

The Authority originated various deferred loans to the limited partnerships to help build, acquire or rehabilitate properties. The funding source for these loans include the Federal Community Development Block Grant program, HOME program, and other County or FCRHA funds. The loans, along with accrued interest, are due and payable to the FCRHA well beyond the tax compliance period, year sixteen, of the partnerships. As a result, the loans are anticipated to be defeased at the end of the tax compliance period, as the partnership conveys to the Authority, as General Partner, the non-cash fair value of the property for the Authority's use.

In addition, on August 7, 2000, the Authority entered into a guaranty agreement with SunTrust Community Development Corporation (SunTrust) in order to induce SunTrust to make a loan of $400,000 to The Green Limited Partnership. The guarantee is for the balance of the loan, which was $309,148 as of December 31, 2014. In addition, SunTrust has collateralized their loan with the first deed of trust on this property.

The Authority receives grant funds, principally from the federal government, for various programs. Certain expenses of these funds are subject to audit by the grantor and the reporting entity is contingently liable to refund amounts received in excess of allowable expenses. The management of the Authority believes that any possible disallowed expenses arising from such an audit, if any, would not have a material adverse impact on the Authority's net position as of June 30, 2015.

NOTE 11 – RISK MANAGEMENT

The FCRHA is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and citizens; and natural disasters. For all of these risks, the FCRHA participates in the County's insurance program, which includes self-insurance and the purchase of certain commercial insurance policies, the costs of which are borne by the County. There were no claim settlements in excess of insurance coverage in any of the past three fiscal years. Information regarding the County's insurance program is available in the County's Comprehensive Annual Financial Report for the fiscal year ended June 30, 2015.

NOTE 12 – RETIREMENT PLANS

Plan Description

Employees of the Authority are provided with pensions through the Fairfax County Employees' Retirement System (ERS), a single-employer defined benefit pension plan which covers full-time and certain part-time employees of Fairfax County and component units of the County, who are not covered by other plans of the County or the Virginia Retirement System.

NOTE 12 – RETIREMENT PLANS (CONTINUED)

Benefits Provided

Benefit provisions are established and may be amended by County ordinances, including member contribution rates. All benefits vest at five years of creditable service. Members who were hired before January 1, 2013 may elect to join Plan A or Plan B, and members who were hired on or after January 1, 2013 may elect to join Plan C or Plan D. To be eligible for normal retirement, an individual must meet the following criteria: (a) attain the age of 65 with five years of creditable service, (b) for Plans A and B, attain the age of 50 with age plus years of creditable service being greater than or equal to 80, or (c) for Plans C and D, attain the age of 55 with age plus years of service being greater than or equal to 85. The normal retirement benefit is calculated using average final compensation (i.e., the highest 78 consecutive two week pay periods or the highest 36 consecutive monthly pay periods) and years (or partial years) of creditable service at date of termination. In addition, if normal retirement occurs before Social Security benefits are scheduled to begin, an additional monthly benefit is paid to retirees. The plan provides that unused sick leave credit may be used in the calculation of average final compensation by projecting the final salary during the unused sick leave period. Those who commenced employment on or after January 1, 2013, may not use more than 2,080 hours of accrued sick leave toward service credit for retirement or DROP entry. The benefit for early retirement is actuarially reduced and payable at early termination.

Effective July 1, 2005, a Deferred Retirement Option Program (DROP) was established for eligible members of the ERS. Members who are eligible for normal service retirement are eligible to participate in this program. DROP provides the ability for an employee to retire for purposes of the pension plan, while continuing to work and receive a salary for a period of three years. During the DROP period, the pension plan accumulates the accrued monthly benefit into an account balance identified as belonging to the member. The account balance is credited with interest in the amount of 5.0% per annum, compounded monthly. The monthly benefit is calculated using service and final compensation as of the date of entry in DROP, with increases equal to the annual cost-of-living adjustment provided for retirees.

Contributions

All contribution requirements for ERS are established and may be amended by County ordinances, including member contribution rates. Plan A and Plan C require member contributions of 4.0% of compensation up to the Social Security wage base and 5.33% of compensation in excess of the wage base. Plan B and Plan D require member contributions of 5.33% of compensation. The County establishes rates based on an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The County is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the year ended June 30, 2014, the contribution rate was 18.49% of annual covered payroll. The decision was made to commit additional funding and a rate of 19.05 percent was adopted for fiscal year 2014. In the event the ERS's funded ratio (the ratio of the actuarial value of assets to the actuarial accrued liability) exceeds 120 percent or falls below 90 percent, the contribution rate will be adjusted to bring the funded ratio back within these parameters. The employer contribution made for the measurement period is $2,177,501.

NOTE 12 – RETIREMENT PLANS (CONTINUED)

Net Pension Liability

The Net Pension Liability (NPL) was calculated for each entity within the County based on a methodology that allocates the NPL and pension amounts based on the proportion of the total contribution made by each entity during the preceding plan year. The net pension liability was determined based on an actuarial valuation as of June 30, 2013, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2014. The proportionate share for the Authority is 1.6799%. At June 30, 2015, the Authority reported a liability of $17,501,779 for its proportionate share of the net pension liability.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2015, the Authority recognized pension expense of $1,450,735. At June 30, 2015, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net differences between projected and actual earning on pension plan investments	-	$ 3,245,982
Change in proportion applicable to Authority	-	724,952
Authority contributions subsequent to the measurement date	2,245,647	-
Total	$ 2,245,647	$ 3,970,934

The $2,245,647 reported as deferred outflows of resources related to pensions resulting from the Authority contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

	Amount
2016	$ (992,734)
2017	(992,734)
2018	(992,734)
2019	(992,734)

NOTE 12 – RETIREMENT PLANS (CONTINUED)

Actuarial Assumptions

The total pension liability (TPL) for the year ended June 30, 2014 was determined as part of the July 1, 2013, actuarial valuation using the entry age actuarial cost method and rolled forward to the measurement date of June 30, 2014. Significant actuarial assumptions used in the valuation included:

Inflation	3.0%
Salary increases, including inflation	3.0% + merit
Investment rate of return, net of plan investment expenses	7.5%

Mortality rates with adjustments for mortality improvements were based on the RP 2000 Mortality tables projected to 2015 using Scale AA.

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period July 1, 2005 to June 30, 2010.

The long term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic long term real rates of return for each major asset class included in the ERS's target asset allocation as of June 30, 2014, are summarized below.

Asset Class	Long Term Expected Real Rate of Return
U.S. Equities	4.5%
International Equities	5.1%
Core Fixed Income	2.0%
High Yield	3.2%
Absolute Return	6.0%
Real Estate	5.3%
Commodity	4.5%

Discount Rate

The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that County contributions will be made according to the County's stated policy. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. A schedule of funding progress can be found in the required supplementary information section of the report.

NOTE 12 – RETIREMENT PLANS (CONTINUED)

Sensitivity of the Authority's proportionate share of the net pension liability to changes in the discount rate

The following presents the Authority's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the authority share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

	1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
Authority's proportionate share of total pension liability	$ 92,067,476	$ 80,767,470	$ 71,551,469
Authority's proportionate share of plan fiduciary pension net position	63,266,036	63,266,036	63,266,036
Authority's proportionate share of net pension liability	$ 28,801,440	$ 17,501,434	$ 8,285,433
Plan fiduciary net position as a percentage of the total pension liability	68.7%	78.3%	88.4%

Pension Plan Fiduciary Net Position

The retirement system is considered a part of the County's reporting entity and the system's financial statements are included in the County's basic financial statements as a trust fund.

Information concerning ERS as a whole, including pension plan's fiduciary net position, is available in the County CAFR for the fiscal year ended June 30, 2015. Additionally, the ERS issues a publicly available annual financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the Employees' Retirement System, 10680 Main Street, Suite 280, Fairfax, Virginia 22030, or by calling (703) 279-8200. The reports are also available online:

Retirement system CAFR: http://www.fairfaxcounty.gov/retirement/retired_employees/publications.htm
Fairfax County CAFR: http://www.fairfaxcounty.gov/finance/transparencyresources.htm

NOTE 13 – OTHER POST-EMPLOYMENT BENEFITS

The Fairfax County OPEB Trust Fund is a single-employer defined benefit plan administered by Fairfax County. The County provides medical/dental, vision, and life insurance benefits to eligible retirees and their spouses. In order to participate, retirees must have reached the age of 55 or be on disability retirement and must have health benefit coverage in a plan provided by the County. Retirees must have five years of service in order to participate in this program. Beginning in fiscal year 2004, the amount of monthly subsidy provided by the County is based on years of service and ranges from $30 per month to $220 per month.

NOTE 13 – OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

Retirees receiving the subsidy prior to fiscal year 2004 are grandfathered at $100 per month unless their years of service entitle them to receive a higher monthly subsidy.

In addition, the Board of Supervisors has established a program to subsidize the continuation of term life insurance, at reduced coverage amounts, for retirees. Retirees generally pay for fifty percent of their coverage amounts at age-banded premium rates, with the County incurring the balance of the cost. Benefit provisions are established and may be amended by the Board of Supervisors.

The contributions to the OPEB Trust Fund are established and may be amended by the Board of Supervisors. The contributions are typically based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits. GASB Statement No. 45 requires recognition of the current expense of OPEB based on each governing body's annual required contribution, but does not require funding of the related liability. Expenditures for postretirement health care benefits are recognized when the County charges the Authority. The OPEB expense charged to the Authority in FY 2015 was $337,700.

Costs and related liability, if any, are recorded by the County. The County's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. Data concerning the ARC specifically applicable to employees of the Authority are not available. Information concerning the County's OPEB Trust Fund as a whole is available in the County's June 30, 2015 Comprehensive Annual Financial Report.

NOTE 14 – CHANGE IN ACCOUNTING PRINCIPLE, CHANGE IN REPORTING ENTITY

Change in Accounting Principle

During the year ended June 30, 2015, the Authority adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and the related GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an Amendment of GASB Statement No. 68.* Beginning net position has been restated to reduce equity by $20,021,978 (an increase of $2,177,501 relating to deferred outflows of resources less $22,199,479 to establish the net pension liability).

Change in Reporting Entity

The Authority previously reported four real estate partnerships (Herndon Harbor House I L.P, Fairfax County Redevelopment and Housing Authority/HCDC One, L.P. - Stonegate, Fairfax County Redevelopment and Housing Authority/HCDC Two, L.P. – Murraygate and The Green, L.P.) as discrete component units in which it was the general partner. The Authority now also controls the partnership interests for these partnerships and has therefore considered them blended component units in accordance with GASB 61 guidance. The partnerships have December 31 year-ends, so amounts included for these entities are as of and for the year end that falls within the year ended June 30, 2015. Beginning net position has been restated to include equity of $8,339,938 for these partnerships.

NOTE 14 – CHANGE IN ACCOUNTING PRINCIPLE, CHANGE IN REPORTING ENTITY (CONTINUED)

2014 Net Position, as previously reported	$ 125,676,384
Restatement - deferred outflow related to pensions	2,177,501
Restatement - establish net pension liability	(22,199,479)
Restatement - change in reporting entity	8,339,938
2014 Net Position - as restated	$ 113,994,344

NOTE 15 – CONDENSED COMBINING INFORMATION FOR BLENDED COMPONENT UNITS

	Blended Component Units							
	Little River Glen	Herndon Harbor House I	FCRHA HCDC One (Stonegate)	FCRHA HCDC Two (Murraygate)	The Green	Total Blended Component Unit	FCRHA	Primary Government
ASSETS								
CURRENT ASSETS								
Cash in bank	$ 1,590,841	$ 954,947	$ 1,315,856	$ 819,368	$ 537,167	$ 5,218,179	$ 38,543,332	$ 43,761,511
Investments	434,180	200,000	-	-	-	634,180	4,020,820	4,655,000
Restricted deposits held in trust	1,054,610	25,989	170,870	109,499	67,844	1,428,812	4,110,210	5,539,022
Notes receivable, current	-	-	-	-	-	-	436,901	436,901
Other current assets	-	-	-	-	-	-	2,152,570	2,152,570
Accounts receivable, net of allowances	1,141	12,445	2,149	22,279	60,273	98,287	1,282,429	1,380,716
Total current assets	3,080,772	1,193,381	1,488,875	951,146	665,284	7,379,458	50,546,262	57,925,720
NONCURRENT ASSETS								
Restricted cash reserves	-	224,886	1,163,565	859,209	244,479	2,492,139	9,175,560	11,667,699
Notes receivable, net of current	-	-	-	-	-	-	24,462,379	24,462,379
Other noncurrent assets	-	-	48,354	28,463	-	76,817	324,641	401,458
Deferred financing fees, net of acc amortization	-	17,953	6,977	-	943	25,873	29,401	55,274
Total noncurrent other assets	-	242,839	1,218,896	887,672	245,422	2,594,829	33,991,981	36,586,810
Land and land improvements	1,035,634	-	2,484,121	2,244,000	246,400	6,010,155	29,524,578	35,534,733
Buildings and improvements	9,922,950	5,712,241	13,469,327	9,267,477	4,399,127	42,771,122	130,203,258	172,974,380
Equipment	9,100	5,352	14,321	2,284	197,468	228,525	563,557	792,082
Accumulated depreciation	(9,013,452)	(2,308,852)	(10,565,176)	(6,748,065)	(2,097,948)	(30,733,493)	(83,957,694)	(114,691,187)
Construction in progress	-	-	-	54,464	-	54,464	90,427	144,891
Total capital assets	1,954,232	3,408,741	5,402,593	4,820,160	2,745,047	18,330,773	76,424,126	94,754,899
Total noncurrent assets	1,954,232	3,651,580	6,621,489	5,707,832	2,990,469	20,925,602	110,416,107	131,341,709
TOTAL ASSETS	5,035,004	4,844,961	8,110,364	6,658,978	3,655,753	28,305,060	160,962,369	189,267,429
DEFERRED OUTFLOWS OF RESOURCES	-	-	-	-	-	-	2,245,647	2,245,647
LIABILITIES AND NET POSITION								
CURRENT LIABILITIES								
Accounts payable and accrued liabilities	143,703	141,453	595,345	732,739	296,579	1,909,819	2,971,183	4,881,002
Deposits held in trust	60,153	23,552	139,698	98,567	20,140	342,110	1,600,651	1,942,761
Unearned revenue	65,341	2,427	13,200	53,483	-	134,451	1,674,895	1,809,346
Current portion long-term debt	225,000	729,400	65,946	-	309,148	1,329,494	1,125,630	2,455,124
Total current liabilities	494,197	896,832	814,189	884,789	625,867	3,715,874	7,372,359	11,088,233
NONCURRENT LIABILITIES								
Noncurrent portion long-term debt	3,655,000	626,996	711,797	707,719	-	5,701,512	32,227,871	37,929,383
Other noncurrent liabilities	9,283	-	738,597	504,887	-	1,252,767	20,028,089	21,280,856
Total noncurrent liabilities	3,664,283	626,996	1,450,394	1,212,606	-	6,954,279	52,255,960	59,210,239
Total liabilitites	4,158,480	1,523,828	2,264,583	2,097,395	625,867	10,670,153	59,628,319	70,298,472
DEFERRED INFLOWS OF RESOURCES	-	-	-	-	-	-	3,970,934	3,970,934
TOTAL NET POSITION	$ 876,524	$ 3,321,133	$ 5,845,781	$ 4,561,583	$ 3,029,886	$ 17,634,907	$ 99,608,763	$ 117,243,670

NOTE 15 – CONDENSED COMBINING INFORMATION FOR BLENDED COMPONENT UNITS (CONTINUED)

	Blended Component Units							
	Little River Glen	Herndon Harbor House I	FCRHA HCDC One (Stonegate)	FCRHA HCDC Two (Murraygate)	The Green	Total Blended Component Unit	FCRHA	Primary Government
OPERATING REVENUE								
Rental	$ 1,268,509	$ 615,844	$ 2,634,404	$ 1,541,440	$ 605,845	$ 6,666,042	$ 26,227,002	$ 32,893,044
Other	402,218	28,079	138,171	89,761	98,792	757,021	3,240,916	3,997,937
Total operating revenue	1,670,727	643,923	2,772,575	1,631,201	704,637	5,752,336	29,467,918	36,890,981
OPERATING EXPENSES								
Personnel services	534,595	99,113	504,833	447,512	219,972	1,806,025	13,553,484	15,359,509
Contractual services	-	14,300	11,200	11,200	12,900	49,600	207,879	257,479
Utilities	124,923	76,645	279,366	424,372	151,238	1,056,544	4,196,866	5,253,410
Repairs and maintenance	180,000	110,168	581,940	435,051	148,259	1,455,418	9,158,164	10,613,582
Other supplies and expenses	39,471	163,932	449,297	198,566	250,198	1,101,464	2,131,223	3,232,687
Housing assistance payments	-	-	-	-	-	-	52,087,470	52,087,470
Depreciation and amortization	360,835	144,159	466,648	324,564	111,614	1,407,820	3,036,410	4,444,230
Total operating expenses	1,239,824	608,317	2,293,284	1,841,265	894,181	6,876,871	84,371,496	91,248,367
Operating income (loss)	430,903	35,606	479,291	(210,064)	(189,544)	115,289	(54,903,578)	(54,357,386)
NONOPERATING REVENUES (EXPENSES)								
Other nonoperating revenue	-	-	-	-	110,729	110,729	63,754,962	63,865,691
Interest income	38,611	401	628	530	217	40,387	244,067	284,454
Other nonoperating expense	-	-	-	-	-	-	(5,631,029)	(5,631,029)
Interest expense	(257,622)	(131,472)	(66,544)	(16,261)	(73,751)	(545,650)	(366,754)	(912,404)
Total nonoperating revenues (expenses), net	(219,011)	(131,071)	(65,916)	(15,731)	37,195	(394,534)	58,001,246	57,606,712
CHANGE IN NET POSITION	211,892	(95,465)	413,375	(225,795)	(152,349)	(279,245)	3,097,668	3,249,326
TOTAL NET POSITION, BEGINNING OF YEAR, AS RESTATED	664,632	3,416,598	5,432,406	4,787,378	3,182,235	17,483,249	96,511,095	113,994,344
TOTAL NET POSITION, END OF YEAR	$ 876,524	$ 3,321,133	$ 5,845,781	$ 4,561,583	$ 3,029,886	$ 17,634,907	$ 99,608,763	$ 117,243,670

FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY
(A Component Unit of the County of Fairfax, Virginia)
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 15 – CONDENSED COMBINING INFORMATION FOR BLENDED COMPONENT UNITS (CONTINUED)

	Blended Component Units							
	Little River Glen	Herndon Harbor House I	FCRHA HCDC One (Stonegate)	FCRHA HCDC Two (Murraygate)	The Green	Total Blended Component Unit	FCRHA	Primary Government
CASH FLOWS FROM OPERATING ACTIVITIES	$ 1,260,667	$ 615,586	$ 2,630,556	$ 1,543,282	$ 605,845	$ 6,655,936	$ 25,885,192	$ 32,541,128
Other operating cash receipts	7,606	16,841	89,817	61,298	158,511	334,073	3,016,280	3,350,353
Purchase of property held for sale	-	-	-	-	-	-	(1,794,581)	(1,794,581)
Receipts from sale of property held for sale	-	-	-	-	-	-	1,994,061	1,994,061
Payments to employees for services	(522,450)	(119,474)	(457,106)	(399,067)	(219,972)	(1,718,069)	(14,236,115)	(15,954,184)
Housing assistance payments	-	-	-	-	-	-	(47,949,874)	(47,949,874)
Payments to suppliers for goods and services	(328,108)	(298,359)	(1,377,285)	(733,715)	(492,525)	(3,229,992)	(15,623,788)	(18,853,780)
Net cash provided by (used in) operating activities	417,715	214,594	885,982	471,798	51,859	2,041,948	(48,708,825)	(46,666,877)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES								
Retirement of loans, notes and bond payables	-	-	-	-	-	-	(289,194)	(289,194)
Intergovernmental revenues received	394,612	-	-	-	-	394,612	61,817,389	62,212,001
Grant to Fairfax County	-	-	-	-	-	-	(5,631,029)	(5,631,029)
Net cash provided by non-capital financing activities	394,612	-	-	-	-	394,612	55,897,166	56,291,778
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES								
Purchase of capital assets	-	-	-	(24,150)	-	(24,150)	(1,810,563)	(1,834,713)
Intergovernmental revenue - capital grant	-	-	-	-	-	-	(577,609)	(577,609)
Interest/finance cost paid	(261,922)	(78,712)	(49,998)	(11,261)	(29,591)	(431,484)	(374,891)	(806,375)
Debt principal paid	(215,000)	(62,298)	(62,017)	-	(10,891)	(350,206)	(814,542)	(1,164,748)
HUD debt service and capital contributions	-	-	-	-	-	-	1,599,304	1,599,304
Net cash used in financing activities	(476,922)	(141,010)	(112,015)	(35,411)	(40,482)	(805,840)	(1,978,301)	(2,784,141)
CASH FLOWS FROM INVESTING ACTIVITIES								
Receipt of loans and advances repayments	-	463,297	-	-	-	463,297	(270,187)	193,110
Disbursement of loans and advances receivable	-	-	(227,645)	(15,954)	(124)	(243,723)	(22,435)	(266,158)
Maturity of investments	-	-	-	-	-	-	430,898	430,898
Acquisition of investments	(3,283)	-	-	-	-	(3,283)	(810,757)	(814,040)
Interest on investments	38,611	401	628	530	-	40,170	195,319	235,489
Net cash provided by (used in) investing activities	35,328	463,698	(227,017)	(15,424)	(124)	256,461	(477,162)	(220,701)
NET INCREASE IN CASH AND CASH EQUIVALENTS	370,733	537,282	546,950	420,963	11,253	1,331,831	4,732,878	6,620,059
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	2,274,718	417,665	768,906	398,405	525,914	5,361,848	46,102,145	51,463,993
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 2,645,451	$ 954,947	$ 1,315,856	$ 819,368	$ 537,167	$ 6,693,679	$ 50,835,023	$ 58,084,052
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES								
Net income (loss)	$ 36,291	$ (95,465)	$ 413,375	$ (225,795)	$ (152,349)	$ (23,943)	$ (54,333,443)	$ (54,357,386)
Depreciation and amortization	360,835	144,159	466,648	324,564	111,614	1,407,820	3,036,410	4,444,230
(Increase) decrease in accounts receivable	(633)	(12,388)	(31,922)	(29,687)	(19,654)	(94,284)	(634,115)	(728,399)
(Increase) decrease in prepaid items and other assets	-	-	(28,236)	(348)	(11,755)	(40,339)	4,068,407	4,028,068
(Increase) decrease in deferred outflow of resources	-	-	-	-	-	-	(2,245,647)	(2,245,647)
Increase (decrease) in accounts payable and accrued liabilities	27,992	178,623	58,302	403,987	164,920	833,824	174,627	1,008,451
Increase (decrease) in deposits held in trust	439	(1,227)	14,126	(6,691)	(40,917)	(34,270)	(142,299)	(176,569)
Increase (decrease) in net pension liability	-	-	-	-	-	-	1,450,735	1,450,735
Increase (decrease) in deferred revenues	(7,209)	892	(6,311)	5,768	-	(6,860)	(83,500)	(90,360)
Net cash provided by (used in) operating activities	$ 417,715	$ 214,594	$ 885,982	$ 471,798	$ 51,859	$ 2,041,948	$ (48,708,825)	$ (46,666,877)

NOTE 16 – PENDING GASB PRONOUNCEMENTS

GASB has issued the following Statements which will become effective in future years as shown below. Management is currently evaluating the effect of the implementation of these Standards.

Statement No. 72, *Fair Value Measurement and Application* – The objective of this statement is to provide guidance for applying fair value to certain investments and disclosures related to all fair value measurements. This Statement establishes a hierarchy of inputs to valuation techniques used to measure fair value. This Statement will become effective for reporting periods ending June 30, 2016. The Authority is currently evaluating the effect of the implementation of this Statement.

NOTE 17 – RELATED PARTY TRANSACTIONS

The Authority is a General Partner and holds 0.01% to 1% interest in each of the following limited partnerships, which are reported as discrete component units (see note 4). Summarized partnership information for the year ended December 31, 2014 is as follows:

NOTE 17 – RELATED PARTY TRANSACTIONS (CONTINUED)

	Castellani Meadows	Gum Springs Glen	Herndon Harbor House II	Morris Glen	Tavenner Lane	Olley Glen	Cedar Ridge	Total
			ASSETS					
CURRENT ASSETS								
Cash in bank	$ 247,711	$ 287,776	$ 201,918	$ 311,581	$ 66,870	$ 1,080,465	$ 1,031,898	$ 3,228,219
Restricted deposits held in trust	12,705	29,998	27,470	22,261	10,133	58,697	122,202	283,466
Accounts receivable, net of allowances, prepaid items, other assets	822	48,037	1,925	4,775	25,795	4,277	18,239	103,870
Prepaid expenses and other assets, current	-	-	2,806	-	-	-	-	2,806
Notes receivable, current portion	-	-	-	-	-	-	90,147	90,147
Total current assets	261,238	365,811	234,119	338,617	102,798	1,143,439	1,262,486	3,708,508
NONCURRENT ASSETS								
Restricted cash reserves	126,789	336,061	445,807	88,203	183,731	756,341	1,861,114	3,798,046
Other assets, noncurrent	-	-	11,278	15,118	-	37,697	20,914	85,007
Deferred financing fees, net of acc amortization	30,910	12,511	61,580	-	-	263,454	534,868	903,323
Total other assets	157,699	348,572	518,665	103,321	183,731	1,057,492	2,416,896	4,786,376
Land and land improvements	214,040	514,977	737,559	273,170	446,598	3,150,098	1,595,717	6,932,159
Buildings and improvements	2,995,118	5,384,602	5,858,138	5,111,878	3,063,767	14,378,060	17,164,585	53,956,148
Equipment	-	150,392	198,979	121,643	21,592	338,205	320,218	1,151,029
Accumulated depreciation	(1,511,369)	(1,725,300)	(2,594,077)	(3,839,209)	(1,422,974)	(2,537,888)	(3,525,596)	(17,156,413)
Total capital assets	1,697,789	4,324,671	4,200,599	1,667,482	2,108,983	15,328,475	15,554,924	44,882,923
Total noncurrent assets	1,855,488	4,673,243	4,719,264	1,770,803	2,292,714	16,385,967	17,971,820	49,669,299
TOTAL ASSETS	$ 2,116,726	$ 5,039,054	$ 4,953,383	$ 2,109,420	$ 2,395,512	$ 17,529,406	$ 19,234,306	$ 53,377,807
			LIABILITIES AND PARTNERS' CAPITAL					
CURRENT LIABILITIES								
Accounts payable	$ 1,008	$ 3,000	$ 3,229	$ 4,007	$ 3,169	$ 3,998	$ 28,530	$ 46,941
Accrued liabilities	565,910	177,716	23,305	48,386	2,428	47,244	32,516	897,505
Accrued interest payable	-	4,314	-	2,178	-	1,228,093	105,994	1,340,579
Due to FCRHA	31,648	-	28,934	70,000	1,394	1,127,224	-	1,259,200
Deposits held in trust	10,401	27,510	26,092	20,412	7,617	46,550	103,349	241,931
Unearned revenue	-	577	-	-	7,160	74,186	20,388	102,311
Current portion long-term debt	30,504	52,704	65,610	23,747	-	34,221	260,935	467,721
Total current liabilities	639,471	265,821	147,170	168,730	21,768	2,561,516	551,712	4,356,188
NONCURRENT LIABILITIES								
Noncurrent portion long-term debt	1,795,835	2,342,694	4,425,667	2,375,064	3,555,258	13,688,992	14,603,493	42,787,003
Noncurrent accrued interest payable	792,301	691,387	903,837	323,864	-	-	582,141	3,293,530
Total noncurrent liabilities	2,588,136	3,034,081	5,329,504	2,698,928	3,555,258	13,688,992	15,185,634	46,080,533
Total liabilitites	3,227,607	3,299,902	5,476,674	2,867,658	3,577,026	16,250,508	15,737,346	50,436,721
TOTAL PARTNERS' CAPITAL	(1,110,881)	1,739,152	(523,291)	(758,238)	(1,181,514)	1,278,898	3,496,960	2,941,086
TOTAL LIABILITIES AND PARTNERS' CAPITAL	$ 2,116,726	$ 5,039,054	$ 4,953,383	$ 2,109,420	$ 2,395,512	$ 17,529,406	$ 19,234,306	$ 53,377,807

FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY
(A Component Unit of the County of Fairfax, Virginia)
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 17 – RELATED PARTY TRANSACTIONS (CONTINUED)

OPERATING REVENUE								
Rental	$ 234,157	$ 634,643	$ 616,982	$ 587,340	$ 165,708	$ 1,070,426	$ 2,688,868	$ 5,998,124
Other	2,967	44,319	26,598	35,180	49,063	77,149	220,104	455,380
Total operating revenue	237,124	678,962	643,580	622,520	214,771	1,147,575	2,908,972	6,453,504
OPERATING EXPENSES								
Personnel services	54,302	82,366	100,094	125,387	45,919	328,084	471,249	1,207,401
Contractual services	12,900	12,900	13,210	13,210	8,113	12,900	16,750	89,983
Utilities	1,715	-	164	78,646	40,171	92,910	240,097	453,703
Repairs and maintenance	26,985	75,971	99,781	81,752	66,106	104,108	364,335	819,038
Other supplies and expenses	98,240	333,017	213,337	155,066	22,441	134,269	540,304	1,496,674
Depreciation and amortization	83,108	136,181	177,408	166,920	85,728	616,349	493,368	1,759,062
Total operating expenses	277,250	640,435	603,994	620,981	268,478	1,288,620	2,126,103	5,825,861
Operating income (loss)	(40,126)	38,527	39,586	1,539	(53,707)	(141,045)	782,869	627,643
NONOPERATING REVENUES (EXPENSES)								
Other nonoperating revenue	-	-	-	-	-	-	-	-
Other nonoperating expense	(28,434)	-	(11,133)	(35,071)	-	(86,165)	-	(160,803)
Interest income	67	1,137	455	179	298	618	882	3,636
Interest expense	(86,900)	(125,065)	(149,139)	(58,741)	(186,763)	(755,112)	(878,895)	(2,240,615)
Total nonoperating revenues (expenses), net	(115,267)	(123,928)	(159,817)	(93,633)	(186,465)	(840,659)	(878,013)	(2,397,782)
CHANGE IN PARTNERS' CAPITAL	(155,393)	(85,401)	(120,231)	(92,094)	(240,172)	(981,704)	(95,144)	(1,770,139)
TOTAL PARTNERS' CAPITAL, BEGINNING OF YEAR	(955,488)	1,824,553	(403,060)	(666,144)	(941,342)	2,260,602	3,592,104	4,711,225
TOTAL PARTNERS' CAPITAL, END OF YEAR	$ (1,110,881)	$ 1,739,152	$ (523,291)	$ (758,238)	$ (1,181,514)	$ 1,278,898	$ 3,496,960	$ 2,941,086

This information is an integral part of the accompanying financial statements.

REQUIRED SUPPLEMENTAL INFORMATION

FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY
(A Component Unit of the County of Fairfax, Virginia)
SCHEDULE OF AUTHORITY'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
ERS PENSION PLAN
Last 10 Fiscal Years

	2015
Authority's proportion of net pension liability (asset)	1.6799%
Authority's proportionate share of net pension liability (asset)	$ 17,501,779
Authority's covered-employee payroll	$ 11,282,166
Authority's proportionate share of net pension liability (asset) as a percentage of its covered-employee payroll	155%
Plan fiduciary net position as a percentage of total pension liability	78.30%

* The Authority implemented GASB 68 during fiscal year 2015. As such, only one year of informaiton is available.

FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY
(A Component Unit of the County of Fairfax, Virginia)
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF AUTHORITY'S CONTRIBUTIONS
ERS PENSION PLAN
Last 10 Fiscal Years

	2015
Actuarial determined contributions	$ 2,177,501
Contributions in relation to the actuarial determined contribution	$ 2,177,501
Contribution deficiency (excess)	$ -
Authority's covered employee payroll	$ 11,282,166
Contributions as a percentage of covered employee payroll	19.30%

* The Authority implemented GASB 68 during fiscal year 2015. As such, only one year of informaiton is available.

SUPPLEMENTAL INFORMATION

FAIRFAX COUNTY REDEVELOPMENT AND HOUSING AUTHORITY
(A Component Unit of the County of Fairfax, Virginia)
STATEMENT AND CERTIFICATION OF PROGRAM COSTS – CAPITAL FUND PROGRAM
Year Ended June 30, 2015

2010 Capital Fund Program Grant	**VA39P019501-10**
Funds approved	$ 1,900,288
Funds expended	1,900,288
Excess of funds approved	$ -
Funds advanced	$ 1,900,288
Funds expended	1,900,288
Excess of funds advanced	$ -

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INDEPENDENT AUDITORS' 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*

The Board of Supervisors
County of Fairfax, Virginia

The Board of Commissioners
Fairfax County Redevelopment
and Housing Authority
Fairfax, Virginia

We have audited, in accordance with the 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 financial statements of the business-type activities of Fairfax County Redevelopment and Housing Authority (the Authority), a component unit of the County of Fairfax, Virginia, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated November 17, 2015. Our report includes a reference to other auditors who audited the financial statements of the discretely presented component units, which represent 100% of the total assets, revenues, and net position of the discretely presented component units as of and for the year ended June 30, 2015, as described in our report on the Authority's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the 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 the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority'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 the entity'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 may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority'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 determination of financial statement amounts. 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.*

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

CliftonLarsonAllen LLP

Calverton, Maryland
November 17, 2015

Attachment 2

KPMG

COUNTY OF FAIRFAX, VIRGINIA

Compliance Audit Pursuant to OMB Circular A-133 (Single Audit)

June 30, 2015

(With Independent Auditors' Reports Thereon)

COUNTY OF FAIRFAX, VIRGINIA

Table of Contents

KPMG LLP
Suite 12000
1801 K Street, NW
Washington, DC 20006

Independent Auditors' 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*

The Board of Supervisors
County of Fairfax, Virginia:

We have audited, in accordance with the 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 and the *Specifications for Audits of Counties, Cities, and Towns* issued by the Auditor of Public Accounts of the Commonwealth of Virginia (the Specifications), the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Fairfax, Virginia (the County) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which comprise the County's basic financial statements, and have issued our report thereon dated November 16, 2015. As discussed in Note N to the financial statements, in fiscal year 2015, the County implemented the Governmental Accounting Standards Board Statement No. 68 *Accounting and Financial Reporting for Pensions –an amendment of GASB Statement No.27,* and GASB Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinion is not modified with respect to this matter. Our report includes a reference to other auditors who audited the financial statements of the Fairfax County Redevelopment and Housing Authority (FCRHA), as described in our report on the County's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the County's internal control over financial reporting (internal control) to determine the 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 the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County'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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity'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 may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County'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 determination of financial statement amounts. 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*.

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 the County's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and the Specifications in considering the County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

November 16, 2015

KPMG LLP
Suite 12000
1801 K Street, NW
Washington, DC 20006

Independent Auditors' Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*

The Board of Supervisors
County of Fairfax, Virginia

Report on Compliance for Each Major Federal Program

We have audited the County of Fairfax, Virginia's (the County) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended June 30, 2015. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our unmodified and modified audit opinions on compliance. However, our audit does not provide a legal determination of the County's compliance.

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Basis for Qualified Opinions on the Three Major Federal Programs Identified in Table I

As described in the accompanying schedule of findings and questioned costs, the County did not comply with requirements regarding the following:

Table I				
Federal Awarding Agency	CFDA Number	Major Program	Compliance Requirement	Finding Number
U.S Department of Agriculture	10.557	Special Supplemental Nutrition Program for Women, Infants and Children	Reporting	2015-002
U.S. Department of Housing and Urban Development	14.881	Moving to Work Demonstration Program	Special Tests and Provisions – Housing Quality Standards	2015-005
U.S. Department of Health and Human Services	93.778	Medical Assistance Program	Eligibility	2015-008

Compliance with such requirements is necessary, in our opinion, for the County to comply with the requirements applicable to those programs.

Qualified Opinions on the Three Major Federal Programs Identified in Table I

In our opinion, except for the noncompliance described in the Basis for Qualified Opinions paragraph, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the major federal programs identified in Table I for the year ended June 30, 2015.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs for the year ended June 30, 2015.

Report on Internal Control over Compliance

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

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 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. We consider the deficiencies in internal control over compliance identified in Table II and described in the accompanying schedule of findings and questioned costs, to be material weaknesses.

Table II – Material Weaknesses in Internal Control Over Compliance				
Federal Awarding Agency	CFDA Number	Major Program	Compliance Requirement	Finding Number
U.S Department of Agriculture	10.557	Special Supplemental Nutrition Program for Women, Infants and Children	Reporting	2015-002
U.S. Department of Housing and Urban Development	14.881	Moving to Work Demonstration Program	Special Tests and Provisions – Housing Quality Standards	2015-005
U.S. Department of Health and Human Services	93.778	Medical Assistance Program	Eligibility	2015-008

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. We consider the deficiencies in internal control over compliance identified in Table III and described in the accompanying schedule of findings and questioned costs, to be significant deficiencies.

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Table III – Significant Deficiencies in Internal Control Over Compliance				
Federal Awarding Agency	**CFDA Number**	**Major Program**	**Compliance Requirement**	**Finding Number**
U.S. Department of Agriculture	10.557	Special Supplemental Nutrition Program for Women, Infants and Children	Activities Allowed or Unallowed and Allowable Costs/Cost Principles	2015-001
U.S. Department of Housing and Urban Development	14.881	Moving to Work Demonstration Program	Activities Allowed or Unallowed and Allowable Costs/Cost Principles	2015-003
U.S. Department of Housing and Urban Development	14.881	Moving to Work Demonstration Program	Procurement and Suspension and Debarment	2015-004
U.S. Department of Education	84.010	Title I Grants to Local Educational Agencies	Special Tests and Provisions – Highly Qualified Teachers	2015-006
U.S. Department of Health and Human Services	93.558	Temporary Assistance for Needy Families	Eligibility	2015-007
U.S. Agency for International Development	98.001	USAID Foreign Assistance for Programs Overseas	Procurement and Suspension and Debarment	2015-009

The County's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The County's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedules of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements. We issued our report thereon dated November 16, 2015, which contained unmodified opinions 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. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the 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 basic financial statements as a whole.

KPMG LLP

November 16, 2015

COUNTY OF FAIRFAX, VIRGINIA
Schedule of Expenditures of Federal Awards
Year ended June 30, 2015

Federal Grantor/Recipient State Agency/Program Title	Federal Catalogue Number	2015 Expenditures
Office of National Drug Control Policy		
Passed Through the University of Maryland:		
High Intensity Drug Trafficking Area (HIDTA) Project	7.999	419,790
Department of Agriculture		
Direct Awards:		
National School Lunch Program	10.555	4,307,002
Fresh Fruit and Vegetable Program	10.582	392,530
Watershed Rehabilitation Program	10.916	695,917
Passed Through the Commonwealth of Virginia:		
Department of Education		
School Breakfast Program	10.553	5,050,475
National School Lunch Program	10.555	23,287,492
Department of Juvenile Justice		
School Breakfast Program	10.553	31,104
National School Lunch Program	10.555	59,093
Department of Health		
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	3,475,953
Child and Adult Care Food Program	10.558	5,031,334
Summer Food Service Program for Children	10.559	842,417
Department of Agriculture and Consumer Services		
Child and Adult Care Food Program	10.558	1,231,084
Department of Social Services		
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	8,961,669
Department of Behavioral Health and Development Services		
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	139,158
Passed Through ABT Associates:		
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	15,631
Department of Commerce		
Direct Awards:		
Chesapeake Bay Studies	11.457	19,612
Measurement and Engineering Research and Standards	11.609	2,000
Department of Defense		
Direct Awards:		
Junior ROTC (Department of Navy)	12.000	556,057
Army Youth Programs in Your Neighborhood	12.003	247,953
Competitive Grants: Promoting K-12 Student Achievement at Military-Connected Schools	12.556	832,171
Invitational Grants for Military-Connected Schools	12.557	56,909
Community Investment	12.600	930,443

COUNTY OF FAIRFAX, VIRGINIA
Schedule of Expenditures of Federal Awards
Year ended June 30, 2015

Federal Grantor/Recipient State Agency/Program Title	Federal Catalogue Number	2015 Expenditures
Department of Housing and Urban Development		
Direct Awards:		
Supportive Housing for Persons with Disabilities	14.181	118,413
Community Development Block Grants/Entitlement Grants	14.218	5,722,326
Emergency Solutions Grant Program	14.231	550,347
Home Investment Partnerships Program	14.239	2,323,088
Community Development Block Grant/Brownfield Economic Development Initiative	14.246	16,161
Continuum of Care Program	14.267	2,643,829
Fair Housing Assistance Program_State and Local	14.401	179,002
Resident Opportunity and Supportive Services - Service Coordinators VA019FSH677A014	14.870	12,565
Resident Opportunity and Supportive Services - Service Coordinators VA019RFS263A013	14.870	59,436
Resident Opportunity and Supportive Services - Service Coordinators VA019RFS225A012	14.870	16,800
Resident Opportunity and Supportive Services - Service Coordinators VA019RPS051A012	14.870	167,643
Section 8 Housing Choice Vouchers	14.871	3,946,941
Moving to Work Demonstration Program	14.881	50,630,474
Department of the Interior		
Direct Awards:		
Visitor Facility Enhancements - Refuges and Wildlife	15.654	2,574
National Wildlife Refuge Fund	15.659	77,477
Passed Through the Commonwealth of Virginia:		
Department of Conservation and Recreation		
Outdoor Recreation_Acquisition, Development and Planning	15.916	38,741
Department of Justice		
Direct Awards:		
Services for Trafficking Victims	16.320	220,136
Supervised Visitation, Safe Havens for Children	16.527	135,648
Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program	16.590	338,741
State Criminal Alien Assistance Program	16.606	618,417
Bulletproof Vest Partnership Program	16.607	12,678
Edward Byrne Memorial Justice Assistance Grant Program	16.738	48,086
Equitable Sharing Program	16.922	1,069,199
Passed Through the Commonwealth of Virginia:		
Department of Criminal Justice Services		
Sexual Assault Services Formula Program	16.017	110
Juvenile Accountability Block Grants	16.523	20,254
Juvenile Justice and Delinquency Prevention_Allocation to States	16.540	22,801
Crime Victim Assistance	16.575	90,594
Violence Against Women Formula Grants	16.588	68,556

COUNTY OF FAIRFAX, VIRGINIA

Schedule of Expenditures of Federal Awards

Year ended June 30, 2015

Federal Grantor/Recipient State Agency/Program Title	Federal Catalogue Number	2015 Expenditures
Edward Byrne Memorial Justice Assistance Grant Program	16.738	36,245
Department of Social Services		
Crime Victim Assistance	16.575	30,207
Passed Through Northern Virginia Regional Gang Task Force:		
Youth Gang Prevention	16.544	19,416
Passed Through SkillSource Group:		
Prisoner Reentry Initiative Demonstration (Offender Reentry)	16.202	74,556
Department of Labor		
Passed Through the Commonwealth of Virginia:		
Virginia Community College System		
WIA Adult Program	17.258	1,194,131
WIA Youth Activities	17.259	1,355,095
WIA Dislocated Worker Formula Grants	17.278	1,270,808
Passed Through SkillSource Group:		
Workforce Innovation Fund	17.283	137,257
Veterans' Employment Program	17.802	220,318
Department of Transportation		
Direct Awards:		
Transportation Infrastructure Finance and Innovation Act (TIFIA) Program	20.223	34,241,819
Federal Transit_Capital Investment Grants	20.500	1,148,208
Job Access And Reverse Commute Program	20.516	6,613
Passed Through the Commonwealth of Virginia:		
Department of Motor Vehicles		
State and Community Highway Safety	20.600	13,988
Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	96,548
National Priority Safety Programs	20.616	21,254
Department of Transportation		
Highway Planning and Construction	20.205	3,532,559
Job Access And Reverse Commute Program	20.516	545,048
Department of Rail and Public Transportation		
Highway Planning and Construction	20.205	133,408
Department of Conservation and Recreation		
Recreational Trails Program	20.219	78,967
Department of the Treasury		
Direct Awards:		
Treasury Fund Program Activity	21.000	638,247
Volunteer Income Tax Assistance (VITA) Matching Grant Program	21.009	12,444

COUNTY OF FAIRFAX, VIRGINIA
Schedule of Expenditures of Federal Awards
Year ended June 30, 2015

Federal Grantor/Recipient State Agency/Program Title	Federal Catalogue Number	2015 Expenditures
Equal Employment Opportunity Commission		
Direct Awards:		
Employment Discrimination_Private Bar Program	30.005	79,242
National Aeronautics and Space Administration		
Direct Awards:		
Science	43.001	22,057
Department of Education		
Direct Awards:		
Impact Aid	84.041	2,725,871
Safe and Drug-Free Schools and Communities_National Programs	84.184	50,000
Fund for the Improvement of Education	84.215	152,249
Passed Through the Commonwealth of Virginia:		
Department of Education		
Adult Education - Basic Grants to States	84.002	1,772,054
Title I Grants to Local Educational Agencies	84.010	17,639,447
Title I State Agency Program for Neglected and Delinquent Children and Youth	84.013	99,151
Special Education_Grants to States	84.027	34,363,637
Career and Technical Education -- Basic Grants to States	84.048	1,589,341
Special Education_Preschool Grants	84.173	710,665
Education for Homeless Children and Youth	84.196	100,326
Twenty-First Century Community Learning Centers	84.287	345,389
English Language Acquisition State Grants	84.365	4,161,068
Improving Teacher Quality State Grants	84.367	2,791,968
School Improvement Grants	84.377	87,740
Department of Behavioral Health and Developmental Services		
Special Education-Grants for Infants and Families	84.181	1,752,133
Passed Through the New York University:		
Investing in Innovation (i3) Fund	84.411	79,107
Department of Health and Human Services		
Direct Awards:		
PPHF - Community Transfromation Grants and National Dissemination and Support for Community Transformation Grants - financed solely by Preventinon and Public Health Funds	93.531	215,577
Head Start	93.600	7,567,078
Passed Through the Commonwealth of Virginia:		
Department of the Aging and Rehabilitative Services		
Special Programs for the Aging_Title VII, Chapter 3_Programs for Prevention of Elder Abuse, Neglect, and Exploitation	93.041	3,652
Special Programs for the Aging_Title VII, Chapter 2_Long Term Care Ombudsman Services for Older Individuals	93.042	14,237
Special Programs for the Aging_Title III, Part D_Disease Prevention and Health Promotion Services	93.043	2,044
Special Programs for the Aging_Title III, Part B_Grants for Supportive Services and Senior Centers	93.044	653,041

COUNTY OF FAIRFAX, VIRGINIA
Schedule of Expenditures of Federal Awards
Year ended June 30, 2015

Federal Grantor/Recipient State Agency/Program Title	Federal Catalogue Number	2015 Expenditures
Special Programs for the Aging_Title III, Part C_Nutrition Services	93.045	944,931
National Family Caregiver Support, Title III, Part E	93.052	202,149
Nutrition Services Incentive Program	93.053	351,137
Empowering Older Adults and Adults with Disabilities through Chronic Disease Self-Management Education Programs financed by Prevention and Public Health Funds (PPHF)	93.734	57,932
Medical Assistance Program	93.778	13,189
Department of Education		
Substance Abuse and Mental Health Services_Projects of Regional and National Significance	93.243	20,963
Department of Health		
Public Health Emergency Preparedness	93.069	206,244
Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements	93.074	32,690
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	205,802
Immunization Cooperative Agreements	93.268	70,896
Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	93.505	430,643
Preventive Health and Health Services Block Grant	93.991	15,048
Department of Behavioral Health and Developmental Services		
Projects for Assistance in Transition from Homelessness (PATH)	93.150	138,608
Substance Abuse and Mental Health Services_Projects of Regional and National Significance	93.243	178,125
Block Grants for Community Mental Health Services	93.958	1,238,924
Block Grants for Prevention and Treatment of Substance Abuse	93.959	3,095,575
Department of Social Services		
Promoting Safe and Stable Families	93.556	37,041
Temporary Assistance for Needy Families	93.558	4,624,528
Refugee and Entrant Assistance_State Administered Programs	93.566	330,870
Low-Income Home Energy Assistance	93.568	312,420
Community Services Block Grant	93.569	643,470
Child Care and Development Block Grant	93.575	270,495
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	557,244
Chafee Education and Training Vouchers Program (ETV)	93.599	29,408
Stephanie Tubbs Jones Child Welfare Services Program	93.645	26,858
Foster Care_Title IV-E	93.658	3,717,485
Adoption Assistance	93.659	3,203,398
Social Services Block Grant	93.667	3,066,592
Family Violence Prevention and Services/Domestic Violence Shelter and Supportive Services	93.671	26,148
Chafee Foster Care Independence Program	93.674	80,112
Children's Health Insurance Program	93.767	304,679
Medical Assistance Program	93.778	10,340,757
Office of Children's Services		
Social Services Block Grant	93.667	652,899
Passed Through Association of Food and Drug Officials:		
Food and Drug Administration_Research	93.103	5,831

COUNTY OF FAIRFAX, VIRGINIA

Schedule of Expenditures of Federal Awards

Year ended June 30, 2015

Federal Grantor/Recipient State Agency/Program Title	Federal Catalogue Number	2015 Expenditures
Passed Through Child Development Resources (CDR):		
Child Care and Development Block Grant	93.575	229,611
Passed Through National Association of County and City Health Officials (NACCHO):		
Medical Reserve Corps Small Grant Program	93.008	1,019
Food and Drug Administration_Research	93.103	12,487
Department of Homeland Security		
Direct Awards:		
National Urban Search and Rescue (US&R) Response System	97.025	1,055,425
Assistance to Firefighters Grant	97.044	132,387
Staffing for Adequate Fire and Emergency Response (SAFER)	97.083	3,043,145
Pass Through the Commonwealth of Virginia:		
Department of Emergency Management		
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	3,945
Emergency Management Performance Grants	97.042	71,293
Homeland Security Grant Program	97.067	273,827
State Homeland Security Program (SHSP)	97.073	1,152
Passed Through the District of Columbia:		
Homeland Security & Emergency Management Agency		
Homeland Security Grant Program	97.067	13,942,344
Agency for International Development		
Direct Awards:		
USAID Foreign Assistance for Programs Overseas	98.001	4,414,219
		306,134,987

COUNTY OF FAIRFAX, VIRGINIA

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2015

(1) Basis of Presentation

The accompanying schedule of expenditures of federal awards includes all federal grant activity of the County of Fairfax, Virginia (County) and its component units. The County's reporting entity is defined in Note A, Part 1 of the County's basic financial statements. The schedule has been prepared on the modified accrual basis of accounting as defined in Note A, Part 3 of the County's basic financial statements.

The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations.* Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

The American Recovery and Reinvestment Act of 2009 (Recovery Act) was enacted to promote economic recovery, make investments, and to minimize and avoid reductions in state and local government services. The stimulus dollars are identified in the accompanying schedule as "Recovery Act" or "ARRA".

(2) Non-Cash and Other Programs

Women, Infant and Children (WIC) program vouchers are issued by the Commonwealth of Virginia to eligible County citizens during the year. The value of these vouchers is not included on the accompanying schedule because the Virginia Department of Health determines eligibility for and monitors the WIC program. However, the County's administrative expenditures for the program are included on the accompanying schedule in the Special Supplemental Nutrition Program for Women, Infants and Children Grant (10.557).

The Commonwealth of Virginia Department of Agriculture and Consumer Services (VDACS), Food Distribution Program, administers the United States Department of Agriculture (USDA) donated food program within the Commonwealth of Virginia. USDA provides values for all donated food. For CFDA number 10.555, National School Lunch Program, the County received a net value of donated food in the amount of $54,500 for the year ended June 30, 2015.

The U.S. Department of Housing and Urban Development (HUD) has insured certain mortgage loan borrowings made by the County through the FCRHA in connection with certain low income housing projects. The loan program is reported under CFDA 14.248, Community Development Block Grant – Section 108 Loan Guarantees, and had outstanding principal due of $11,572,000 at June 30, 2015.

The FCRHA provides loans to qualified low income borrowers through CFDA 14.239, Home Investment Partnerships Program (HOME), to promote home ownership and provide assistance with down payments and closing costs. The outstanding principal balance of the HOME loans was $7,939,002 at June 30, 2015. The FCRHA also provides loans to qualified low income homeowners or homeowners living in areas targeted for improvement, resulting in the elimination of health or safety code violations, through CFDA 14.218, Community Development Block Grants/Entitlement Grants (CDBG). The outstanding principal balance of the CDBG loans was $14,468,843 at June 30, 2015.

In addition, the FCRHA held Federal Housing Administration (FHA) - insured mortgage revenue bonds secured by land, buildings, and equipment of $3,880,000 at June 30, 2015.

The Homeland Security Grant Program (97.067) is granted by the U.S. Department of Homeland Security to enhance the ability of state and local governments to prepare, prevent, respond to, and recover from terrorist attacks and other disasters. Several Washington, DC metropolitan jurisdictions receive funding under this program. In addition to purchasing equipment or supplies for their own jurisdiction, they may purchase these items for surrounding jurisdictions and then transfer, or donate, the items to other jurisdictions per the federal government or pass-through entity's instructions. For the year ended June 30, 2015, Fairfax County purchased and transferred equipment or supplies valued at $1,895,011 for the Homeland Security Grant Program (97.067) to other jurisdictions.

On December 17, 2014, the Economic Development Authority (EDA) and the County entered into a Transportation Infrastructure Finance and Innovation Act (TIFIA) loan agreement under CFDA 20.223 with the United States Department of Transportation ("USDOT"). The TIFIA loan is for the aggregate principal amount of up to $403.3 million. This loan is to fund the County's obligated project costs for the construction of Phase Two of the Metrorail Silver Line extension. The outstanding principal balance of the TIFIA loan was $20,703,448 at June 30, 2015. The County's expenditures of $34,241,819 as of June 30, 2015 for the TIFIA program (CFDA 20.223) are included on the accompanying schedule.

(3) Totals by Program

Federal programs are awarded to the County either directly by a federal agency or through a pass-through entity. Some programs are received both directly and through a pass-through entity, and some are received through multiple pass-through entities. Additionally, a federal agency may request the County to provide a higher level of detail on the Schedule of Expenditures of Federal Awards, rather than a total by federal catalogue number. The following programs, reported in multiple line items in the accompanying schedule, are totaled here:

COUNTY OF FAIRFAX, VIRGINIA

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2015

Program Title	Number		Program
School Breakfast Program	10.553	$	5,081,579
National School Lunch Program	10.555		27,653,587
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557		3,491,584
Child and Adult Care Food Program	10.558		6,262,418
State Administrative Matching Grants for the Supplemental Nutrition Assistance Pro(	10.561		9,100,827
Resident Opportunity and Supportive Services	14.870		256,444
Crime Victim Assistance	16.575		120,801
Edward Byrne Memorial Justice Assistance Grant Program	16.738		84,331
Highway Planning and Construction	20.205		3,665,967
Job Access And Reverse Commute Program	20.516		551,661
Food and Drug Administration_Research	93.103		18,318
Substance Abuse and Mental Health Services_Projects of Regional and National Significance	93.243		199,088
Child Care and Development Block Grant	93.575		500,106
Social Services Block Grant	93.667		3,719,491
Medical Assistance Program	93.778		10,353,946
Homeland Security Grant Program	97.067		14,216,171

(4) Totals by Clusters

Federal programs with different CFDA numbers are defined as a cluster of programs because they are closely related programs that share common compliance requirements as defined by OMB Circular A-133. Of the federal expenditures presented in the Schedule, programs that are parts of a cluster are shown as follows:

COUNTY OF FAIRFAX, VIRGINIA

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2015

Name of Cluster	Program Title	Federal Catalogue Number	Total by Program
Child Nutrition Cluster	School Breakfast Program	10.553	$ 5,081,579
	National School Lunch Program	10.555	27,653,587
	Summer Food Service Program for Children	10.559	842,417
Child Nutrition Cluster Total			33,577,583
SNAP Cluster	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	9,100,827
SNAP Cluster Total			9,100,827
Housing Voucher Cluster	Section 8 Housing Choice Vouchers	14.871	3,946,941
Housing Voucher Cluster Total			3,946,941
WIA Cluster	WIA Adult Program	17.258	1,194,131
	WIA Youth Activities	17.259	1,355,095
	WIA Dislocated Worker Formula Grants	17.278	1,270,808
WIA Cluster Total			3,820,034
Highway Planning and Construction Cluster	Highway Planning and Construction	20.205	3,665,967
	Recreational Trails Program	20.219	78,967
Highway Planning and Construction Cluster Total			3,744,934
Federal Transit Cluster	Federal Transit_Capital Investment Grants	20.500	1,148,208
Federal Transit Cluster Total			1,148,208
Transit Services Programs Cluster	Job Access_Reverse Commute	20.516	551,661
Transit Services Programs Cluster Total			551,661

COUNTY OF FAIRFAX, VIRGINIA

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2015

Name of Cluster	Program Title	Federal Catalogue Number	Total by Program
Highway Safety Cluster	State and Community Highway Safety	20.600	13,988
	Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	96,548
	National Priority Safety Programs	20.616	21,254
Highway Safety Cluster Total			131,790
Special Education Cluster (IDEA)	Special Education_Grants to States	84.027	34,363,637
	Special Education_Preschool Grants	84.173	710,665
Special Education Cluster (IDEA) Total			35,074,302
School Improvement Grants Cluster	School Improvement Grants	84.377	87,740
School Improvement Grants Cluster Total			87,740
Aging Cluster	Special Programs for the Aging_Title III, Part B_Grants for Supportive Services and Senior Centers	93.044	653,041
	Special Programs for the Aging_Title III, Part C_Nutrition Services	93.045	944,931
	Nutrition Services Incentive Program	93.053	351,137
Aging Cluster Total			1,949,109
TANF Cluster	Temporary Assistance for Needy Families (TANF) State Programs	93.558	4,624,528
TANF Cluster Total			4,624,528
CCDF Cluster	Child Care and Development Block Grant	93.575	500,106
	Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	557,244
CCDF Cluster Total			1,057,350
Medicaid Cluster	Medical Assistance Program	93.778	10,353,946
Medicaid Cluster Total			10,353,946

COUNTY OF FAIRFAX, VIRGINIA

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2015

(5) Subrecipients

Of the federal expenditures presented in the schedule, the County provided federal awards to subrecipients as follows:

Program Title	Federal Catalogue Number	Amount Provided to Subrecipients	
Community Development Block Grant/Entitlement Grants	14.218	$	1,797,899
Continuum of Care Program	14.267	$	1,558,518
Adult Education-Basic Grants to States	84.002	$	906,245
Community Services Block Grant	93.569	$	411,454
Head Start	93.600	$	1,441,516
Homeland Security Grant Program	97.067	$	48,485

COUNTY OF FAIRFAX, VIRGINIA

Schedule of Findings and Questioned Costs

Year ended June 30, 2015

(1) Summary of Auditors' Results

Basic Financial Statements

A. Type of report issued on the financial statements: **Unmodified**

B. Internal control over financial reporting:

Significant deficiencies identified that are not considered a material weakness? **None**

Material weakness identified? **None**

C. Noncompliance material to financial statements noted? **None**

Federal Awards

D. Significant deficiencies in internal control over major programs noted? **Yes, finding 2015-001, 2015-003, 2015-004, 2015-006, 2015-007, 2015-009**

E. Material weaknesses in internal control over major programs noted? **Yes, finding 2015-002, 2015-005, 2015-008**

F. Type of report issued on compliance for each major program is as follows:

Major Program	CFDA Number(s)	Type of Report Issued
Child Nutrition Cluster	10.553, 10.555, 10.559	Unmodified
Special Supplemental Nutrition Program for Women, Infants and Children	10.557	Qualified
Supplemental Nutrition Assistance Program	10.561	Unmodified
Moving to Work Demonstration Program	14.881	Qualified
FHA-Insured Mortgage Revenue Bonds – Little River Glen	14.UNK	Unmodified
Transportation Infrastructure Finance and Innovation Act Program	20.223	Unmodified
Title I Grants to Local Educational Agencies	84.010	Unmodified
English Language Acquisition State Grants	84.365	Unmodified

COUNTY OF FAIRFAX, VIRGINIA

Schedule of Findings and Questioned Costs

Year ended June 30, 2015

Major Program	CFDA Number(s)	Type of Report Issued
Temporary Assistance for Needy Families	93.558	Unmodified
Foster Care – Title IV-E	93.658	Unmodified
Social Services Block Grant	93.667	Unmodified
Medical Assistance Program	93.778	Qualified
Staffing for Adequate Fire and Emergency Response	97.083	Unmodified
USAID Foreign Assistance for Programs Overseas	98.001	Unmodified

G. Any findings which are required to be reported under Section .510 of OMB Circular A-133? **Yes**

H. Major programs are as follows:

1. Child Nutrition Cluster (CFDA #10.553, 10.555, 10.559)
2. Special Supplemental Nutrition Program for Women, Infants and Children (CFDA #10.557)
3. Supplemental Nutrition Assistance Program (CFDA #10.561)
4. Moving to Work Demonstration Program (CFDA #14.881)
5. FHA-Insured Mortgage Revenue Bonds – Little River Glen (CFDA #14.UNK)
6. Transportation Infrastructure Finance and Innovation Act Program (CFDA #20.223)
7. Title I Grants to Local Educational Agencies (CFDA #84.010)
8. English Language Acquisition State Grants (CFDA #84.365)
9. Temporary Assistance for Needy Families (CFDA #93.558)
10. Foster Care – Title IV-E (CFDA #93.658)
11. Social Services Block Grant (CFDA #93.667)
12. Medical Assistance Program (CFDA #93.778)
13. Staffing for Adequate Fire and Emergency Response (CFDA #97.083)
14. USAID Foreign Assistance for Programs Overseas (CFDA #98.001)

I. Dollar threshold used to distinguish between Type A and Type B programs: **$3,000,000**

J. Auditee qualified as low-risk auditee? **No**

(2) Findings Related to the Financial Statements Reported in Accordance with *Government Auditing Standards*

None

(3) Findings and Questioned Costs for Federal Awards

Finding 2015-001 – Activities Allowed or Unallowed and Allowable Costs/Cost Principles

Major Program

Special Supplemental Nutrition Program for Women, Infants and Children (CFDA #10.557)

Federal Agency

U.S. Department of Agriculture

Pass-through Entity

Virginia Department of Health

Finding Related to ARRA

No

Criteria

The Special Supplemental Nutrition Program for Women, Infants and Children (WIC) as operated by Fairfax County (the County) receives a Nutrition Services and Administration (NSA) grant to cover administration expenditures incurred from operating the WIC program. Per the grant agreement, funds allocated for NSA must be used for the costs incurred by the State or local agency to provide participants with nutrition education, breastfeeding promotion and support, and referrals to other social and medical service providers; and to conduct participant certification, caseload management, food benefit delivery, vendor management, voter registration, and program management (42 USC 1786(h)(1)(C)(ii); 7 CFR sections 246.14(c) and (d)).

Office of Management and Budget (OMB) Circular No. A-102, *Grants and Cooperative Agreements with State and Local Governments,* requires that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

Per the WIC delegation of authority, the WIC Coordinator is required to approve transactions over $200.

Condition

The WIC program had total expenditures of approximately $3.5 million during fiscal year 2015, which included non-payroll expenditures of $195,512. We selected a sample of 40 non-payroll expenditures for testing that totaled $88,391. During our testing, we noted the following:

- For 1 of 40 sample items tested, the original purchase order (PO) was approved for 100 boxes of supplies at $140 per box for a total of $14,000; however, the PO was subsequently changed to 100 boxes at $146 per box for a total of $14,600 and there was no subsequent approval. We note that the total that was paid out was $14,600.
- For 2 of 40 sample items tested, there were no signatures on the p-card logs to indicate approval.

- For 5 of 40 sample items tested, we noted that the transactions were over $200 and were not approved by the proper authority.

Cause

WIC personnel were not following the established policies and procedures for approving non-payroll transactions and ensuring that cost were appropriate and allowable per the WIC guidelines.

Effect

Without effective internal controls in place, the County is not able to ensure that only allowable non-payroll transactions are charged to the WIC program. As such, there is an increased risk that the County will not be in compliance with the grant agreement.

Recommendation

We recommend that management reinforce the related policies and procedures for approving non-payroll transaction. In addition, management should consider developing and implementing a control to monitor WIC personnel responsible for approving non-payroll transactions to ensure they are reviewing the transactions and properly documenting their approval in a timely manner.

Related Noncompliance

None

Questioned Costs

None

Views of Responsible Officials

Policies and procedures related to approving non-payroll transactions have been reviewed and reinforced by management. A monitoring program is in place for non-payroll transactions which includes copies of approvals being attached to purchase orders and review of p-card logs to ensure they are signed by the appropriate supervisor. This has been reinforced during staff meetings with written instructions given to staff.

Finding 2015-002 – Reporting

Major Program

Special Supplemental Nutrition Program for Women, Infants and Children (CFDA #10.557)

Federal Agency

U.S. Department of Agriculture

Pass-through Entity

Virginia Department of Health

Finding Related to ARRA

No

Criteria

The County of Fairfax (the County) Health District's grant agreements (#409WIC2014 and #409WIC2015) with the Commonwealth of Virginia Department of Health, Office of Family Health Services requires the County to report on a quarterly basis how appropriated funds for the Special Supplemental Nutrition Program for Women, Infants and Children (WIC) were allocated among administration, client services, nutrition education, and breast feeding, which is done through the Time Motion Study Report.

Condition

In reviewing the Time Motion Study report that was generated for the second quarter of fiscal year 2015, we noted the following:

- The County only included two weeks of the time worked by employees on the program instead of including the time for the entire quarter. In addition, the County informed us that they also only included time for two weeks in the report for the first and third quarter of fiscal year 2015.
- The time and respective pay for seven employees who worked during the two weeks studied was not included in the report.

Cause

The County informed us that the process in place for completing the report was manual and required a lot of time and effort on the part of the employee responsible for generating the report and, consequently, the County only captured time for two weeks in the report. In addition, the County inadvertently excluded the time and respective pay for seven employees for the two weeks studied because of inaccurate formulas in the spreadsheet that was used to generate the report. The County also did not have an adequate review process in place to ensure the report was complete and accurate. However, we did note that the County implemented procedures to incorporate all applicable time into the fourth quarter report.

Effect

Without an effective process in place to ensure completeness and accuracy of the report, the County is not able to ensure that the Time Motion Study report is complete and accurate to comply with the terms of the grant agreement. Specifically, we noted that the allocation of time for administration, client services, nutrition education, and breast feeding, as presented in the report were inaccurate as the underlying data was missing the time for seven employees. The allocation of time also only represented two weeks rather than the entire quarter.

Recommendation

We recommend that the County:

1. Continue to create a report that incorporates the time for the entire quarter being studied, as they did in the fourth quarter of fiscal year 2015;

2. Ensures the appropriate resources needed to compile the necessary data for the entire quarter are made available so that the Time Motion Study report is complete;

3. Implement a review process of the Time Motion Study report that ensures the related data is complete, formulas used to compile the data are correct, and the allocation of time is accurate.

Related Noncompliance

Material noncompliance

Questioned Costs

None

Views of Responsible Officials

All WIC funded employees are completing a daily Time and Effort report by using a real-time electronic data collection process in accordance with Virginia Department of Health (VDH) time and effort reporting policy. This daily reporting system was implemented on April 1, 2015. This system is enabling WIC supervisors the ability to monitor and generate reports using the daily data. This process also allows preparation of reports specifically related to service targets (Client services, Administration, Nutrition Education and Breastfeeding) for WIC funded staff.

The daily reporting system ensures the County is now complying with the Time Motion Study reporting requirements in the grant agreement.

Finding 2015-003 – Activities Allowed or Unallowed and Allowable Costs/Cost Principles

Major Program

Moving to Work Demonstration Program (CFDA #14.881)

Federal Agency

U.S. Department of Housing and Urban Development

Pass-through Entity

None

Finding Related to ARRA

No

Criteria

Office of Management and Budget (OMB) Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, Attachment B states the following:

"(h) Support of salaries and wages. These standards regarding time distribution are in addition to the standards for payroll documentation.

(1) Charges to Federal awards for salaries and wages, whether treated as direct or indirect costs, will be based on payrolls documented in accordance with generally accepted practice of the governmental unit and approved by a responsible official(s) of the governmental unit.

(2) No further documentation is required for the salaries and wages of employees who work in a single indirect cost activity.

(3) Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi annually and will be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee.

(4) Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection (5) unless a statistical sampling system (see subsection (6)) or other substitute system has been approved by the cognizant Federal agency. Such documentary support will be required where employees work on:

(a) More than one Federal award,
(b) A Federal award and a non-Federal award,
(c) An indirect cost activity and a direct cost activity,
(d) Two or more indirect activities which are allocated using different allocation bases, or
(e) An unallowable activity and a direct or indirect cost activity.

(5) Personnel activity reports or equivalent documentation must meet the following standards:

(a) They must reflect an after-the-fact distribution of the actual activity of each employee,
(b) They must account for the total activity for which each employee is compensated,
(c) They must be prepared at least monthly and must coincide with one or more pay periods, and
(d) They must be signed by the employee."

Condition

In fiscal year (FY) 2015, the Moving to Work Demonstration (MTW) program incurred $5,490,456 in payroll and fringe benefits costs. During our testing of the allowable costs compliance requirement related to MTW program's payroll costs, we noted that from July 1, 2014 through the pay period ending on March 6, 2015, there was no process in place for a supervisor to review and approve total time charged to the grant for employees who were negative time reporters. For these salaried employees, review and approval of timesheets only occurred if there was an exception to their regular hours (for example, if leave was taken). Specifically, of the 40 payroll transactions selected for testing totaling $113,170, we noted that 4 were negative time reporters and charged time to the program prior to March 7, 2015, and did not have documentation to support that their time was accurately charged to the program in accordance with OMB Circular A-87.

For the pay period beginning March 7, 2015, management implemented a process that required supervisors to review and approve all time charged to the MTW program each pay period for employees who were negative reporters. We tested seven payroll transactions for employees who were previously negative reporters and charged time to the program on or after March 7, 2015, and noted that the timesheets were properly approved by an appropriate supervisor for each transaction.

Cause

FCRHA was not able to obtain approval from their cognizant agency for the cost allocation model previously used to charge time to federal programs, nor did they have policies and procedures in place to perform a comparison of the estimated allocated costs to the actual costs incurred as required by OMB Circular A-87. However, FCRHA subsequently implemented a revised time approval process within the payroll system in fiscal year 2015 as discussed above.

Effect

Without proper controls in place over approval of timesheets, there is an increased risk that unallowable payroll costs could be incorrectly charged to the MTW program.

Recommendation

We recommend that management continue to follow the updated process that requires supervisors to review all employees' time charged to the MTW program each pay period.

Related Noncompliance

Noncompliance

Questioned Costs

Due to the nature of the control deficiencies identified above, questioned costs are not able to be determined.

Views of Responsible Officials

Given that no response has been received from HUD regarding the cost allocation methodology, FCRHA staff developed a process by which staff working in multiple programs coded the actual time worked in specific programs and supervisors approve each time entry. This process is formally documented in a new policy and procedure that was shared with the external auditors during the FY 2015 Single Audit. The new process, which includes annual training for all affected staff, was implemented in March 2015 and will continue to govern the time entry process for impacted employees.

Finding 2015-004 – Procurement and Suspension and Debarment

Major Program

Moving to Work Demonstration Program (CFDA #14.881)

Federal Agency

U.S. Department of Housing and Urban Development

Pass-through Entity

None

Finding Related to ARRA

No

Criteria

Non-Federal entities are prohibited from contracting with or making subawards under covered transactions to parties that are suspended or debarred. "Covered transactions" include those procurement contracts for goods and services awarded under a nonprocurement transaction (e.g., grant or cooperative agreement) that are expected to equal or exceed $25,000 or meet certain other criteria as specified in 2 CFR section 180.220.

The other criteria specified in 2 CFR section 180.220 are as follows:

(a) Covered transactions under this part—

(1) Do not include any procurement contracts awarded directly by a Federal agency; but

(2) Do include some procurement contracts awarded by non-Federal participants in nonprocurement covered transactions.

(b) Specifically, a contract for goods or services is a covered transaction if any of the following applies:

(1) The contract is awarded by a participant in a nonprocurement transaction that is covered under § 180.210, and the amount of the contract is expected to equal or exceed $25,000.

(2) The contract requires the consent of an official of a Federal agency. In that case, the contract, regardless of the amount, always is a covered transaction, and it does not matter who awarded it. For example, it could be a subcontract awarded by a contractor at a tier below a non-procurement transaction, as shown in the appendix to this part.

(3) The contract is for Federally-required audit services.

(c) A subcontract also is a covered transaction if,—

(1) It is awarded by a participant in a procurement transaction under a non-procurement transaction of a Federal agency that extends the coverage of paragraph (b)(1) of this section to additional tiers of contracts (see the diagram in the appendix to this part showing that optional lower tier coverage); and

(2) The value of the subcontract is expected to equal or exceed $25,000.

Condition

In fiscal year 2015, the Fairfax County Redevelopment Housing Authority (FCRHA) incurred $5,490,456 in non-payroll expenditures related to the Moving to Work Demonstration (MTW) program. During our testing over a sample of 25 non-payroll transactions totaling $1,071,970, we identified the following exceptions with respect to suspension and debarment requirements for the MTW program:

- For 7 of the 25 expenditures selected for testing totaling $46,418, there was no suspension and debarment check performed by FCRHA prior to approving the purchase order. These purchases were all made within the Public Housing Fund. We were able to independently verify that these vendors were not suspended or debarred.

- For 2 of the 25 expenditures selected for testing totaling $60,954, we noted that the supporting documentation of the SAM check provided by management evidenced a search attempt for the vendor but not evidence as to whether or not the vendor was suspended or debarred. The SAM check documentation we reviewed indicated the vendor was unable to be found in the system. However, when we performed an independent checks of the vendor on SAM, we were able to find the vendor listed.

Cause

FCRHA procedures for suspension and debarment checks within FCRHA differed depending on whether non-payroll purchases were made within the Public Housing Fund or the Capital Fund Program. As a result, FCRHA did not consistently perform a search for the vendor on SAM prior to purchases being initiated or retain the documentation when those checks are performed because they improperly excluded Public Housing from the universe of federal grant programs subject to federal suspension and debarment requirements. As a result, there was no supporting documentation to substantiate the SAM checks for non-payroll purchases made from the Public Housing fund.

Effect

Without effective controls over the procurement of vendors, there is an increased risk that FRCHA may enter into covered transactions with vendors that are suspended or debarred.

Recommendation

We recommend that FCRHA management:

1. Revise the current policy on suspension and debarment check to require that a SAM check be performed and documented within the contract file for all Moving to Work vendors.

2. Provide training to all applicable individuals to ensure they are performing the SAM checks in a manner that will properly determine whether or not a vendor is suspended or debarred prior to purchases being initiated.

Related Noncompliance

Noncompliance

Questioned Costs

None

Views of Responsible Officials

The FCRHA Financial Management Division has written formal policies and procedures which will now require that all vendors who are anticipated to potentially receive payments exceeding $25,000 (whether or not initially intended to use federal funds) be verified in the SAM system at the time of contract as well as annually. In addition, contracts awarded through the Department of Purchasing and Supply Management (DPSM) will be notified if federal dollars will be used in the procurement of those specific contracts and they will initiate a search prior to the award of the contract.

In the second condition cited, it was noted that in the case of 2 sample items, evidence indicated a search was completed, but there were no results reported in SAM for those vendors. Subsequently, a search by the audit team produced a result which determined the vendors were not debarred. As part of our staff training and enhanced procedures, we will conduct a more advanced search in SAM in the future, should results not come back using the vendor's name.

We concur that this process will be better served through additional training and documentation, and have already completed documenting the process and further training staff where needed. We will continue to work closely with DPSM and the Department of Finance (DOF) to make sure all contracts using federal dollars are properly identified and ensure we are kept abreast of any new requirements.

COUNTY OF FAIRFAX, VIRGINIA

Schedule of Findings and Questioned Costs

Year ended June 30, 2015

Finding 2015-005 – Special Tests and Provisions – Housing Quality Standards

Major Program

Moving to Work Demonstration Program (CFDA #14.881)

Federal Agency

U.S. Department of Housing and Urban Development

Pass-through Entity

None

Finding Related to ARRA

No

Criteria

29 CFR section 982.404(a)(3) requires that a Public Housing Authority (PHA) "must not make any housing assistance payments for a dwelling unit that fails to meet the [Housing Quality Standards (HQS)], unless the owner corrects the defect within the period specified by the PHA and the PHA verifies the correction. If a defect is life threatening, the owner must correct the defect within no more than 24 hours. For other defects, the owner must correct the defect within no more than 30 calendar days (or any PHA-approved extension.)"

According to the Fairfax County Redevelopment Housing Authority's (FCRHA) Housing Choice Voucher Administrative Plan, 8-II.F. *Inspection Results and Reinspections for Units Under HAP Contract*: "When failures that are not life-threatening are identified, the FCRHA will send the owner and the family a written notification of the inspection results within 5 business days of the inspection. The written notice will specify who is responsible for correcting the violation, and the time frame within which the failure must be corrected. Generally not more than 30 days will be allowed for the correction."

Condition

FCRHA had $48,140,529 in Housing Assistance Payment (HAP) expenditures for the Moving to Work Demonstration (MTW) program during fiscal year (FY) 2015. During our testing over a sample of 40 tenants representing $96,071 in monthly HAP payments, we identified the following exceptions:

- For 2 of the 40 MTW tenants selected for testing, we noted that a HQS inspection was not performed during FY 2015 or documentation supporting that an inspection had occurred in FY 2015 could not be provided. Based on our inspection of the tenants' resident subsidy schedule for all months in FY 2015, we noted that FCRHA made HAPs to the landlords of these two tenants in the amount of $2,506 prior to determining that the unit had successfully passed HQS inspections within 365 days of their last recertification.

- For 4 of the 40 MTW tenants selected for testing, we noted that a HQS inspection had failed and a follow up inspection was not performed within 30 days. Based on our inspection of the resident subsidy schedule for the months immediately following the failure, FCRHA made HAPs to the landlords of these four tenants in the amount of $7,226 prior to re-inspection and determining the respective unit had passed HQS.

Cause

FCRHA's supervisors review participant's file to ensure that failed inspections were re-inspected in a timely manner and signs off on the Resident Subsidy Schedule to note their review. However, this review was not performed consistently by supervisors during fiscal year 2015. Furthermore, management did not have adequate controls in place to ensure that payments to landlords were withheld if no inspection or re-inspection took place during the fiscal year.

In addition, FCRHA informed us that an informal inspection policy was in place that allowed for the follow-up on failed inspections to be performed within 45 days, rather than the HUD-required 30 days, to allow 15 days for the notification letter to reach the landlord. However, this policy was not formally documented. We noted that 1 of the 4 units that was not re-inspected within the HUD-required timeframe was re-inspected within the FCRHA undocumented policy of 45 days. The 3 remaining units were followed up between 49 and 63 days after the initial inspection.

Effect

Inadequate policies in place to ensure that housing re-inspections are completed timely, and failure to monitor the completion of the annual housing inspections resulted in the FCRHA making payments of $9,732 to landlords of units that were not reinspected within the required timeframe.

Recommendation

We recommend that FCRHA management:

1. Provide additional training to supervisors to ensure they are consistently performing reviews of participants' file to verify that inspections are performed in a timely manner.

2. Formally document the policy to evidence the FCRHA's extension of the 30 calendar day re-inspection for failed units to 45 days, and obtain HUD approval of such a policy; or modify the current practice to be compliant with HUD requirements.

3. Enhance department-wide policies and procedures to specifically require that payments be withheld for all landlords that have not passed an annual recertification, and implement a control that would prevent payments from being made to such landlords.

Related Noncompliance

Material noncompliance

Questioned Costs

Known: $9,732

Views of Responsible Officials

The following represents management's response to the finding:

1. FCRHA management staff will continue to monitor supervisory performance and review and update procedures upon identified deficiencies. Appropriate staff will receive training updated procedures for the re-inspections of units that previously failed inspections.

2. FCRHA will ensure that landlords are informed that any failed items as a result of an HQS inspection must be corrected within 30 days. However, as a point of clarification, there may be instances when the unit cannot be *re-inspected* within 30 days due to the actual time the repairs are made. For instance, if the landlord makes the repairs on the 29th or 30th day, it will not be feasible for the actual re-inspection to occur within that 30 day period. The inspector's procedure is to conduct the re-inspection as soon as reasonably possible *after* they have been informed by the landlord that the repairs have been made. It will be clarified in the policy that the corrections must be made and FCRHA notified of the repairs by the landlord within 30 days as required by HUD. However, the re-inspection will occur as soon as possible after receiving said notification from the landlord or tenant, but no later than 5 business days after the 30 day correction period. FCRHA will update internal policies and procedures to reflect this, and will request approval from HUD.

3. FCRHA will further enhance its policies and procedures to ensure all units obtain annual HQS inspections and withhold payments to landlords for failed items that are the responsibility of the landlord. These procedures will inherently be enhanced as FCRHA continues to monitor and modify the entire HQS inspection process.

Finding 2015-006 – Special Tests and Provisions – Highly Qualified Teachers

Major Program

Title I Grants to Local Educational Agencies (CFDA #84.010)

Federal Agency

U.S. Department of Education

Pass-through Entity

Virginia Department of Education

Finding Related to ARRA

No

Criteria

Per 34 CFR 200, § 200.56, Definition of ''highly qualified teacher'':

"A teacher described in § 200.55(a) and (b)(1) is a ''highly qualified teacher'' if the teacher meets the requirements in paragraph (a) and paragraph (b), (c), or (d) of this section.

(a) *In general.* (1) Except as provided in paragraph (a)(3) of this section, a teacher covered under § 200.55 must—

(i) Have obtained full State certification as a teacher, which may include certification obtained through alternative routes to certification; or

(ii)(A) Have passed the State teacher licensing examination; and

(B) Hold a license to teach in the State.

(2) A teacher meets the requirement in paragraph (a)(1) of this section if the teacher—

(i) Has fulfilled the State's certification and licensure requirements applicable to the years of experience the teacher possesses; or

(ii) Is participating in an alternative route to certification program under which—

(A) The teacher—

(*1*) Receives high-quality professional development that is sustained, intensive, and classroom-focused in order to have a positive and lasting impact on classroom instruction, before and while teaching;

(*2*) Participates in a program of intensive supervision that consists of structured guidance and regular ongoing support for teachers or a teacher mentoring program;

(*3*) Assumes functions as a teacher only for a specified period of time not to exceed three years; and

(*4*) Demonstrates satisfactory progress toward full certification as prescribed by the State; and

(B) The State ensures, through its certification and licensure process, that the provisions in paragraph (a)(2)(ii) of this section are met."

Per 34 CFR 200.57, Plans to increase teacher quality:

"(a) *State plan.* (1) A State that receives funds under subpart A of this part must develop, as part of its State plan under section 1111 of the ESEA, a plan to ensure that all public elementary and secondary school teachers in the State who teach core academic subjects are highly qualified not later than the end of the 2005–2006 school year.

(2) The State's plan must—

(i) Establish annual measurable objectives for each LEA and school that include, at a minimum, an annual increase in the percentage of—

(A) Highly qualified teachers at each LEA and school; and

(B) Teachers who are receiving highquality professional development to enable them to become highly qualified and effective classroom teachers;

(ii) Describe the strategies the State will use to—

(A) Help LEAs and schools meet the requirements in paragraph (a)(1) of this section; and

(B) Monitor the progress of LEAs and schools in meeting these requirements; and

(iii) Until the SEA fully complies with paragraph (a)(1) of this section, describe the specific steps the SEA will take to—

(A) Ensure that Title I schools provide instruction by highly qualified teachers, including steps that the SEA will take to ensure that minority children and children from low-income families are not taught at higher rates than other children by inexperienced, unqualified, or out-of-field teachers; and

(B) Evaluate and publicly report the progress of the SEA with respect to these steps."

Condition

In fiscal year 2015, Fairfax County Public Schools' (FCPS) hiring specialists did not consistently perform and document their review of the qualifications of teachers and paraprofessionals hired to work in Title I, Part A school-wide program schools to ensure they met the definition of a highly qualified teacher. We did not note any exceptions with respect to compliance with the highly qualified teacher requirements during our testwork over a sample of 40 teachers and paraprofessionals.

Cause

As part of FCPS' onboarding process, hiring specialists review the qualifications of teachers and paraprofessionals hired to work in Title I, Part A funds to verify that they meet the "highly qualified" standards. FCPS implemented a new web-based on-boarding system, Kenexa, in fiscal year 2015, which replaced their paper-based system. In the paper-based system, the hiring specialist documented their review of the teachers' and paraprofessionals' qualifications through their sign-off on the New Hire Authorization Form. Although FCPS' onboarding process within Kenexa in fiscal year 2015 continued to include a verification of the new hires' qualifications by their hiring specialists, their review was not consistently documented. Per discussion with management, the process was modified in June of 2015 to require the hiring specialists to document their review.

Effect

Without effective controls over the hiring of new teachers and paraprofessionals, there is an increased risk of FCPS hiring teachers and paraprofessionals who are not highly qualified to work in Title I, Part A schoolwide program schools.

Recommendation

We recommend that FCPS continue to follow the process implemented in June 2015 that requires the hiring specialist to document their review of the qualifications of teachers and paraprofessionals.

Related Noncompliance

None

Questioned Costs

None

Views of Responsible Officials

To fully comply with the provisions of the Elementary and Secondary Education Act of 2001, Section 1119, Fairfax County Public Schools (FCPS) submits the following evidence.

A. Process for ensuring all core content teachers in Title I school wide schools are highly qualified-

FCPS diligently works to maintain a rigorous process for ensuring a highly qualified teaching workforce. The Depaltment of Human Resources maintains a trained licensure team led by a certification specialist and three business operations assistants who assist approximately 2,800 teachers in Title I schoolwide schools. The team works to maintain compliance with VDOE and Title I, Part A requirements pertaining to highly qualified teachers by:

- Confirming during the recruitment and hiring processes possession of or eligibility to obtain a Virginia teaching license;
- Requiring a valid Virginia license by April 1 of each school year and automatically initiating a contract non-renewal or employment dismissal process if this deadline is not met
- Using a database application to track all teacher licensure to ensure no teacher is overlooked in highly qualified monitoring;
- Assisting teachers in the submittal of licensure and "add endorsement" applications;
- Verifying college course content to reduce risk that the content will not meet VDOE standards;
- Monitoring and reminding teachers of deadlines via email and with official letters from the assistant superintendent of the Department of Human Resources;
- Providing administrators with licensure status reports for the teachers assigned to their buildings; and
- Providing reports and information to teachers and administrators identifying situations where teachers are not "teaching in field" based on their position and/or teaching activity assignment.

Further, the Instructional Services Department maintains a team devoted to Title I, Part A grant management and programmatic support led by a coordinator and manager, a grant specialist, and an administrative assistant who assist administrators in thirty-nine (39) Title I schoolwide schools. This team works with the school administrators to maintain compliance with all VDOE and Title I, Part A requirements pertaining to highly qualified teachers by:

- Collecting annually from each principal a written attestation of compliance with highly qualified provisions;
- Reviewing and providing feedback annually on administrators' descriptions within their schoolwide program components (Section 1114 (b)(1)) of their efforts to ensure instruction by and retention of highly qualified staff (C) and of their efforts to attract highly qualified candidates (E);
- Providing administrators with a model letter and translations of the "A Parent's Right to Know" parental notification required under Section 1111 (h) and collecting documentation of annual distribution of this notification; and
- Coordinating with the Department of Human Resources substitute employment team to ensure administrators are aware of the highly qualified status of long-term substitute candidates and that a "not-highly qualified" parental notification is sent to impacted parents in any case when a substitute teacher is assigned for four or more consecutive weeks to a position for which he/she is not highly qualified, as required under Section 1111 (h).

B. Process for ensuring all paraprofessionals in Title I schoolwide schools are highly qualified-

FCPS diligently works to maintain a rigorous process for ensuring a highly qualified paraprofessional workforce. The Department of Human Resources maintains a trained instructional employment team led by a coordinator, four elementary employment specialists, and four business operations assistants who assist approximately 650 paraprofessionals. The team works to maintain compliance with VDOE and Title I, Part A requirements pertaining to highly qualified paraprofessionals by:

- Confirming during the hiring process that highly qualified paraprofessional criteria have been met according to Section 1119(c);
- Monitoring placement of paraprofessionals whose positions in non-Title I schools are eliminated as a result of budget or staffing reductions to ensure that only any such paraprofessionals who meet highly qualified criteria are placed into a Title I schoolwide school.

In November 2012, the VDOE Title I coordinator contacted FCPS Instructional Services Title I staff expressing concern about less than full compliance with highly qualified paraprofessional requirements in Title I schoolwide schools and requesting a plan be developed to address this concern. In January 2013, the VDOE Title I coordinator approved a two-year FCPS plan designed to reach 100% highly qualified paraprofessional status for Title I schoolwide schools by spring 2015. Through implementation of this plan over the past two years, FCPS has taken all necessary actions to verify 100% highly qualified paraprofessional status as of June 19, 2015. In successfully implementing this two-year plan, Instructional Services Department Title I staff collaborated with employment and licensure staff from the Department of Human Resources as well as special education instruction staff from the Department of Special Services to carry out the following corrective measures and supports:

- Providing timely communication in spring 2013 to paraprofessionals whose records did not show highly qualified status informing them of highly qualified requirements and notifying them that if they did not demonstrate highly qualified status by April 2015 they would be removed from assignment within a Title I schoolwide school;
- Providing information sessions and individual consultations for paraprofessionals on routes to become highly qualified;
- Offering courses, tutoring, and resources to prepare paraprofessionals for success with the Educational Testing Service (ETS) *ParaPro* assessment, providing assessment fee reimbursement for those with passing scores, and scheduling online *ParaPro* test administration sessions at times and locations convenient to the paraprofessionals;
- Organizing a Northern Virginia Community College associate degree cohort for paraprofessionals wishing to meet highly qualified requirements through a degree option;
- Designing a local highly qualified assessment plan approved by the School Board and authorized by VDOE in February 2015 to offer more robust accommodations for paraprofessionals when the *ParaPro* assessment shifted to an on line only option and providing a professional development course and tutoring opportunities to paraprofessionals who needed to meet highly qualified criteria;
- Coordinating and communicating with principals, division leadership, and paraprofessionals in schools seeking to begin Title I schoolwide models to ensure the highly qualified requirement could be fully met before the school entered schoolwide status as of July 2015;
- Maintaining regular communication among principals, Department of Human Resources staff, and Instructional Services Department Title I staff to maintain current and accurate records of paraprofessionals' highly qualified status; and
- Monitoring and reminding paraprofessionals and principals of deadlines.

Due to the implementation of a new web-based on boarding system in fiscal year 2015, documentation of the hiring specialist review of highly qualified teachers and paraprofessionals was not available. In June 2015, FCPS implemented a process to document the hiring specialist review of the qualified teachers and paraprofessionals.

Finding 2015-007 – Eligibility

Major Program

Temporary Assistance for Needy Families (CFDA #93.558)

Federal Agency

U.S. Department of Health and Human Services

Pass-through Entity

Virginia Department of Social Services

Finding Related to ARRA

No

Criteria

According to the *TANF Manual, Section 401.3, RENEWAL OF ELIGIBILITY*, "Eligibility for TANF recipients must be redetermined on all eligibility factors subject to change at least every 12 months, unless a shorter renewal period is required by SNAP."

According to the *TANF Manual, Section 901.2, EXEMPTION CRITERIA, page 2, paragraph D*, "an applicant/recipient of TANF or TANF-UP must participate in the VIEW Program unless the individual meets the following exemption criteria:

"Individuals unable to participate because of a temporary medical condition that prevents entry into at least 20 hours per week of employment and training activities, as determined by a medical professional. For these individuals, use Exemption Code V5 – Exempt, Temporary Medical Condition, on the ESP/VIEW/FSET (AEGNFS) screen. (Note: Pregnancy does not exempt an individual from participation. However, complications of pregnancy, as diagnosed by a medical professional, may result in a medical exemption).

According to the *TANF Manual, Section 201.1, Immunizations, page 3, "TANF GRANT REDUCTION* – The worker must reduce the TANF grant for failure to comply with the immunization requirement. However, the worker must first identify and remove any barriers to accessing immunizations over which the agency has control before imposing a penalty.

Failure to comply with the immunization requirement shall result in a reduction of the monthly TANF amount by:

a. Fifty dollars for one child who fails to meet the immunization requirement; and
b. Twenty-five dollars for each additional child who fails to meet with immunization requirement.
c. The worker must impose this reduction until the caretaker/-relative provides verification to the local department of social services that the child is in compliance with the immunization requirement. Upon receipt of verification that a child has received all required verifications, the worker must take action to end the grant reduction by the month following the month in which the verification was received, if administratively possible."

Condition

During our testing over compliance with the applicable eligibility requirements for fiscal year 2015, we noted that the County of Fairfax (the County) was not in full compliance with the requirements of the TANF program. Specifically, we noted the following:

- For 2 of the 65 beneficiaries selected for testing, we noted that the beneficiaries' eligibility was not redetermined within 12 months of the last redetermination. Specifically, both redeterminations were completed 2 months late.

- For 1 of the 65 beneficiaries selected for testing, the TANF beneficiary was not enrolled in the Virginia Initiative for Employment not Welfare (VIEW) program as required. However, the beneficiary continued to receive benefits totaling $902 during the period March 2015 through April 2015 even though the beneficiary was ineligible.

- For 1 of the 65 beneficiaries selected for testing, management was unable to provide documentation to support that a child included within the assistance unit for which benefits were requested received the immunizations required by the Code of Virginia. As a result, we concluded that the beneficiary was ineligible to receive full benefits during fiscal year 2015. However, we noted that the County made full monthly payments to the beneficiary for 8 months instead of reducing the benefits by the required $50.

Additionally, we obtained a detailed listing of all cases with overdue redeterminations as of June 30, 2015. We noted there were a total of 63 cases with overdue redeterminations that on average, were 12 days past due. This represented approximately 6 percent of total cases.

Cause

We noted that program management did not adhere to their policies and procedures for completing redeterminations in a timely manner. Further, DFS management did not maintain adequate supporting documentation as there was a lack of resources to re-review the determinations and ensure that the case files were complete before continuing benefit payments.

Effect

Without adequate processes and internal controls in place to ensure compliance with the eligibility requirements, there is an increased risk that ineligible individuals will receive TANF funds or benefits erroneously. Furthermore, the County was not in compliance with the eligibility requirements for the TANF program during fiscal year 2015.

Recommendation

We recommend that the County evaluate DFS' current staffing and ensure that adequate resources are available to complete required redeterminations in a timely manner. In addition, the County should provide training and guidance to DFS staff to reinforce the importance of maintaining documentation needed to support redeterminations.

Related Noncompliance

Noncompliance

Questioned Costs

None, because the benefits are paid by the Commonwealth of Virginia.

Views of Responsible Officials

Management recognizes the importance of completing renewals timely and the importance of proper documentation in our case files. In 2015, we designated one manager, an additional supervisor and six additional caseworkers to manage the work associated with the work of the TANF caseload. This will result in improvements in the area of both quality and timeliness. In addition, a Quality Assurance Team was formed to review the current processes and implement improvements to those processes within the TANF units.

The four adverse conditions - increase in applications, inadequate IT support, defective technology and inadequate training, that impacted us in 2014 still exist in 2015. However, as the IT systems evolve, staff is becoming increasing proficient in its use. We have also received additional caseworker positions from the County, which we are using to assist with the continuous increase in workload. Our focus is now on completing both the new applications and the renewals in a timely manner. At the same time, understanding that as the workload continues to increase, our staffing levels may still not be adequate to complete all work in a timely and correct manner. As soon as we are able to fill and train the additional positions granted to us in FY2016, the Department will assign these to the various units to narrow the staff deficit gap that exists today and to continue to make sustained gains in performance. With over 95 TANF renewals to be completed each month, along with the other work associated with ongoing case management, it would not be possible for two supervisors to "re-review the determinations and ensure that the case files were complete before continuing benefit payments" as suggested in the Causal factors. It should be noted that TANF cases are also usually accompanied by a companion Medicaid and SNAP case. All these programs require oversight by the supervisor. In addition to hiring and training new positions granted in FY2016, we are looking at options for more positions in FY2017 to address the staff deficit gap as caseloads continue to increase.

Finding 2015-008 – Eligibility

Major Program

Medical Assistance Program (CFDA #93.778)

Federal Agency

U.S. Department of Health and Human Services

Pass-through Entity

Virginia Department of Social Services

Finding Related to ARRA

No

Criteria

According to 42 CFR § 435.916, *Periodic Renewal of Medicaid eligibility, paragraph (b):*

"Redetermination of individuals whose Medicaid eligibility is determined on a basis other than modified adjusted gross income. The agency must redetermine the eligibility of Medicaid beneficiaries excepted from modified adjusted gross income under § 435.603(j) of this part, for circumstances that may change, at least every 12 months. The agency must make a redetermination of eligibility in accordance with the provisions of paragraph (a)(2) of this section, if sufficient information is available to do so. The agency may adopt the procedures described at § 435.916(a) (3) for individuals whose eligibility cannot be renewed in accordance with paragraph (a)(2) of this section.

a. The agency may consider blindness as continuing until the reviewing physician under §435.531 of this part determines that a beneficiary's vision has improved beyond the definition of blindness contained in the plan; and

b. The agency may consider a disability as continuing until the review team, under §435.541 of this part, determines that a beneficiary's disability no longer meets the definition of disability contained in the plan."

Condition

During our testing over compliance with the applicable eligibility requirements for fiscal year 2015, we noted that Fairfax County's (the County) Medical Assistance Program was not in full compliance with the requirement that eligibility must be redetermined/renewed every 12 months. Specifically, we noted the following:

- For 7 of the 65 beneficiaries selected for testing, the redetermination of eligibility occurred more than 12 months after the last redetermination.

- For 1 of the 65 beneficiaries selected for testing, DFS was unable to provide documentation to support that the current year redetermination of eligibility occurred within 12 months of the last redetermination.

- For 2 of the 65 beneficiaries tested, we noted that a redetermination of the beneficiary's eligibility was past due and was not completed as of June 30, 2015.

Cause

Program management informed us that the Department of Family Services (DFS) has been understaffed and unable to comply with the redetermination/renewal requirements as outlined in 42 CFR section 435.916 and the Medicaid Manual M0220 since the healthcare reform. In addition, we noted that program management did not adhere to their policies and procedures for completing redeterminations in a timely manner, as they made the decision to focus their resources and efforts on the initial intake of new beneficiaries rather than redeterminations for older cases. Further, DFS management did not maintain adequate supporting documentation as there was a lack of resources to re-review the determinations and ensure that the case file were complete before continuing benefit payments.

Effect

Without adequate processes and internal controls in place to ensure compliance with the eligibility requirements, there is an increased risk that ineligible individuals will receive Medicaid funds. Further, the County was not in compliance with eligibility requirements during fiscal year 2015.

Recommendation

We recommend that the County evaluate DFS' current staffing and ensure that adequate resources are available to complete required redeterminations in a timely manner. In addition, the County should provide training and guidance to DFS staff to reinforce the importance of maintaining documentation needed to support redeterminations.

Related Noncompliance

Material noncompliance

Questioned Costs

None, because the benefits are paid by the Commonwealth of Virginia.

Views of Responsible Officials

Management recognizes the importance of completing renewals timely and the importance of proper documentation in our case files. Although the Virginia Department of Social Services (VDSS) Medicaid Manual indicates all renewals must be completed within 12 months, we have been striving to follow the VDSS Performance Indicator for Medicaid Renewals, which is 97% for each locality, even though we have been understaffed for many years. We are making every effort to meet their standards as well as the 100% completion rate set by the federal government. The VDSS recognizes that most localities in the Commonwealth of Virginia have a backlog of overdue Medicaid redeterminations (51,000 statewide) and is providing additional funding to pay overtime costs associated with bringing this work up to date. It should be noted that in June 2014, 79% of our redeterminations were completed timely. In July 2015, 96.31% have been completed timely. In addition, a Quality Assurance Team was formed to review the current redetermination processes and implement improvements to those processes within the case management units.

The four adverse conditions – increase in applications, inadequate IT support, defective technology and inadequate training, that impacted us in 2014 still exist in 2015. However, as the IT systems evolve, staff is becoming increasingly proficient in its use. We have now received additional caseworker positions from the County, which we are using to assist with the continuous increase in workload. Our focus is now on initial and remedial training to new/existing staff and in completing both the new applications and the renewals in a timely manner. As soon as we are able to fill and train the additional positions granted to us in FY2016, the Department will assign these to the various units to narrow the staff deficit gap that exists today and to continue to make sustained gains in performance. At the same time, understanding that as the workload continues to increase our staffing levels may not be adequate to complete all work in a timely and correct manner. With an average of 4100 Medicaid redeterminations to be completed each month, along with the other work associated with ongoing case management, it would not be possible for the fifteen supervisors assigned to this work to "re-review the determinations and ensure that the case files were complete before continuing benefit payments" as suggested in the Causal factors. It should be noted that Medicaid cases are often accompanied by a companion SNAP case. All of these programs require oversight by the supervisor. In addition to hiring and training new positions granted in FY2016, we are looking at options for more positions in FY2017 to address the staff deficit gap as caseloads continue to increase.

Finding 2015-009 – Procurement and Suspension and Debarment

Major Program

USAID Foreign Assistance for Programs Overseas (CFDA #98.001)

Federal Agency

U.S. Agency for International Development

Pass-through Entity

None

Finding Related to ARRA

No

Criteria

The A-102 Common Rule requires that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

Per 2 CFR section 180.300, when a non-federal entity enters into a covered transaction with an entity at a lower tier, the non-federal entity must verify that the entity and its principals, as defined in 2 CFR section 180.995 and agency adopting regulations, are not suspended or debarred or otherwise excluded from participating in the transaction. This verification may be accomplished by (1) checking the Excluded Parties List System (EPLS) maintained by the General Services Administration (GSA) (Note: EPLS is no longer a separate system; however, the OMB guidance and agency implementing regulations still refer to it as EPLS) and available at https://www.sam.gov/portal/public/SAM/, (2) collecting a certification from the entity, or (3) adding a clause or condition to the covered transaction with that entity.

Condition

During our testing over compliance with the procurement and suspension and debarment requirements, we tested a sample of 3 vendors that had expenditures totaling $163,781 in fiscal year 2015. Total procurement expenditures for the program in fiscal year 2015 were $813,559. For two of the three vendors tested, management was unable to provide support that they verified the vendor was not suspended or debarred prior to entering into the covered transaction. Total expenditures for the two sample items totaled $30,912.

Cause

Fairfax County Fire and Rescue Department (FRD) did not maintain adequate documentation to support adherence with existing internal controls in place over the suspension and debarment requirements. In addition, FRD did not have an internal control in place to ensure that vendor verifications were properly completed and documented.

Effect

Without adequate controls over the suspension and debarment compliance requirements, there is an increased risk that FRD may enter into covered transactions with vendors that are suspended or debarred. However, we were ultimately able to verify that neither of the two aforementioned vendors were suspended or debarred.

Recommendations

We recommend that FRD management adhere to its existing control policies and procedures by verifying that vendors are not suspended or debarred prior to entering into a secured transaction, and maintaining adequate documentation to support that the verification was performed. In addition, FRD management should periodically review vendor files to ensure that vendor verifications related to suspension and debarment are properly completed and documented.

Related Noncompliance

Noncompliance

Questioned Costs

None

Views of Responsible Officials

The FRD Purchasing & Accounts Payable section acknowledges its responsibility to ensure that the policy standards set forth in Financial Policy Statement (FPS) 700- "Grants or Cooperative Agreements," are satisfactorily maintained. Given the section's inability to provide adequate support documentation for two of the three test charges evaluated during the procurement audit, the purchasing section manager will address the procedural deficiency by providing new instruction and training to all staff that are responsible for initiating any procurement document. By supplementing the administrative policy with an instructional guide to provide role clarity and increase policy awareness, the responsible parties anticipate adequate compliance henceforth.

Finding Number	**2015-MTW-01**
Prior Year Finding Number	**2014-MTW-02**
Federal Program	**Moving to Work (CFDA #14.881)**
Federal Award # and Year	**VA39P01950113 (9/9/13 – 9/8/15)**
Federal Agency	**U.S. Department of Housing and Urban Development (HUD)**
County Department	**Fairfax County Redevelopment and Housing Authority (FCRHA)**
Compliance Requirement	**Activities Allowed or Unallowed and Allowable Costs/Cost Principles**
Finding Related to ARRA	**No**

Criteria

Office of Management and Budget (OMB) Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, Attachment B states the following:

"(h) Support of salaries and wages. These standards regarding time distribution are in addition to the standards for payroll documentation.

(1) Charges to Federal awards for salaries and wages, whether treated as direct or indirect costs, will be based on payrolls documented in accordance with generally accepted practice of the governmental unit and approved by a responsible official(s) of the governmental unit.

(2) No further documentation is required for the salaries and wages of employees who work in a single indirect cost activity.

(3) Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first-hand knowledge of the work performed by the employee.

(4) Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection (5) unless a statistical sampling system (see subsection (6)) or other substitute system has been approved by the cognizant Federal agency. Such documentary support will be required where employees work on:

(a) More than one Federal award,
(b) A Federal award and a non-Federal award,
(c) An indirect cost activity and a direct cost activity,
(d) Two or more indirect activities which are allocated using different allocation bases, or
(e) An unallowable activity and a direct or indirect cost activity.

(5) Personnel activity reports or equivalent documentation must meet the following standards:

(a) They must reflect an after-the-fact distribution of the actual activity of each employee,
(b) They must account for the total activity for which each employee is compensated,
(c) They must be prepared at least monthly and must coincide with one or more pay periods, and
(d) They must be signed by the employee."

Condition

In fiscal year (FY) 2015, the Moving to Work (MTW) Demonstration program incurred $5,490,456 in payroll and fringe benefits costs. During our testing of the allowable costs/cost principles compliance requirement related to MTW payroll costs, we noted that from July 1, 2014 through the pay period ending on March 6, 2015, there was no process in place for a supervisor to review and approve total time charged to the grant for employees who were negative time reporters. For these salaried employees, review and approval of timesheets only occurred if there was an exception to their regular hours (for example, if leave was taken). Specifically, of the 40 payroll transactions selected for testing totaling $113,170, we noted that 4 were negative time reporters and charged time to the program prior to March 6, 2015, and did not have documentation to support that their time was accurately charged to the program in accordance with OMB Circular A-87.

For the pay period beginning March 9, 2015, management implemented a process that required supervisors to review and approve all time charged to the MTW program each pay period for employees who were negative reporters. We tested seven payroll transactions for employees who were previously negative reporters and charged time to the program after March 9, 2015, and noted that the timesheets were properly approved by an appropriate supervisor for each transaction.

Cause

FCRHA did not have adequate controls in place for a portion of the fiscal year to ensure that payroll costs charged to the MTW program were allowable in accordance with OMB Circular A-87. Previously, FCRHA used a proprietary allocation model outside of the payroll system to semi-annually distribute employee salaries to various housing projects. As a result of a fiscal year 2013 audit finding, management reached out to HUD to obtain approval of this model in fiscal year 2014; however, HUD informed FCRHA that they do not grant such approvals. FCRHA subsequently implemented the revised time approval process within the payroll system in fiscal year 2015.

Effect

Without proper controls in place over approval of timesheets, there is an increased risk that unallowable payroll costs could be incorrectly charged to the MTW program.

Recommendation

We recommend that management continue to follow the updated process that requires supervisors to review all employees' time charged to the MTW program each pay period.

Questioned Costs

Due to the nature of the control deficiencies identified above, questioned costs are not able to be determined.

Views of Responsible Officials

Given that no response has been received from HUD regarding the cost allocation methodology, FCRHA staff developed a process by which staff working in multiple programs coded the actual time worked in specific programs and supervisors approve each time entry. This process is formally documented in a new policy and procedure that was shared with KPMG during the FY 2015 Single Audit. The new process, which includes annual training for all affected staff, was implemented in March 2015 and will continue to govern the time entry process for impacted employees.

Marijke Hannam

Marijke Hannam, Director, Financial Management Division

Mary L. Thompson

Mary Lou Thompson, Financial Specialist IV

Finding Number	**2015-MTW-02**
Prior Year Finding Number	**2014-MTW-03**
Federal Program	**Moving to Work (CFDA #14.881)**
Federal Award # and Year	**VA39P01950113 (9/9/2013 – 9/8/2015)**
Federal Agency	**U.S. Department of Housing and Urban Development (HUD)**
County Department	**Fairfax County Redevelopment and Housing Authority (FCRHA)**
Compliance Requirement	**Special Tests and Provisions – Housing Quality Standards**
Finding Related to ARRA	**No**

Criteria

29 CFR section 982.404(a)(3) requires that a Public Housing Authority (PHA) "must not make any housing assistance payments for a dwelling unit that fails to meet the [Housing Quality Standards (HQS)], unless the owner corrects the defect within the period specified by the PHA and the PHA verifies the correction. If a defect is life threatening, the owner must correct the defect within no more than 24 hours. For other defects, the owner must correct the defect within no more than 30 calendar days (or any PHA-approved extension.)"

According to FCRHA's Housing Choice Voucher Administrative Plan, 8-II.F. *Inspection Results and Reinspections for Units Under HAP Contract*:

> When failures that are not life-threatening are identified, the FCRHA will send the owner and the family a written notification of the inspection results within 5 business days of the inspection. The written notice will specify who is responsible for correcting the violation, and the time frame within which the failure must be corrected. Generally not more than 30 days will be allowed for the correction.

Condition

FCRHA had $48,140,529 in Housing Assistance Payment (HAP) expenditures for the Moving to Work program during fiscal year (FY) 2015. During our test work over a sample of 40 tenants representing $96,071 in monthly HAP payments, we identified the following exceptions:

- For 2 of the 40 Moving to Work tenants selected for testing, we noted that a Housing Quality Standards (HQS) inspection was not performed during FY 2015 or documentation supporting that an inspection had occurred in FY 2015 could not be provided. Based on our inspection of the tenants' resident subsidy schedule for all months in FY 2015, we noted that FCRHA made HAPs to the landlords of these two tenants in the amount of $2,506 prior to determining that the unit had successfully passed HQS inspections within 365 days of their last recertification.

- For 4 of the 40 Moving to Work tenants selected for testing, we noted that a HQS inspection had failed and a follow up inspection was not performed within 30 days. Based on our inspection of the resident subsidy schedule for the months immediately following the failure, FCRHA made HAPs to the landlords of these four tenants in the amount of $7,226 prior to re-inspection and determining the respective unit had passed HQS.

Cause

FCRHA's supervisors review participant's file to ensure that failed inspections were re-inspected in a timely manner and signs off on the Resident Subsidy Schedule to note their review. However, this review was not performed consistently by supervisors during fiscal year 2015. In addition, management did not have adequate controls in place to ensure that payments to landlords were withheld if no inspection or re-inspection took place during the fiscal year.

In addition, FCRHA informed us that an informal inspection policy was in place that allowed for the follow-up on failed inspections to be performed within 45 days, rather than the HUD-required 30 days, to allow 15 days for the notification letter to reach the landlord. However, this policy was not formally documented. We noted that 1 of the 4 units that was not re-inspected within the HUD-required timeframe was re-inspected within the FCRHA undocumented policy of 45 days. The 3 remaining units were followed up between 49 and 63 days after the initial inspection.

Effect

Inadequate policies in place to ensure that housing re-inspections are completed timely, and failure to monitor the completion of the annual housing inspections resulted in the FCRHA making payments of $9,732 to landlords of units that had not been reinspected within the required timeframe.

Recommendation

We recommend that FCRHA management:

1. Provide additional training to supervisors to ensure they are consistently performing reviews of participants' file to verify that inspections are performed in a timely manner.

2. Formally document the policy to evidence the FCRHA's extension of the 30 calendar day re-inspection for failed units to 45 days, and obtain HUD approval of such a policy; or modify the current practice to be compliant with HUD requirements.

3. Enhance department-wide policies and procedures to specifically require that payments to landlords be withheld for all units that have not passed an annual recertification, and implement a control that would prevent payments from being made to such landlords.

Questioned Costs

Known: $9,732

Views of Responsible Officials

The following represents management's response to the finding:

1. FCRHA management staff will continue to monitor supervisory performance and review and update procedures upon identified deficiencies. Appropriate staff will receive training updated procedures for the re-inspections of units that previously failed inspections.

2. FCRHA will ensure that landlords are informed that any failed items as a result of an HQS inspection must be corrected within 30 days. However, as a point of clarification, there may be instances when the unit cannot be *re-inspected* within 30 days due to the actual time the repairs are made. For instance, if the landlord makes the repairs on the 29th or 30th day, it will not be feasible for the actual re-inspection to occur within that 30 day period. The inspector's procedure is to conduct the re-inspection as soon as reasonably possible *after* they have been informed by the landlord that the repairs have been made. It will be clarified in the policy that the corrections must be made and FCRHA notified of the repairs by the landlord within 30 days as required by HUD. However, the re-inspection will occur as soon as possible after receiving said notification from the landlord or tenant, but no later than 5 business days after the 30 day correction period. FCRHA will update internal policies and procedures to reflect this, and will request approval from HUD.

3.
4. FCRHA will further enhance its policies and procedures to ensure all units obtain annual HQS inspections and withhold payments to landlords for failed items that are the responsibility of the landlord. These procedures will inherently be enhanced as FCRHA continues to monitor and modify the entire HQS inspection process.

John Turner 11/7/15

John Turner, Branch Chief, Rental Services Compliance Unit

Finding Number	**2015-MTW-03**
Prior Year Finding Number	**N/A**
Federal Program	**Moving to Work (CFDA #14.881)**
Federal Award # and Year	**VA39P01950113 (9/9/13 – 9/8/15)**
Federal Agency	**U.S. Department of Housing and Urban Development (HUD)**
County Department	**Fairfax County Redevelopment and Housing Authority (FCRHA)**
Compliance Requirement	**Procurement and Suspension and Debarment**
Finding Related to ARRA	**No**

Criteria

Non-Federal entities are prohibited from contracting with or making subawards under covered transactions to parties that are suspended or debarred. "Covered transactions" include those procurement contracts for goods and services awarded under a nonprocurement transaction (e.g., grant or cooperative agreement) that are expected to equal or exceed $25,000 or meet certain other criteria as specified in 2 CFR section 180.220.

The other criteria specified in 2 CFR section 180.220 are as follows:

(a) Covered transactions under this part—

(1) Do not include any procurement contracts awarded directly by a Federal agency; but

(2) Do include some procurement contracts awarded by non-Federal participants in nonprocurement covered transactions.

(b) Specifically, a contract for goods or services is a covered transaction if any of the following applies:

(1) The contract is awarded by a participant in a nonprocurement transaction that is covered under § 180.210, and the amount of the contract is expected to equal or exceed $25,000.

(2) The contract requires the consent of an official of a Federal agency. In that case, the contract, regardless of the amount, always is a covered transaction, and it does not matter who awarded it. For example, it could be a subcontract awarded by a contractor at a tier below a nonprocurement transaction, as shown in the appendix to this part.

(3) The contract is for Federally-required audit services.

(c) A subcontract also is a covered transaction if,—

(1) It is awarded by a participant in a procurement transaction under a nonprocurement transaction of a Federal agency that extends the coverage of paragraph (b)(1) of this section to additional tiers of contracts (see the diagram in the appendix to this part showing that optional lower tier coverage); and

(2) The value of the subcontract is expected to equal or exceed $25,000.

Condition

In fiscal year 2015, FCRHA incurred $5,490,456 in non-payroll expenditures related to the Moving to Work (MTW) program. During our testwork over compliance with Procurement and Suspension and Debarment requirements for the MTW program, we identified the following exceptions:

- For 7 of the 25 expenditures selected for testing totaling $46,418, there was no suspension and debarment check performed by FCRHA prior to approving the purchase order. These purchases were all made within the Public Housing Fund.

- For 2 of the 25 expenditures selected for testing totaling $60,954, we noted that the supporting documentation of the SAM check provided by management evidenced a search attempt for the vendor but not evidence as to whether or not the vendor was suspended or debarred. The SAM check documentation we reviewed indicated the vendor was unable to be found in the system. However, when we performed an independent checks of the vendor on SAM, we were able to find the vendor listed.

Cause

FCRHA procedures for suspension and debarment checks within FCRHA differed depending on whether non-payroll purchases were made within the Public Housing Fund or the Capital Fund Program. As a result, FCRHA did not consistently perform a search for the vendor on SAM prior to purchases being initiated or retain the documentation when those checks are performed because they improperly excluded Public Housing from the universe of federal grant programs subject to federal suspension and debarment requirements. As a result, there was no supporting documentation to substantiate the SAM checks for non-payroll purchases made from the Public Housing fund.

Effect

Without effective controls over the procurement of vendors, there is an increased risk that FRCHA may enter into covered transactions with vendors that are suspended or debarred.

Recommendation

We recommend that FCRHA management:

- Revise the current policy on suspension and debarment check to require that a SAM check be performed and documented within the contract file for all Moving to Work vendors.

- Provide training to all applicable individuals to ensure they are performing the SAM checks in a manner that will properly determine whether or not a vendor is suspended or debarred prior to purchases being initiated.

Questioned Costs

None

Views of Responsible Officials

The FCRHA Financial Management Division has written formal policies and procedures which will now require that <u>all</u> vendors who are anticipated to potentially receive payments exceeding $25,000 (whether or not initially intended to use federal funds) be verified in the SAM system at the time of contract as well as annually. In addition, contracts awarded through the Department of Purchasing and Supply Management (DPSM) will be notified if federal dollars will be used in the procurement of those specific contracts and they will initiate a search prior to the award of the contract.

In the second condition cited, it was noted that in the case of 2 sample items, evidence indicated a search was completed, but there were no results reported in SAM for those vendors. Subsequently, a search by the audit team produced a result which determined the vendors were not debarred. As part of our staff training and enhanced procedures, we will conduct a more advanced search in SAM in the future, should results not come back using the vendor's name.

We concur that this process will be better served through additional training and documentation, and have already completed documenting the process and further training staff where needed. We will continue to work closely with DPSM and the Department of Finance (DOF) to make sure all contracts using federal dollars are properly identified and ensure we are kept abreast of any new requirements.

Marijke K. Hannam 11/2/2015

Marijke Hannam, Director, Financial Management Division

HOUSING CHOICE VOUCHER COMPLIANCE & COLLECTIONS

DETAIL OBSERVATIONS AND ACTION PLAN

BACKGROUND[1]

The Housing Choice Voucher (HCV) program is a Federal Housing Assistance Program for lower income families seeking housing in the private market place. As of FY 2016, the Fairfax County Redevelopment and Housing Authority (FCRHA) has 3,731 authorized vouchers. In FY 2014, the FCRHA was designated as a Moving to Work (MTW) agency. HCV programs excluded from the MTW program are Family Unification Program, Non-Elderly Disabled, and Veterans Affairs Supportive Housing.

The goal of the MTW program is to provide participants with the necessary tools through supportive services that will help them move along the housing continuum to self-sufficiency. For the HCV portion of the program, Housing Urban Development (HUD) provides housing assistance subsidies to pay a portion of the family's rent to a private sector landlord. In most cases, the housing assistance subsidy provided for each tenant is the difference between 35 percent of the eligible family's income and a HUD-approved Fair Market Rent for a housing unit. Housing authorities administer the contract for these subsidy funds on behalf of HUD, which involves making the monthly subsidy payments, verifying that those benefiting from the subsidy are eligible and monitoring compliance with federal regulations.

FY 2016 revenues for the HCV program are projected to be $58,088,616. The current income limits for most components of the HCV Program as established by HUD, effective December 18, 2013 and currently in effect, are shown below:

Household Size[2]	Maximum Household Income Limits Extremely Low Income (30%)	Maximum Household Income Limits Very Low Income (50%)	Maximum Household Income Limits Low Income (80%)
1	$22,950	$38,250	$47,600
2	$26,200	$43,700	$54,400
3	$29,500	$49,150	$61,200
4	$32,750	$54,600	$68,000
5	$35,400	$59,000	$73,450
6	$38,000	$63,650	$78,900
7	$40,600	$67,750	$84,350
8	$43,250	$72,100	$89,800
FY 2016 SUMMARY OF PROJECTS			
Consolidated Vouchers[3]			3,731

NOTE: In the HCV Program, at least 75% of new admissions must be below 30% Washington, DC Metropolitan Statistical Area (MSA), (Extremely Low). Only families that meet one of the following criteria can be admitted with incomes between 50% MSA (Very Low) and 80% MSA (Low):

- A family continuously assisted under the 1937 Housing Act. A family is continuously assisted under the Act if they are already receiving assistance under any 1937 Housing Act Program (including public housing, moderate rehabilitation and project-based vouchers).
- A family that qualifies for voucher assistance as a non-purchasing family residing in a HOPE 1 (HOPE for Public Housing Homeownership) or HOPE 2 (HOPE for Homeownership of Multifamily units) Project.
- A family that is displaced as a result of the prepayment of the mortgage or voluntary termination of an insurance contract on eligible low-income housing.
- A family that qualifies for voucher assistance as a non-purchasing family residing in a project subject to a resident homeownership program.

[1] FY 2016 Advertised Budget (Fairfax County, Virginia)
[2] Website: http://www.fairfaxcounty.gov/rha/rentalhousingprograms/hcv.htm
[3] Actual number of vouchers issued may be lower than HUD-approved count due to local market conditions and funding limitations

SCOPE AND METHODOLOGY

Effective 1st July 2014, for public housing residents, changes were made to; tenant portion of rent, Housing Choice Voucher (HCV) payment standards and recertification and inspection schedules. Staff will assess compliance with these changes and practices for rent assessments and collections.

OBJECTIVES AND RESULTS

Business Objective	Study Assessment
Tenant File Maintenance	Satisfactory
Coordination with Landlords on Tenant Late / Non-payments	Needs Improvement
HAP Payments to Landlords Continuing Past Tenant's Move-out	Needs Improvement

Control Summary

Good Controls	Weak Controls
• Maintenance of tenant files for sample selected. • Recertifications and inspections performed timely for sample selected. • Tenant rents properly calculated for sample selected.	• Tracking HAP payments to landlord for units which tenants no longer reside in the unit. Reliance is on the tenants and landlords to self-report. Although the FCHRA – Financial Management Director asserts that this is the "**Industry Standard**", self-reporting is not as effective as independent verification. • Aging report for Landlord Overpayments (LOP) only reflects > 180 days, collections are referred to the Department of Tax Administration (DTA). These receivables are referred to Nationwide Credit Corporation (NCC) when greater than 180 day.

OBSERVATIONS AND ACTION PLAN

Following table details the observations from the study along with management's action plan to address these issues.

Fairfax County
Office of Financial and Program Audit

Housing Choice Voucher Compliance & Collections	
Risk Ranking	LOW

Our review revealed no mechanism exists for landlords to formally report or communicate late / non-payment of tenant's portion of rent. Also, no related information was identified in the tenant files for the sample selected to review.

- It has been communicated by the FCRHA's staff that HAP overpayments in some cases are made to landlords after a tenant has vacated the premises. Late / non-payment of tenant's rent monitoring may enable the FCRHA to identify these events, thus reducing landlord overpayments. Secondary benefits to this process would be a reduction of collection efforts and identifying issues for assisting tenants regarding MTV initiatives.

- For the period under review we noted \$42.3K of overpayments between 0 and 180 days. There are approximately \$260,833 in overpayments greater than 180 days. Total overpayments reported on 25th June 2015 were \$303,291. As per the Financial Management for the FCRHA, these receivables are referred to DTA for collections. These receivables are then referred to NCC when greater than 180 days. Upon review; the aging report provided only reflects stratifications past 180 days. Consideration should be given to future stratifying this aging report to assist staff in monitoring and follow-up.

Recommendation

As part of the on-boarding process for private property owners (landlords) participating in the HCV program, we recommend that consideration is given to developing a reporting mechanism for landlords to communicate late / non-payment of tenant's portion of rent. This information could be included in the tenant's files to assist FCRHA's management in providing guidance to the landlords and tenants. It could also be utilized, in some cases, to follow-up / detect if tenants that have vacated the premises.

As per the Financial Management Director for the FCRHA, LOP receivables are referred to DTA when they reach an age of 90-120 days. These receivables are referred to NCC when greater than 180 days. To that end, this AR Aging should be further stratified to include both 181 to 365 and > 365 days.

Action Plan

Point of Contact	Target Implementation Date	Email Address
Re-initiate periodic landlord briefings: Russell Lee - Robert Easley	October 2015	Russell.Lee@Fairfaxcounty.gov Robert.Easley@Fairfaxcounty.gov
Further stratify the Accounts: Receivable Aging Report: Marijke Hannam - Robert Easley	Awaiting report customization quote. Target of November 2015	Marijke.Hannam@Fairfaxcounty.gov Robert.Easley@Fairfaxcounty.gov

MANAGEMENT RESPONSE:

The Department of Housing and Community Development (DHCD) Management appreciates the independent review of tenant files in the Housing Choice Voucher (HCV) program and is pleased that the review indicates strong controls and program compliance.

With respect to the other two business objectives reviewed, Coordination with Landlords on Tenant Late/Non-Payments and HAP Payments to Landlords Continuing Past Tenant's Move-Out, DHCD agrees with the recommendations, as they will further enhance an already robust set of policies and procedures in place to optimally administer the HCV program. However, DHCD does not concur that there are "weak controls" as DHCD complies with U.S. Department of Housing and Urban Development (HUD) requirements as detailed in the Code of *Federal Regulations, Title 24 - Housing and Urban Development (24 CFR), Part 982 Tenant Based Assistance: Housing Choice Voucher Program*, and has implemented stringent internal procedures, controls and reports to minimize landlord overpayments (LOPs) and maximize the collection of aging receivables. These points are described in greater detail below by business objective identified in this audit report.

Coordination with Landlords on Tenant Late/Non-Payments

In the HCV program, each entity - tenant, landlord and public housing authority (PHA) - has obligations defined by HUD. With respect to notification, 24 CFR 982.551(f) specifically states: "The family must notify the PHA and the owner before the family moves out of the unit, or terminates the lease on notice to the owner." This requirement is reiterated in Form HUD-52641, Housing Assistance Payment (HAP) Contract, Part C - Tenancy Addendum, paragraph 11. Family Move Out. It is worth further noting that the HAP contract term is contingent on the tenant residing in the contract unit (HAP Contract, Part B – Body of Contract, paragraph 4b(3)). Thus, the HAP contract terminates when the tenant moves out of the contract unit and the landlord is not due any additional payment. As a result, responsibility for notification is also borne by the landlord. In short, notification is designed to be a "shared reliance" on the tenant and the landlord, with the onus being on the tenant. These obligations are communicated to all program participants at initial lease-up and when annual re-certifications take place.

However, tenants and landlords do not always provide timely notification, and landlord overpayments (LOPs) do occur. While undesirable, this is a reality confronting all housing authorities administering the HCV program and it should not be considered a control weakness of DHCD, especially in light of the efforts made to mitigate these occurrences, including:

- Training and information is provided during the initial lease-up process so tenants and landlords clearly understand their respective program roles and obligations. This information is thoroughly reviewed with participants during annual re-certifications.
- The HAP contract, the Family Obligations Agreement, and the lease (with Tenancy Addendum) contractually support the HUD designated roles and obligations.
- Frequent communication between DHCD staff, landlords and tenants.

Additionally, when LOPs do occur, DHCD works hard to swiftly collect outstanding balances. Utilizing the internally developed Landlord Overpayment Tracking Report (LOPTR), for example, facilitates the tracking and monitoring of DHCD's performance with respect to LOPs. Additionally, the LOPTR can help to identify causes, as well as appropriate action, if necessary, and is distributed monthly to Division Directors and the Senior Housing Services Specialists (SHSS). The SHSS then reviews and analyzes the report with the relevant staff; verifies that an Overpayment Notification Letter has been sent to the landlord; and determines if there was any action that could have prevented the overpayment. The SHSS then follows up, monitors progress, and communicates recommendations regarding future LOP avoidance.

This audit report suggests that coordinating with landlords on tenant late/non-payment of rent may provide information that could be used to prevent LOPs on the HAP portion of the rent payment. While this could provide some useful information, DHCD is not party to the lease agreement between the tenant and the landlord, so there is no formal, or practical given the number of participants in the program, mechanism to gather monthly payment data. As a current practice, though, landlords are encouraged to notify DHCD when there are tenant issues related to late/non-payment of rent. Re-educating landlords regarding this option, as well as their roles and obligations, may help to further mitigate LOPs.

<u>Action:</u> DHCD will re-initiate periodic landlord briefings, including a marketing strategy to bolster attendance, to facilitate enhanced communication with landlords on the roles and responsibilities of all parties involved with the HCV Program in an effort to reduce LOPs.

HAP Payments to Landlords Continuing Past Tenant's Move-Out

DHCD has numerous controls in place to insure minimal LOPs and swift collection of outstanding accounts receivable (AR). As mentioned in the report, the outstanding LOP balance as of June 25, 2015 was $303,291. It should be noted, that this amount reflects an accumulated balance since 2004 and is only 0.06% of the HAP payments made during the period. Much of this balance is associated with accounts that currently exceed the state statutory limit of three years for active collection. Going forward, this balance will grow at an even slower rate, if at all, due to efforts in recent years including:

- Implementation of processes by DHCD staff to reduce LOPs (i.e., development and utilization of the LOPTR) and collect outstanding balances more swiftly;
- Referral of agency accounts 90-120 days old to the Department of Tax Administration (DTA) for centrally coordinated collection; and,
- Involvement of Nationwide Credit Corporation for agency-referred accounts exceeding 180 days old.

While collection efforts have been very successful, tracking and monitoring outstanding AR balances is very important to good corporate stewardship. To this end, DHCD utilizes an AR aging report with data stratified at 30, 60, 90, 180 and 365 days. Having a more discretely stratified aging report, as suggested in the audit report, would be useful. However, in DHCD's opinion, the lack of stratification at particular points does not constitute a control weakness, nor will the new report result in increased collections.

Action: DHCD agrees that an AR aging report with additional data stratification would be informative. In June 2015, HCD requested a cost quote to develop a report with more discretely identified data stratifications. Assuming funding can be identified once the quote is received, it is anticipated that a more detailed report would be available by November 2015.

INFORMATION – 6

Fiscal Year 2017 Community Development Block Grant and HOME Investment Partnership Funding Allocations Recommended by the Consolidated Community Funding Advisory Committee and Fairfax County Redevelopment and Housing Authority Working Advisory Group

The Consolidated Community Funding Advisory Committee (CCFAC) is a citizen advisory group charged with overseeing the preparation of Fairfax County's Consolidated Plan and the Consolidated Community Funding Pool. The draft Proposed Consolidated Plan One-Year Action Plan for Fiscal Year (FY) 2017 (Action Plan), once approved by the Board of Supervisors, will be the County's formal application for Community Development Block Grant (CDBG) and the HOME Investment Partnerships Program (HOME) funds for FY 2017. Also included in the draft proposed Action Plan are the funding allocations for the Emergency Solutions Grant (ESG). For the purpose of CDBG, HOME and ESG, Fairfax County's FY 2017 corresponds to U.S. Department of Housing and Urban Development's (HUD's) FY 2016.

The Fairfax County Redevelopment and Housing Authority (FCRHA) has used CDBG and HOME funds to carry out its goals and programs. In order to strengthen coordination between the FCRHA and the CCFAC in the proposed use of funds, it was mutually agreed upon by both bodies to establish a working advisory group. The group is composed of seven members: three appointed by the FCRHA Chairman, three appointed by the CCFAC Chairman, and one who serves on both the FCRHA and the CCFAC. The CCFAC/FCRHA Working Advisory Group (WAG) collaborated to develop funding recommendations for consideration by both the FCRHA and the CCFAC. The CCFAC will make its recommendations on the draft Proposed Action Plan to the Board of Supervisors for public hearing on March 15, 2016. Following the public hearing and the conclusion of the public comment period, the CCFAC will consider any revisions and forward its final recommendations on the Proposed Action Plan to the Board of Supervisors for final approval on April 26, 2016.

The WAG met on December 16, 2015 and developed funding recommendations based on HUD FY 2015 (County FY 2016) funding allocations for CDBG and HOME. The FCRHA and the public will have an opportunity to comment on all recommendations when the Board of Supervisors holds a public hearing on the draft Proposed Action Plan on March 15, 2016.

WAG anticipates that projected entitlement amounts for County FY 2017 (Federal FY 2016) will be $4,837,674 (CDBG) and $1,431,830 (HOME). Anticipated FY 2016 program income for CDBG and HOME are $290,000 and $45,000, respectively.
In FY 2016, the CDBG and HOME funds budgeted for fixed percentage administrative line items and ongoing projects and programs were $13,788,120, of which $10,258,479

was projected to be actual expenditures. Therefore, anticipated unused CDBG and HOME funds to be carried over from FY 2016 to FY 2017 is $3,529,641. A total amount of $10,170,397, was preliminarily budgeted at the December 15, 2016, WAG meeting. This amount consists of $6,305,756 of FY 2017 CDBG and HOME funds, $3,529,641 of carryover funds, and $335,000 of projected program income. Attachment 1 provides the total funding levels to include the new funding allocations, anticipated program income and estimated carry over funds, specific to each project.

Notable WAG recommendations include the following:

- Special Needs Housing balance of $951,405 ($312,212-CDBG, $639,193-HOME) to remain available for FCRHA Special Needs-eligible projects through June 30, 2016. Any unused funds in this category would then be made available for the FY 2017 Notice of Funding Availability (NOFA)/Request for Proposals (RFP) for competitive award to non-profits.
- Remaining balances in the line items of Adjusting Factor ($175,334) and Projected Program Income ($335,000) be reallocated to the FY 2017 Notice of Funding Availability (NOFA)/Request for Proposals (RFP).
- Reallocation of funding listed above and $1,716,119 allocated for FY 2017 Notice of Funding Availability (NOFA)/Request for Proposals (RFP) will make available up to $3,177,858 for non-profit development projects for the purpose of preserving, improving, or developing CDBG and HOME-eligible affordable housing; consistent with the FY 2017 Housing Blueprint.
- In addition to the budget allocation discussion, the WAG is recommending that HCD staff, CCFAC, and local non-profits begin a discussion regarding the consolidation of affordable housing capital funds into one yearly NOFA/RFP. Currently, capital funding is made available in two separate procurement offerings including approximately $700,000 via the Consolidated Community Funding Pool.

Contingency Language
Based on guidance received from HUD in December 2013, contingency language is included in all draft versions of the advertised Action Plan which explains how adjustments will be made to the proposed plan to incorporate actual allocations amounts, once amounts become available.

The Proposed Action Plan will continue to include the following contingency provision governing the use of CDBG, HOME and ESG funds and will request citizen comment on this planned process for the allocation of federal funding for FY 2017:

<u>CDBG</u>

All CDBG funded activities are proportionally increased or decreased from the estimated funding levels to match actual allocation with the following exceptions:

- Section 108 Loan Payment will remain as represented in the plan.
- General Administration, Planning, and Fair Housing are capped at 20 percent of the CDBG allocation based on HUD limits. Total allocation for these three activities will be 20 percent of the actual CDBG allocation.
- Targeted Public Services allocation is capped at 15 percent of the CDBG allocation based on HUD limits. Targeted Public Services allocation will be 15 percent of actual CDBG allocation.
- The Affordable Housing Fund in the Consolidated Community Funding Pool will be funded at $704,500.

Percentages allocated for Section 108 Loan, General Administration, Planning, Fair Housing, Targeted Public Services, and Affordable Housing Fund are made prior to all other proportional adjustments to remaining CDBG activities.

HOME

All HOME funded activities are proportionally increased or decreased from the estimated funding levels to match actual allocation amounts with the following exceptions:

- HOME Administration is capped at 10 percent of the HOME allocations. HOME Administration allocation will be 10 percent of actual HOME allocation.
- Federal regulations require that jurisdictions set-aside a minimum of 15 percent of the HOME allocation each year for Community Housing Development Organization (CHDO) investment. CHDO Set-aside will be 15 percent of the actual HOME Allocation.

Percentages allocated for HOME Administration and CHDO are made prior to all other proportional adjustments to remaining HOME activities.

ESG

All ESG funded activities are proportionally increased or decreased from the estimated funding levels to match actual allocation amount.

ENCLOSED DOCUMENTS:
Attachment 1: FY 2017 CDBG and HOME Funding Allocations Including Carryover

STAFF:
Thomas Fleetwood, Acting Director, Department of Housing and Community Development (HCD)
Hossein Malayeri, Deputy Director, Real Estate, Finance and Development, HCD
Aseem K. Nigam, Director, Real Estate Finance and Grants Management Division, (REFGM), HCD
Robert C. Fields, Interim Associate Director, REFGM, HCD
David Jones, Senior Program Manager, REFGM, HCD

Attachment 1

FY 2017 CDBG & HOME PROPOSED FUNDING ALLOCATIONS

Project/Activity	FY 2016 Budget (Includes Carryover)	FY 2016 Carryover (EST)	Proposed FY 2017 CDBG	Proposed FY 2017 HOME	TOTAL PROPOSED
Admin & Fixed Expenditures					
Section 108 Loan Payments	$ 1,178,707	$ 64,349	$ 1,047,068	$ -	**$ 1,111,417**
Fair Housing (CDBG)	$ 135,305	$ 0	$ 152,526	$ -	**$ 152,526**
Fair Housing (HOME)	$ 50,927	$ 4,205	$ -	$ -	**$ 4,205**
Planning	$ 443,403	$ 250,593	$ 225,000	$ -	**$ 475,593**
General Administration (CDBG)	$ 473,659	$ 178,681	$ 300,000	$ -	**$ 478,681**
General Administration (HOME)	$ 299,466	$ 190,877	$ -	$ 143,183	**$ 334,060**
Affordable Housing Fund (CCFP)	$ 1,377,527	$ -	$ 704,500	$ -	**$ 704,500**
Targeted Public Services	$ 792,594	$ -	$ 731,089	$ -	**$ 731,089**
Total Admin & Other Fixed Expenditures	**$ 4,751,588**	**$ 688,706**	**$ 3,160,183**	**$ 143,183**	**$ 3,992,072**
Tenant Based Rental Assistance (TBRA)					
TBRA	$ 812,161	$ 162,676	**$ -**	$ 600,000	**$ 762,676**
TBRA Program Delivery	$ 25,000	**$ -**	**$ -**	$ 25,000	**$ 25,000**
Total Tenant Based Rental Assistance (TBRA)	**$ 837,161**	**$ 162,676**	**$ -**	**$ 625,000**	**$ 787,676**
Special Needs Housing					
CDBG - Undesignated	$ 312,212	$ 312,212	$ -	$ -	**$ 312,212**
HOME - Undesignated	$ 639,193	$ 639,193	$ -	$ -	**$ 639,193**
CDBG - FY 16 Herndon Harbor	$ 300,000	$ -	$ -	$ -	**$ -**
CDBG - FY 16 UFAS (Atrium, Westglade, Ragan Oaks)	$ 237,000	$ -	$ -	$ -	**$ -**
CDBG - FY 15 Olley Glen, LRG	$ 365,405	$ -	$ -	$ -	**$ -**
CDBG - FY 15 NOFA Cornerstone, Community Havens	$ 748,621	$ -	$ -	$ -	**$ -**
HOME - FY 15 Little River Glen	$ 78,388	$ -	$ -	$ -	**$ -**
HOME - FY 15 NOFA - Community Havens	$ 287,463	$ -	$ -	$ -	**$ -**
Total Special Needs Housing	**$ 2,968,282**	**$ 951,405**	**$ -**	**$ -**	**$ 951,405**
NOFA					
Affordable Housing RFP (CDBG)	$ 1,200,000	$ -	$ 1,052,472	$ -	**$ 1,052,472**
Affordable Housing RFP (HOME)	$ 490,608	$ -	$ -	$ 448,872	**$ 448,872**
CHDO	$ 445,483	$ -	$ -	$ 214,775	**$ 214,775**
Total NOFA	**$ 2,136,091**	**$ -**	**$ 1,052,472**	**$ 663,647**	**$ 1,716,119**
FCRHA Rehabilitation					
CDBG - Undesignated	$ 342,193	$ 342,193	$ -	$ -	**$ 342,193**
HOME - Undesignated	$ 368,139	$ 368,139	$ -	$ -	**$ 368,139**
CDBG - FY 16 Little River Glen, Greenwood	$ 224,000	$ -	$ -	$ -	**$ -**
CDBG - FY 15 Chatham, Sprg Green, Castellani, LRG	$ 83,294	$ -	$ -	$ -	**$ -**
HOME - FY 15 Chatham, Sprg. Green, LRG	$ 230,902	$ -	$ -	$ -	**$ -**
Total FCRHA Rehabilitation	**$ 1,248,529**	**$ 710,332**	**$ -**	**$ -**	**$ 710,332**
Homeownership / Relocation / HREP					
Homeownership	$ 516,220	$ 86,847	$ 450,000	$ -	**$ 536,847**
Relocation	$ 217,362	$ -	$ 100,000	$ -	**$ 100,000**
HREP	$ 317,339	$ 134,128	$ 111,272	$ -	**$ 245,400**
Total Homeownership / Relocation / HREP	**$ 1,050,920**	**$ 220,975**	**$ 661,272**	**$ -**	**$ 882,247**
Other Special & New Housing					
North Hill	$ 620,213	$ 620,213	$ -	$ -	**$ 620,213**
Adjusting Factor	$ 175,334	$ 175,334	$ -	$ -	**$ 175,334**
	$ -	$ -	$ -	$ -	**$ -**
Total Other Special & New Housing	**$ 795,547**	**$ 795,547**	**$ -**	**$ -**	**$ 795,547**
FY 2017 Total Proposed Entitlement Funding	**$ 13,788,120**	**$ 3,529,641**	**$ 4,873,926**	**$ 1,431,830**	**$ 9,835,397**
FY 2017 Total Estimated Program Income			**$ 290,000**	**$ 45,000**	**$ 335,000**
Total Estimated FY 2017 Funding		**$ 3,529,641**	**$ 5,163,926**	**$ 1,476,830**	**$ 10,170,397**

FCRHA Agenda Item
January 28, 2016

INFORMATION – 7

Fairfax County Redevelopment and Housing Authority Calendar of Meetings – February and March 2016

Attached, for your information, are the Fairfax County Redevelopment and Housing Authority (FCRHA) Calendars for February and March 2016.

ENCLOSED DOCUMENTS:
Calendars: February and March 2016

STAFF:
Thomas Fleetwood, Acting Director, Department of Housing and Community Development (HCD)

February 2016

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
	1	**2** BOS	**3**	**4**	**5** HCD Lines of Business Presentation Gov't Ctr Rm 9/10 at 10:30	6
7	**8**	**9**	**10**	**11**	**12** Board Housing Committee Gov't Ctr Rm TBA at 1:00	13
14	**15** Presidents' Day	**16** BOS	**17**	**18**	**19**	20
21	**22**	**23**	**24**	**25**	**26**	27
28	**29**					

March 2016

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
		1 BOS	**2** Committee Meetings & FCRHA Special Meeting	**3**	**4**	5
6	**7**	**8**	**9**	**10** RHA Meeting	**11**	12
13	**14**	**15** BOS	**16**	**17**	**18**	19
20	**21**	**22**	**23**	**24**	**25** Good Friday	26
27	**28**	**29**	**30**	**31**		