



DAUPHIN COUNTY BOARD OF COMMISSIONERS

Legislative Meeting

Wednesday, June 29, 2005 (10:00am)

MEMBERS PRESENT

Jeff Haste, Chairman
Dominic D. DiFrancesco, II, Vice Chairman
George P. Hartwick, III, Secretary

STAFF PRESENT

Chad Saylor, Chief Clerk; Bill Tully, Solicitor; Marie Rebeck, Controller; Robert Dick, Treasurer; Greg Schneider, Budget and Finance; Mike Yohe, Budget and Finance Director; Randy Baratucci, Purchasing Director; Edgar Cohen, Facilities Maintenance Director; Dan Kern, Schaffner Center Director; Bruce Foreman, Assistant Solicitor; Chip Vance, Assistant Solicitor; Melanie McCaffrey, Solicitors' Office; Garry Esworthy, Risk Manager; Kay Sinner, Personnel; Steve Suknaic, Juvenile Probation Director; Sandy Moore, Human Services Director; Elke Moyer, Human Services; Eileen Carson, AAA; Sandy Pintarch, Children and Youth; Dan Robinson, Economic Development Director; and George Connor, Economic Development.

GUESTS PRESENT

Chuck McLister; Julia Taylor; Kim Schaller; Andrew Giorgione; Dave Twaddell; Lou Verdelli; Ray Reilly; and Jack Sherzer.

MINUTES

CALL TO ORDER

Mr. Haste, Chairman of the Board, called the meeting to order at 10:00 a.m.

MOMENT OF SILENCE

Everyone observed a moment of silence.

PLEDGE OF ALLEGIANCE

Everyone stood for the Pledge of Allegiance.

APPROVAL OF MINUTES

Mr. Haste: First let me apologize for our tardiness. We were, I'd like to say that we were out playing golf or something fun but we weren't, we were actually in a meeting in the Senate chambers with Dauphin County's three Senators, Senator Brightbill, Senator Piccola and Senator Gordner, Representative McNaughton and the Secretary of DEP and other staff members driving home our opposition to the permitting the Upper Dauphin Landfill. After this Andy, if you and I could get an opportunity, we have some follow-ups to do. It was rather important and the only time we could get it on their schedule happened to be this morning. We hope that everybody would understand our tardiness. It did go a little bit longer than we had anticipated. I hope you understand what we were doing. Thank you.

We have several sets of meeting minutes. I will take the June 1, 2005 Legislative Meeting and the June 8, 2005 Workshop Meeting, is there a motion to approve?

Mr. Hartwick made the motion and Mr. DiFrancesco seconded the request to approve the June 1, 2005 Legislative Meeting and the June 8, 2005 Workshop Meeting minutes. Motion carried.

At this time I am going to turn the gavel over to Nick for Election Board Meeting minutes.

Mr. DiFrancesco: We have two sets of Election Board Meeting minutes to approve, June 1, 2005 and June 8, 2005. Do I have a motion to approve those two sets of minutes?

Mr. Hartwick made the motion and Mr. Haste seconded the request to approve the June 1, 2005 and June 8, 2005 meeting minutes. Motion carried.

EXECUTIVE SESSIONS HELD BETWEEN MEETINGS

Mr. Saylor: Commissioners as you know we just completed a brief Executive Session this morning to talk about personnel matters and litigation.

PUBLIC PARTICIPATION

(There was none.)

DEPARTMENT DIRECTORS/GUESTS

Kim Schaller, Susquehanna Area Regional Airport Authority (SARAA)

- 1. Current financial status of Harrisburg International Airport.**
- 2. Update on attracting a low cost carrier.**

Ms. Schaller: Thank you and good morning. I appreciate the opportunity to be here and talk to you. In my real job I am Vice President/Chief Marketing Officer for Hershey Entertainment and Resorts. My job is to get 5 million people on an annual basis to visit the region. I am a destination marketer. My true belief is that the sum is greater than its parts. I am the biggest believer you will find in regionalism. I think it is important to give you a little tiny bit of background so it will help you understand why I would have an interest in this airport authority.

I was at Hershey for 10 years and had risen to the highest level I could reach from a marketing standpoint and got a call from Space Center Houston about an opportunity to be Director of Marketing there. My whole family moved to Houston. Living in that marketplace with Southwest Airlines as the primary airline you realize how important great air carrier service can be to your lifestyle. With Southwest Airlines we could go to Phoenix or LA or do whatever we wanted to do for \$29 round-trip. So I really started to realize just how important...

Mr. Haste: How long ago was that?

Ms. Schaller: This was...even to this day out of Philadelphia, now that Southwest is in Philadelphia, there are airfares that are startling. If you get on the website for Philadelphia you will see...

Mr. Haste: So when are they coming to HIA?

Ms. Schaller: Well, that is one of the things that I would like to talk to you about.

Mr. Hartwick: I had a trip from San Diego to Vegas that was \$29.

Ms. Schaller: Yes, anyway we lived there for three years and got a call from a former colleague here and asked if I would ever be interested in coming back to Hershey and overseeing all of the marketing for the company? We came back. In 1999 I am reading an article in The Patriot-News about the fact that there was a divestiture at the airport and they were going to form an actual board of regional leadership to get together and move the airport forward. I was very interested. My family lives all over, my brother and his family live in Barbados, my sister and her family are in southern California, my mother is in Myrtle Beach, SC, so for us living in Central Pennsylvania air service was and is truly limited. I realized both personally and professionally that improved air service into this marketplace was important. I reached out and contacted Russ Sheaffer and Sally Klein and I said that I would like to have a seat at this table, the newly formed airport authority. I have been on the authority now for six years and that brings me up to

current. Just so you understand my passion for improved air service into this marketplace and my passion for regionalism. I absolutely fully enjoy it. I am now Chairman of the airport authority and have been Chairman since January. Our biggest challenge is that we built a brand new terminal; a \$235 million terminal was designed and built in two years, on time and on budget. I think that we have proven as an authority that we can make things happen and that we are all about moving this region forward.

You asked me to come here and give you an update; how are things going, how are things financially? You can imagine the complexity of the financing that we went through to build this new terminal. I am delighted to be here to tell you that we are on track with where we are supposed to be. We worked with Goldman Sacks out of New York on the bond issue and locally with Eckert Seamans. I just sat through the KOMG audit about two and a half months ago and we have a clean audit. Everything looks good. We are well where we need to be related to the whole bond issuance and the pay back. Looking at the year 2005 from an operating budget standpoint, our operating revenues are about \$22 million. Our operating expenses are at about \$16 million. Right now through the end of the fifth period, which is the end of May, we are within 1% of where we need to be both on the revenues and the expenses. I think the miracle of that is if you look in the expense line we were really doing some blind budgeting. We didn't know what things like utilities and...obviously there are fixed costs. We are paying about \$5 million on an annual basis from a wage standpoint. There are some things that we really had to guesstimate at and through some of the expertise and the leadership at the airport those things worked. Again, we are within 1% on both the expense line and the revenue line. Things look pretty good. We knew darn well and Goldman Sacks made it very clear to us that 2005 was going to be a very challenging year from a payback standpoint. We actually budgeted to be \$500,000 under budget for 2005. We are tracking to do that. The financing isn't fragile. The financing is complex. I would welcome any of you; I can share any information with you that you might want to know about the whole financing picture; how it was done, how we are tracking and how we are doing? I would welcome that to you any time so that you have confidence from a financing standpoint.

The other thing you wanted me to tell you a little bit about was where we are in improving air service in this marketplace. I think any of you would be challenged to identify an industry right now that is going through more flux and more change and more chaos than the airline industry. Obviously through September 11 that started everything. Now with bankruptcies and all of these things it is just an incredibly difficult industry to be involved in now. For me to sit here and say to you that I predict and guarantee that we are going to be getting a low cost carrier into this marketplace within the next 18 months, I can't do that. You have to know that is absolutely our priority. US Airways is our primary carrier. You all know what is going on with US Airways. There has been some good news about things that are happening there. That is going to take some time. We had 8% less seats available to us since the beginning of 2005 compared to last year. That is through our existing carriers giving us smaller planes to fill than they have in the past. That is just because of their scheduling and their operations in general.

Year-to-date we are tracking right along where we were last year and we improved deplanements by 5% last year. Things continue to go very well.

I can also tell you one of the biggest surprises to me and why I think I have a key role in the future of this airport authority, is how much sales and marketing was in play as it related to encouraging new air carriers to come into this marketplace. It is just like anything else. It is a massive sales and marketing job. If we can prove to the airlines that we can fill seats for them and if we can prove the magic of this region and why this region has incredible potential, they will come. The bad news about this is, if they come and they create new and interesting routes at great rates for us and they don't get the seats filled they will go away. The onus really is on this marketplace. We have got to engage this marketplace. Where do they want to go? Will they commit to going instead of continuing to go down to Baltimore or Philadelphia? We must maintain our competitive edge. We really are having some nice progress on enticing a low-cost carrier into this marketplace, but it is going to take time.

That is what I wanted to do. Give you an update on this. I am happy to answer any questions you might have or if there is anything specifically that I can tell you...as you can imagine route development is pretty confidential in who, when and where.

Mr. Haste: The 8% less seats that you were talking about, did that hurt you or did we not have capacity for the 8% that they pulled away anyhow?

Ms. Schaller: No, I think it has definitely hurt us. That translates to about 33,000 less seats for us to fill.

Mr. Haste: If you would have had those seats do you feel you could have filled them?

Ms. Schaller: We feel confident that we could have filled them if they were at the right rate and to the right destinations. Business travel is doing incredibly well out of this marketplace. We can detect that through our rental car sales. Rental car sales are 17% ahead of where they were last year. We know that the business traveler has really been responding. Plus we have a Susquehanna Club inside the airport, which is for business travelers and it is absolutely full all day long. So we know business travel has rebounded very nicely out of HIA. It is more the leisure travel. When you see what is happening in Philadelphia with Southwest Airlines coming in there, they totally came in there to put US Airways out of business. Go on their website and you will see fares that will just blow you away.

Mr. Haste: It's because it's Southwest that we can't get those fares here?

Ms. Schaller: Yes.

Mr. Haste: We have already talked to people who drive to Philly or Baltimore. It is all driven by dollars.

Ms. Schaller: Absolutely.

Mr. Haste: The thing I keep hearing is that we are not that competitive. What would your answer be back to that?

Ms. Schaller: I think that they are absolutely right at this point. We are not and we are doing everything that we can to be that. Like I said, we are doing everything that we can to work with our existing carriers to get additional routes, as well as, trying to entice one of these low-cost carriers to come in here and take us where this marketplace wants to go.

Mr. Haste: If you get a low cost carrier do you think the other prices will come down as well?

Ms. Schaller: Yes. That is the nature of competition. There is no other industry more competitive than the airline industry.

Mr. Haste: What can we do to help get that low-cost carrier here? The airport authority is not in this alone.

Ms. Schaller: Absolutely not. You can help us all stay focused on the big picture of where we want to go and what we want to do. I know we work very closely with Nick on a regular basis and there are a lot of issues that continue to churn and get all of our eyes off the point of where we need to go. I would say that is something that would be helpful. If we get some low-cost carrier individuals into the marketplace to tour around the area we would love to. I certainly think it would make a lot of points if you would potentially be available to meet with them and share with them your passion for the region. I think those kinds of things would be great. We, the authority, need to be better at keeping you close to us, as far as what we are doing and where we are going. That is the only way you are going to understand what we are trying to deal with.

Mr. Haste: I won't go down that road because I think my colleague to my left has some of those questions. When you were saying about taking the eye off of the picture of where we need to go...I guess the problem for me is I'm not sure I understand that. Because, what I see by way of the media, because that is the contact that we get, sometimes I question that because some of the discussions, especially with Mr. Testa and some of the local municipalities or business from where I sit, I don't understand where it is going. Maybe if I did know the bigger picture I would. When you say about us keeping our eye on the bigger picture from where I sit I'm not sure that bigger picture has been translated to anybody. I can't figure out by the Executive Director's comments where that is.

Ms. Schaller: I think we all know, in all of our worlds, there is a Fred Testa. The guy is incredibly knowledgeable in the aviation industry. He has unbelievable passion, intensity and focus. Those are all of the good things. I'll tell you, he is a handful. There is no question about that. I would ask that if you have questions call me, Eric Clancy, Fred

Sembach, or Cliff Jones. Call any of us and we will tell you. Unfortunately I live in this world in Hershey as well. The world comes down to sound bites. Many of the things that we are dealing with go so far beyond a sound bite it is unbelievable. Again, that is my world. Communications is my world and it is so frustrating when I read a headline that has reduced a very complex issue into a sentence. You all deal with this. I would think that you would at least understand and feel our pain. You can't take Fred's quote in the paper because he absolutely sometimes says stuff that just should not have been said because it truly doesn't reflect the depth of the issue.

Mr. Hartwick: Jack does a much more thorough job of communicating those issues for us here at the county. I just want to make sure that is part of the public record.

Mr. Haste: Nick is chomping at the bit over here.

Mr. DiFrancesco: I'm trying to decide whether I want to make the question or the comment first. I will make the comment first because what we are here to talk about today is more of where we are going with the airport and how we can assist in meeting the goals and objectives. This airport is so critically important to Central Pennsylvania. It is a keystone in our economy. It is a keystone in the quality of life in our community. Some of the things that I wanted to put on the public record we have already talked about. When you talk about keeping the focus on the big picture what often comes through from the public media side, and I'm starting to learn in dealing with you is that you are right, the news articles aren't always that accurate and what the staff says is not always going to reflect where the Board is. The one thing that I want to say on record is that this airport went down the road that it traveled for a reason. When PennDOT controlled it, it was not very responsive to the community. As a resident of Lower Swatara Township and a board member on the Township Board of Commissioners at the time, we had literally fire hydrants in the Fruehoff plant area, that upper section of what at that point was part and parcel of the airport. PennDOT just refused to address issues with water concerns and tenant concerns. The bottom line is that while we are looking at the big picture from a regional perspective we cannot lose site of the fact that the airport has a most direct impact on the local communities surrounding it. We are seeing it in Highspire where for many years it has been issues with noise. In Lower Swatara Township it has been issues with codes in the past and services provided. While some public comments have been made that we have our own police force and our own fire department while we all know that is not the way the world operates. We all know that there is constantly back-up and when something happens neighboring police and fire departments are brought in to respond. This airport, part of its business plan at the highest level has to be the fact that we need to be a good neighbor. In many, I think I have counted 4 or 5 issues now; the airport hasn't been the good neighbor that it should be. I am not saying that they are wrong necessarily in all of the positions that they are taking. A lot of times it is how they have interacted. That is really not what we are here to talk about today because I think through communications, we have been on the phone a lot, I think that is starting to change. I think there is an awareness that is growing on both sides. I am starting to be more aware of what you are doing and I think the Board is starting to see that if you think your mission is simply to build a good

business plan and bring that low-cost carrier in, you are missing part of your responsibilities as an appointee.

The thing I want to ask you goes back to how we bring that low-cost carrier in. Now I am assuming that there is a lot of market research that is being done currently. The challenge of that leisure traveler, I sort of laugh when it is broken down into the simple fact of paying \$200 more per ticket to fly out of HIA than Philadelphia to go to a particular destination. No, I have to pay \$800 more because that is \$200 more per ticket and if I am a leisure traveler chances are pretty good that I am taking somebody with me when I go. I have to think based on gut feeling alone. Based on the amount of people I know that are traveling out of BWI and Philadelphia to Allentown and Bethlehem to go different places, there are more than enough people that would be flying through this airport if the carriers would break down and see it. The only thing they are going to listen to isn't the political pleas of public officials or even the pleas of you; it is going to be raw numbers. What are the market surveys showing? How do we get involved? How do we help out? How do we bring in that PR campaign to raise awareness? How do we get more people contacting those carriers saying we want better service out of HIA? How do we do those things?

Let me lay all of that out in front of you now and let you answer it in detail. This is an ongoing discussion and I realize that. But what can we do? How do we raise this to the next level? How do we focus? How do we become the better partner? A lot of the things that I have been interacting with you on have been, me coming to you saying "you need to do something about this". It hasn't been "how can I help you"? But that part is there as well. What can this board do?

Ms. Schaller: I don't know. I think that is a great question because we have been doing everything we can in terms of producing numbers, talking to travel agents, talking to companied internal travel offices. On the website people have the opportunity to ask where do you want to go; what market places do you want to go to? We have got our hit list. We know where we are looking to improve service too. It is just a matter of convincing the leadership at the airlines that this is a viable market place for them. I get blown away. These are intelligent people and they don't realize everything that this region is. They don't realize that there are a million people. They don't realize that HIA services 27 counties. I think they look at it as servicing just Dauphin and Lancaster counties. We have people from 27 counties in the state of Pennsylvania using HIA. There is a big market out there that they are just not aware of, so it is educating them on this.

Mr. DiFrancesco: The other piece of it too they don't understand the stability of our economy. Our unemployment rate is always consistently low. People work, people travel even through economic hardships for other areas, this is a stable marketplace where people will fly out on those airplanes if they provide them.

Ms. Schaller: Right.

Mr. DiFrancesco: I want to say for the record too one of the real benefits of having you in the position that you are in right now is the tourism component, which obviously goes hand-in-hand with this airport issue. You understand both sides very well. Again, we have some other concerns on the tourism side that we have to work out. At the same time I am thinking that part of our tourism plan can enhance what we are trying to do in promoting HIA. That's just another thought.

Ms. Schaller: Definitely. I just don't think people realize that you have the State Capitol, Gettysburg, Lancaster, Hershey, you've got some major power destinations all right here. I think that our job is to educate them. We are trying to educate number crunchers. What could be a worse nightmare than trying to educate number crunchers on the power of a region and that's one of the things that we are constantly trying to do. That's why it's a real sales opportunity.

Mr. DiFrancesco: Let me just close my comments, George probably has some stuff to add as well. I want to say this, for the last few years it was a new approach to the airport, there was new management, and actually there have been two management teams in there. It's been a Board where I don't think anyone that has come to the Board has had any expertise in the industry. It is on-the-job learning. Basically you are learning how to operate an airport when you come to this Board. It is probably one of the most important Board appointments that we make. I will say this, my evaluation so far has been that there is too much of a separation between what is going on at the airport and the regional entities that appoint that Board of Directors, the multiple counties and communities. We have to change that because we need each other. We need each other desperately. If we are going to take this to the next level and if we are really going to do the marketing that needs to take place and bring in whatever resources we can to get to these air carriers and say look you are missing the big picture and it is happening here in Central PA, we all have to work together. That really is the key message that I want to deliver. We have got to find a way to work more closely together to make sure that all of these Board appointments from all of the counties realize just how important their role is. To be on this Board you have to bring something to the table and you have to be an active player. I sort of chuckled when you made your introductory comments in that I know what your real job is and I know who pays the rent every month and at the same time you are probably spending as much time on this Board appointment as you do at that other place. We appreciate your employer for allowing you that time.

Ms. Schaller: And so do I.

Mr. DiFrancesco: We appreciate the job you do.

Mr. Haste: In fact, we told him that.

Mr. Hartwick: I am actually going to play to the media and the crowd here. We've got a lot of other important items on the agenda today and Kim I will handle my comments with you in person. How does that sound? I want to thank you for coming in and appearing before us and spending your private time.

Ms. Schaller: Thank you very much.

Dan Kern, Director of Schaffner Youth Center; Sandy Pintarch, Children & Youth Agency

1. Schaffner Youth Center-Proposed changes.

Mr. Kern: Good morning Commissioners. The reason why I am here today is to talk about some of the proposed changes that we would like to make at the Herbert Schaffner Youth Center. Currently, we are a licensed 48 bed secure program for temporary placement for alleged or adjudicated youth. We also have a license to operate a 15 bed shelter in a non-secure residential short-term alternative to secure. The total license capacity is 63 residents.

What we are proposing to do is reduce the number of secure beds by 12 while increasing the number of shelter beds by 12. With the total license capacity remaining unchanged at 63 residents. There are two reasons for this change basically.

One of them is to provide increased flexibility to the courts on what they can do with the resident based upon disposition plans, past offenses and resident ages. The other significant reason why we are proposing this change is to access a higher rate of reimbursement. Shelter services receive a much higher rate of reimbursement which would add approximately \$400,000 in revenue, not for this year but for next. Sandy is here to speak upon that a little bit more if you would like greater detail.

That is essentially what we are looking to accomplish. There would be some minimum modifications to the physical plant to make this happen since the shelter is an open program. There would have to be a license change to reflect the changes in the number of shelter and secure beds and some permits, but it is all very doable in a short period of time.

Mr. Haste: That is actually and may be a little frustrating for you because you have to redo it, but it is actually a good business plan that you guys are doing to adapt your program based upon the state funding so we can maximize that and hopefully in the long run maximize the benefit to the kids that are there.

Mr. Kern: Absolutely.

Mr. Haste: I appreciate you guys having the foresight to do that.

Mr. DiFrancesco: As oversight for the Schaffner Center I want to make a public comment. We are in a partnership with Cornell for this facility. They are contracted to run the facility. They have gone above and beyond the call in getting us through what has been a tremendous challenge this year with all of the changes in terms of the Commonwealth. They are changing funding streams. They are reducing the amount of funds that come to us. They are changing rules so that we can't use money for certain things. I think it is very important to know that in terms of the partnership in this

particular facility this relationship has worked extremely well. I want to take the time to publicly commend you for the effort that you put forth in that facility everyday, the team that you have built and basically just the job that Cornell has done for us. Not just in Dauphin County either, they have literally taken the leadership role in the statewide advocacy effort, by providing information and resources to CCAP so that we can better fight some of these changes that are coming down the road. You guys have gone above and beyond the call and I think it is important to note that for the record today. Thank you very much for your effort.

Mr. Kern: Thank you Commissioner.

Mr. Haste: Is there a motion to approve?

It was moved by Mr. DiFrancesco and seconded by Mr. Hartwick that the Board approve the Proposed Shelter Changes at Schaffner Youth Center; motion carries.

David Twaddell, Esq., Rhoads & Sinon; Lou Verdelli, Public Financial Management

1. Adopt Ordinance No. 2-2005 approving three refunding bond issues as well as the swaps on the Series B and Series C Bonds.

Mr. Verdelli: Good morning Commissioners, on June 10th, I provided a memorandum to you regarding an opportunity to generate some savings to the county in the form of refinancing 3 of the counties outstanding bond issues. It was the Series A of 2000, the second Series of 2001 and the Series of 2002 bonds. At that point in time a couple weeks ago based upon where interest rates had dropped to; we were projecting net savings to the county of about \$1.2 million. You authorized your financing team to proceed on a very tight timeline according to our recommendation to try and take advantage of this recent drop in rates that has long-term interest rates at 40 year lows right now. We are back today, the financing team and your administration, all having worked very diligently to turn a significant transaction, a \$34 million transaction with three separate series of bonds for your consideration here this morning. We would like to review the results of that bond sale transaction with you.

The first thing I do want to report is that all of you know when we do a new bond issue we have to ask for your credit rating to be updated. We went to Standard and Poors and having worked closely with Mike over the last year and obviously observing all of the work that you have been doing, we definitely went to S&P and said that we were hopeful of a change in the county's credit rating status. We had the AA rating on last year's debt restructurings that included a negative outlook and we were a little bit unhappy about that and I think all of you have made some decisions to try and improve that situation. The first bit of good news is on the first few pages of the document that has the yellow cover, is the bond sale document that I will be reviewing. That says as of Monday afternoon S&P has reaffirmed the county's AA credit rating but has changed the negative outlook to a stable outlook. They have commented that it is basically due to the county's improvement and your financial positions and also as a result of some of

the cost containment strategies that you have been employing. I won't read this lengthy credit report to you. You can see it is shown here on pages 1, 2 and 3, but would comment by first congratulating you on this credit rating upgrade to a AA with a stable outlook and let you know that it went a long way in helping get the bond sold in an efficient manner yesterday at low interest rates and also helped reduce some of the issuance costs of doing the transaction. Your credit rating report is shown on pages 1, 2 and 3. On page 4 S&P had also put together a press release that is shown commenting on why they have increased your credit rating. Then on page 5, since I thought the question may come up, I asked them to provide a list of other entities here in Pennsylvania that S&P rates with a AA. You can see on page 5 in the AA category there are just 4 counties in Pennsylvania, Bucks, Cumberland, Dauphin and Delaware. In the group right below that, which is a AA- category, which is one notch below where you are you can see listed is Allegheny, Northampton and York Counties. I think you can all be very proud of this change in your credit rating status. Again, it did go a long way in helping us market the bonds and obtain a lower cost in financing.

Page 6 basically shows why we are here, which is the long-term drop in interest rates. The chart at the top of page 6 shows interest rates over the last 35 years. If you look on the far right side you can see how low, where the line comes down almost to the baseline, at 4% that we have only been at these levels in this chart over the last 35 years one other time. We are at rock bottom interest rates. The bottom of page 6 also illustrates how these long-term rates have been coming down over the last several months. I think everybody hears about the fed increasing short-term interest rates and thinks all rates are rising, but in fact what you are concerned with and what this chart's obviously showing is long-term borrowing rates. Those longer-term rates have come down substantially even in light of a fed meeting that is going on today and tomorrow where we will probably have another 25 basis point increase in short-term rates. We have long-term rates down near 40 year lows, which gives us this opportunity to save some money on your outstanding debt.

Quickly just to walk you through some of these numbers, I won't get into all of the details but just point out where the savings are being generated. Page 7 is the first issue that we are refunding. It is the series A of 2000 bonds. This was one of the first restructurings that was done in the year 2000 of some of the county's debt. In column 3 you can see the interest rate on those bonds is 5.3% and 5.35%. You'll see we will be going to a considerably lower rate on that issue.

Page 8 we basically pay those bonds off on August 4 since we are past the call date.

Page 9 shows what your new interest rates will be. In column 26 the new rates will range from 2.65% to 3.15%. That is a very significant drop in those rates, refinancing about \$4 million in bonds on this series.

Over in column 31 is going to produce the savings that are shown there. Those are annual reductions in the amount of debt service that the county will need to pay on that one issue. As you go down through column 31 you can see there will be a \$91,000

savings on the September 2005 payment. We'll have \$31,000 savings for 4 years in a row and then in 2010 there will be a \$234,000 reduction in the amount of debt service that we pay. Column 31 has a total savings of \$454,000.

On a present value basis in column 32 it is just under \$400,000 of net savings just from that series A of 2000 issue.

Page 10, the second issue that we are refunding is the second series of 2001. The second series of 2001 was the original bond issue that paid for the projects at Spring Creek. You may recall that last year in the restructuring we refunded a portion of this so what is shown here on page 10 is the amount of debt that is left on that old 2001 issue. Column 3 you can see the rates range from 5.5% to 5.1%. Again we are going from those high rates to much lower rates.

Page 11, we do have to put this money aside in an escrow account until we can call the bonds in 2011. We are just showing the calculations there.

Page 12 is where the savings are shown. The new interest rates on the series B issue replace the second series of 2001. New rates are shown in column 21, ranging from 3.57 to 4.33. The savings are shown in column 26 at \$148,000 reduction on this November 15 payment coming up. Then you have those additional savings over each of the next 6 years. All totaled at the bottom of column 26 \$403,000 net savings. Column 27 is the present value of those savings, about \$366,000.

There is one footnote I will point out at the bottom of page 12. That is there was an interest rate swaption that when we did the restructurings last year it was placed and assigned to that second series of 2001 bonds that was an option to have the county convert that debt potentially to pay a variable rate. That option has been transferred from the old 2001 issue to this issue. That was part of the complexities of this transaction. We needed to get those swaps transferred without there being a termination of the original swaps. The Royal Bank of Canada who we did those arrangements with agreed to transfer them as opposed to terminating them. If we would have had to terminate them today it would have been a number of about 600,000 to terminate that. So it was a significant savings that as a result of them agreeing to transfer and amend the confirmations, which Mr. Twaddell will speak to briefly, it basically allowed us to do these transactions. That swap moves over to this issue and is still in place.

Page 13, is the final issue that we are refunding of the three that I had mentioned. Here is the series of 2002. This is new money financing that paid for the acquisition and improvements to the building that we are in. This is the current issue. In column 3 the current interest rates range from 3.15% to 5.15%. On page 14 again we need to set up an escrow account. On page 16 you will see the new interest rates that would replace the old series of 2002. In column 21, ranging from 3.3% to 4.38% total savings in column 26 you will see about a \$205,000 in the payment that will need to be made by November 15, 2005. Then you have the annual reductions of \$78,000 over the next 6

years. All totaled you have a net savings on this issue, column 26, of \$634,000. The present value of that in column 27 is \$586,000. Again, the swap that was on the series of 2002 is being transferred over to this series C of 2005. If we would have had to terminate that also would have been about \$600,000. We have avoided that and the swap simply has transferred over to this new issue.

Mr. Hartwick: One quick question. Did the transfer cost the county any money? Obviously they didn't need to terminate. Did the transfer cost dollars and if so are they factored into your savings amount for the series B and C issues?

Mr. Verdelli: RBC agreed to transfer them with zero cost. So there is no cost to doing that. There were no legal documents or anything. We basically just transferred them.

On page 16 just to summarize, the three series of bonds that are being issued are broken out there for you and the uses of the funds. Obviously the majority of this money is all being used to pay off the three old bond issues. That is the first line under uses, where it says deposit to the escrow. The other issuance costs are all shown there for you. The middle of page 16, are some important dates. August 4th is when we will have closing on this issue. It is when all of the money will change hands. In the box where it says "Yield of the Issue" this is the rate that if someone asks what was the interest rate on this new \$34 million that the county has refinanced, this is the rate that we report to the IRS on this new issue, 3.93% is what we are locking in on debt that you can see goes out to 2024. So twenty year financing is what we were able to lock in for the entire life at 3.93%.

To summarize it all on page 17 since that was all broken into a few pages I put this summary page together for you. There you can see the savings from all 3 of the issues in the box on the far right column. Fiscal year savings, this will result in about a \$444,000 reduction in debt service payable this year. Then you can see about \$150,000 of savings over the next 4 years, as well as, a \$357,000 reduction out to 2010. There is another \$100,000 in 2011, for the total savings, and this is netable your cost, of \$1,492,000. So that additional drop that we had in rates over the last couple days that you saw on that interest rate chart has pushed those savings from \$1.2 in my memo a couple weeks ago up to this number close to \$1.5 million. The present value of that is shown down below. I would be happy to answer any questions regarding these 3 refinancing transactions that we have here for your consideration.

Mr. Haste: The comment that I'd like to make is, even though a fair amount of that is in the first year I'm glad to see that the savings is realized over seven years. By this action we are able to see future savings, not just today's savings, which I have been critical of in the past where people refinance, then take the money and run. At least this has been done where it is spread out and the taxpayers will see benefit for 7 or more years. I appreciate that.

Mr. Hartwick: If you can eliminate all of those fees David, you need to do my banking.

Mr. Haste: At least negotiate your banking.

Mr. Hartwick: That is correct.

Mr. Twaddell: Gentlemen you have before you an ordinance it will be, I believe, Ordinance #2, which accomplishes a number of things. We have combined the new refunding bond issue and redemption features, as well as, the swaps into a single ordinance this time around to try and be a little more efficient since they are both occurring simultaneously. This ordinance has been advertised as required by the Pennsylvania Local Government Unit Debt Act and a draft copy has been available here at the office of the Chief Clerk for public inspection.

In summary this ordinance will authorize the issuance of 3 series of bonds A, B and C of 2005, which will accomplish the refunding proposal that Mr. Verdelli has just outlined. It does also exercise your right to call the existing bonds that have been described. I will mention, with respect to the series 2002 A bonds, which are currently callable, just about 24-36 hours ago the decision was made to try and call those on the settlement date of August 4, 2005. We prepared a draft notice for that purpose and furnished it to M&T Bank, the paying agent for that issue, who will also be the paying agent for this issue and they have agreed to turn that around in a time sufficient manner to make that call happen. That is a value to the county. Every day that you can get that done saves the county a little bit of money and their ability to turn that around in just a couple of days amplifies that. In addition to approving the bond issue documentation you are also approving a new interest rate management plan with respect to what will be treated for Local Government Unit Debt Act purposes as new interest rate swap agreements. Actually the termination provision and requirement is part of the Local Government Unit Debt Act. The amendments to the act that enabled you to enter into swaps require first of all, that you always allocate a swap to some debt issue; you can't just do a swap on its own. I guess consistent with that the statute requires that if you refund or pay off the underlying bond issue, due to which the swap relates, that you must terminate the swap. One of the things that has happened here with the discussion with the Royal Bank of Canada was their willingness to, for their purposes, essentially amend the existing swaps that you'd entered into, they will deliver an amendatory confirm which will identify the new bond issues as the issues to which these swaps will relate. We have confirmed with the Department of Community Affairs that as long as we treat this for debt act purposes as a new interest rate management agreement and file a new interest management plan they will accept that as compliance with the termination requirement. The value of that is that it basically allows you to take the refunding savings, as Lou indicated, if you had to actually terminate the swaps it would have cost you almost as much or more than the savings that you will realize from the bond issue. There is a huge value in that. This also answers a question that was not clear when the Debt Act was passed. There was some desire in some parts to allow assignments of swaps and initially the department had indicated that they felt that would not be in compliance with the statute but they have permitted it to happen here. It is also important I think in the sense that when we reviewed the interest rate management plan before the swaption with the county one of the risks that was identified was the potential

risk of the impact a swap termination could have if you are trying to take advantage of the interest rate market and do a refunding. The ability to transfer that swap over to the new issue has really managed that risk in a no risk fashion, as Lou indicated, at no additional cost to the county. In fact that allows you to assign a swap, which has more value now since the fixed receiver swap that will be assigned to these, if it is exercised by the Royal Bank of Canada it will result in payments to the county at a 4% interest rate. Actually your debt cost is now below 4%. So I think the thinking was that you would be willing to do that swap even if it was never exercised because the county received substantial payments at the time the swaption was entered into. You have already realized the benefit of that swap by transferring it over. You now have a new potential benefit to actually realize even more savings.

The last thing I would mention is we are approving two escrow agreements to deal with the two issues that are being advance refunded here. Over the last several days PFM has analyzed the escrow investments and has targeted several different categories of investments to maximize the yield. As the circle closed with the pricing yesterday the decision at the moment would be to keep those investments in state and local government series obligations. They are yielding enough to make the refunding work with these numbers. Actually, PFM was able to drive the interest rates down and eliminate a lot of the bond premium that was originally going to be charged on these bonds. The target yield in the escrow has actually gone up a little bit and one of the options that may become available over the next 30 days between now and settlement is if in fact short-term rates go up, and I think there is an expectation that the open market committee will be pushing the reserve overnight rate, there may be an opportunity. We have approved bidding specifications for both open market treasuries and for collateralized certificates of deposit, both of which are authorized investments for these escrows. There may be an opportunity to realize a few dollars more in savings because we have a little bit more room in what we are allowed to earn on those escrows. I'd be happy to answer any questions you may have about the debt act proceedings.

Mr. Haste: If we adopt this ordinance are we also taking action to amend our investment rate management plan?

Mr. Twaddell: Yes, it is all incorporated.

Mr. Verdelli: I didn't refer to it but I passed out a draft copy of that as we prepared the new interest rate management plan that describes the transfer of the swaps to these new agreements.

Mr. Haste: So that we have it clearly in the record, because I didn't hear that, could you again list what is in this ordinance so that we know what we are adopting?

Mr. Twaddell: Sure. The ordinance authorizes the issuance of three new refunding series of bonds to refund the series that have been described. It authorizes the call of the underlying bonds, the establishment of the escrows for the 2 bonds that will be

advance refunded and also authorizes and approves a new interest management plan and what will be treated for Pennsylvania legal purposes as new swap agreements with Royal Bank of Canada. They are both fixed receiver swaps at 4%, they are swaptions, they will be put in at the option of Royal Bank of Canada.

Obviously we haven't spent the same amount of time in workshop sessions and so forth reviewing the interest rate management plan because the terms of the swap are literally identical. That does mean that there is a very minor mismatch, if you will, between the notional amount on the swaps and the bond issue principal amounts. When the swaptions were put in place we identified the outstanding principal amount of each bond issue to which it would relate, wrote the notional amount on the swap in that dollar amount and the notional amount declines at the principal amortization rate on those bond issues. Because they are not terminating that swap and writing a new one to the debt terms of the new issue the two issues will amortize at slightly different rates. However, the way the bonds were marketed here with the use of premium pricing on the bonds, usually we expect to see refunding bond issues, particularly advanced refunding bond issues with higher principal than the bonds you are retiring because you've got issuance expenses and an escrow cost that causes that issue rate to go up. Here that difference is very minor. The actual difference between the principle on the issues you are refunding and the new refunding issues is almost the same. At the end of the day we don't see any significant impact of the fact that the swap will be amortizing at a slightly faster rate than the bond issue, if the swap is put into effect. We have confirmed, and PFM has produced the schedules to confirm, that even though there will be a little bit of a difference in those amounts it will be in compliance with the state law requirement that you never have a swap amount that is greater than a bond principle amount.

Beyond that minor change the interest rate management plan for these swaps is literally identical to the one that you spent considerable amount of time approving a couple years ago.

Mr. Haste: Any other questions?

Mr. Hartwick: Just congratulations for breaking new ground and opening up some additional business for both of you. Obviously we are proud of the team that is not only able to help with new policy but keep us on every angle, current to refunding and available public finance options to save taxpayer dollars. I have great confidence in you guys.

Mr. Twaddell: Thank you for the opportunity to be of service.

Mr. DiFrancesco: I just have one question. As far as the deal, this is great, congratulations. It is a good deal and is obviously good for the taxpayers of Dauphin County. The one comment in the bond rating summary, "these factors are partially offset by", on page 2, the first one lists, "the property tax collections that historically have been at the low end", what exactly does that mean?

Mr. Haste: We asked this question the last time and didn't get a clear answer. Look at our rate compared to other counties...

Mr. Hartwick: We were on target.

Mr. Haste: Right.

Mr. Verdelli: They comment as you go down, I think it is the third paragraph below about half way through it says, "property tax collection on current year basis, however, still have room for improvement with the rate at only 92%. Total collection rate was at 96%; however this too was down from a total collection rate of 99% in FY 2003." I talked to Mike Yohe about that one negative comment and I know Mike is a little frustrated by it as well. There are different ways you can measure those collection rates. S&P wasn't very clear, because I think he was in touch with them as well, in terms of the reporting of that. Typically you do collect your delinquents and you get up to where you should be and we see this in a lot of other counties and sometimes it is just a question of how it is reported. I think we can continue to address it. I told Mike I would look up some of the other counties that we have recently done bond issues for and look at their credit report and see what the comments were in terms of property tax collections to see how it relates to how you are doing.

Mr. Haste: Mike, did we ever get an answer last time we went around on this?

Mr. Yohe: The best I could get with them last year at this time was that they compare this to a national collection rate. I wanted to know how they compared it within Pennsylvania. Because within Pennsylvania we are fine, we are right with everybody else. But he said that they use some national index. I wanted to know how they could do that if other states have different means and methods of collecting the money. My whole point is we collect 99% within three years. That is all we really need to worry about.

Mr. Haste: That is why I don't understand this.

Mr. Yohe: I think it is in their system and they just don't take it out. I think it has been in their database....

Mr. Haste: Is there a motion to approve?

It was moved by Mr. DiFrancesco and seconded by Mr. Hartwick that the Board adopt Ordinance No. 2-2005 approving three refunding bond issues as well as the swaps on the Series B and Series C Bonds; motion carries.

(The entire Ordinance No. 2-2005 is on file in the Commissioners' Office.)

Mr. Haste: You know what's not on the agenda that I thought would be, do you want to address and give us an update on the incinerator? I guess Andy you are here for that as well?

The only other thing I would say is let's make a presentation, I don't know if this is time sensitive, because of the market or not. If it is even though it is not on the agenda and my two colleagues are comfortable with it, if not we will ask that whatever information they may need you get to them by next week and we will go out of cycle.

Mr. Verdelli: Okay, I appreciate that. I wanted to give the Commissioners a brief update. As you know at the end of 2003 you were asked to guarantee a series of bonds that were issued for the Harrisburg Incinerator project. When that financing was put together there were many assumptions made and we reviewed all of those with you at that point in time and said that there were things that potentially could change as things progressed with construction and so forth.

One of the things that has been discussed at length, over the last month, was with the drop in interest rates to look at the opportunity to try and reduce as much interest rate risk for the project and for the city that provides a guarantee and the county it provides a guarantee to reduce that interest rate risk. You may recall that \$96 million of the bonds that were issued for the project basically were set in a variable rate mode and there was an assumption that we reviewed with you that we would assume a 3.25% interest rate for the entire maturity of those bonds going out to the year 2033. That was a defensible assumption because the 10 year average for variable rate bonds was under 3.25% at that time. With that assumption the financing proceeded and with the recent drop in long-term interest rates the Authority's financing team started to look at options for taking advantage of these low long-term rates and reduce that interest rate risk. When they began to do that they contacted us, since we were your financial advisor, the City's financial advisor was also brought in to look at the transaction, to see whether or not it made sense for us to recommend to you whether you should go along with these proposed transactions that would convert that variable rate exposure to a fixed rate. What has been done to date is that yesterday the Harrisburg Authority met and approved converting the variable rate to a fixed rate. City Council reviewed the proposal last night and I believe it is on their agenda for a special meeting tomorrow evening to approve it and we would like to brief you on what this option is to convert that to a fixed interest rate.

Basically, the rate that we could lock in, the new interest rate swap that the Authority would enter into would lock the interest rate at 3.35% through the entire maturity of the bonds, through 2033. That variable rate risk that we were going to assume between now and 2033 would be completely eliminated. It is not an option. It would be a swap that would start in the year 2006 at that rate and go to 2033. One of the other components of it, as we talked basis swaps and other things last year, is a tax risk in the interest rate swaps. We have tried to reduce that as much as possible and the goal right now is that the first two to three years of this new swap will be based off of the Bond Market Association index, which is an index that should match up perfectly with the

variable rate debt that the project has. That completely eliminates tax risk in the early years. The thinking was the project will just be getting up and running and those would be the most critical years if we can eliminate all of the risks there in terms of the debt service costs that is most beneficial. The 3.35 rate that would be locked in until 2033 is based off of an index, the BMA index, for about 3 years and then it would convert to the 68% of LIBOR index for the remaining life. That is where there is some tax risk using the LIBOR swaps, but we have reviewed that in the past. The opportunity I think is very significant with these long-term rates as we just saw with your refinancing transaction to take advantage of that. I don't think anyone on the Authority's financing team ever thought they would have a chance to lock in the financing until 2033 at a rate under 3.5%. In fact when you average it out, if this swap is implemented at a 3.35% the fact that the project for the last 18 months has enjoyed an interest rate under 2%, the entire project would average out to have a financing cost that is probably around 3.25% for a 30-year financing. I think in terms of setting up financing to hopefully make the project as successful as possible I don't think you could do any better than a 3.25 fixed rate for 30 years of financing in that amount of financing. That is what you are being asked to do. Consider giving your approval for this new interest rate swap to be implemented. There is a new interest rate management plan that has been prepared by the Harrisburg Authority where we have also had to include your debt and that gets updated the way it did last year. That new interest rate management plan was adopted by the Authority yesterday. We have reviewed that. It has all of the terms and conditions of the proposed swap. The resolution that you have is basically for your consent to move forward, for the Authority to move forward and again they have already approved it. I believe City Council is approving it tomorrow night. With your approval they were planning to try and lock this rate in on Friday. It is interest rate sensitive. We did see interest rates rise about 6 basis points yesterday. I didn't get to see what the market was doing this morning, but it is a market sensitive transaction. That is what I have on the financial end, I'm not sure if Mr. Giorgione has any comments.

Mr. Giorgione: I don't have much more to add except this is something we have been looking at for the last six months. We started looking at it in January because the long-term rates kept creeping down at the same time short-term rates started creeping up. They are at a point now where they are like this (held fingers close together) so it doesn't make any sense to continue to have the variable rates. In particular, as Lou just said, we are talking about locking in until about 2033. The benefit we have gained is we've had the benefit of the variable rates extremely low for the past 18 months, which has meant more cash for the project. That has been extremely good. At this point to lock it in and take all the risk away, this is as close to a no brainer as you can get. It is not much different than the project that you just did for the county debt. You are working with your swaps and you are amending the agreement. We are doing it here as a resolution, you don't need to do it by ordinance and you are just going to amend the reimbursement agreement and the trust indenture and we are done with this. We are extremely excited. Nobody could have predicted that we would have been this right 18 months ago, Lou and the finance team, at saying what rates are going to do until 2033.

Mr. Haste: Andy, it's better to be lucky than good. You are lucky.

Mr. Giorgione: I had nothing to do with it. These guys were right and they are good.

Mr. Haste: Actually as I had said, unless my colleagues aren't comfortable, I'd like to move forward so that we can take advantage. To me there were really two big risks in the backing of this when we were going through with this. One was the rate and the other was the fact that the project wouldn't succeed. We are eliminating one of those big risks, which I think helps the project succeed. I agree. I would ask what is the down side to this? I guess the down side would be the risk that the rates go even lower.

Mr. Verdelli: Right, if variable rates averaged over the next 30 years 2.5% and we've locked in at 3.35% it will cost the project a little bit of money.

Mr. Haste: Historically, where have variable rates been?

Mr. Verdelli: The 10 year average right now on variable rates is back up to 3.5%.

Mr. Haste: Right. I really don't see why we wouldn't vote for it.

Mr. Giorgione: We have to go through the same process. So if we could get your approval today, we have the DCED filings, but if we can lock in the rate on Friday then we don't have to worry about what the market does for the next week or so.

Mr. Haste: What would the resolution number be if we were to pass it?

Mr. Saylor: It would be resolution number 20.

Mr. Haste: Any further questions?

Mr. DiFrancesco: None.

Mr. Haste: Are there any reservations of moving forward at this time?

Mr. DiFrancesco: None.

Mr. Hartwick: I have none.

Mr. Haste: Is there a motion to approve?

It was moved by Mr. Hartwick and seconded by Mr. DiFrancesco to adopt Resolution No. 20-2005 the Refinancing of the Retrofit Bonds Projects of December 15, 2003 in the amount of \$96,480,000; motion carries.

(The entire Resolution is on file in the Commissioners' Office.)

Mr. Giorgione: Thank you.

SALARY BOARD

A complete set of Salary Board minutes are on file in the Chief Clerk's office.

PERSONNEL

Mr. Haste: Were there any changes to the Personnel packet?

Ms. Sinner: I do have an addendum, which is really just changing someone's start date and there is an increase because of someone getting their Masters Degree. They were part of the educational incentive program. There are no changes to the rest of the packet.

Mr. Haste: Are there any questions of Kay? Is there a motion?

It was moved by Mr. Hartwick and seconded by Mr. DiFrancesco that the Board approve the Personnel Packet with the two additional addendums; motion carries.

PURCHASE ORDERS

Mr. Baratucci: Commissioners, in the Purchase Order packet this week there were 3 items added since last week. They are on page 19 for AAA and on page 24 for Spring Creek. They were items that were all okayed by the oversight Commissioner. In addition there is an item on page 21 that is still showing an over budget but that has been corrected. We didn't have it fixed yesterday when I printed the report but it is fixed now so the report is clean from a budget standpoint.

On page 6, I sent you guys an email during the week about the discussion we had last week for the service agreements for the cassette recorders. I did talk to Carol Stoneroad and she gave an explanation that they had tried the lesser expensive throw away type things. It was explained to me and they ask that you do okay that request.

Other than that, if you have any other question, I will be happy to answer them. Otherwise it is there for your approval.

Mr. Haste: Any questions of Randy?

Mr. Hartwick: I have none.

Mr. DiFrancesco: I have none.

It was moved by Mr. DiFrancesco and seconded by Mr. Hartwick that the Board approve the Purchase orders; motion carries.

REPORT FROM BUDGET & FINANCE – MIKE YOHE, BUDGET DIRECTOR

Mr. Yohe: I am actually going to reverse the order on the agenda, C, B and then A. We will get the investment report out of the way.

C. Investment Report

Report from the Office of Budget & Finance June 29, 2005

- **June 10, 2005** transferred **\$4,445,486.00** to the **Payables** account and **\$1,940,188.47** to the **Payroll** account **from the County's Concentration account** for checks issued that week.
- **June 17, 2005** transferred **\$1,797,776.95** to the **Payables** account **from the County's Concentration account** for checks issued that week. (Delinquent Taxes approx. \$1.4M)
- **June 24, 2005** transferred **\$5,038,893.55** to the **Payables** account and **\$1,850,598.43** to the **Payroll** account **from the County's Concentration account** for checks issued that week.
- **Total Term Investments – N/A**
- **Balance today in INVEST account \$124,045.65 rate 2.99%**
- **Balance today in Community Banks investment account \$19,000,297.20 rate 3.150%**
(This rate is good through 6/30/05)
- **Balance today in Commerce Bank investment account \$38,000,567.51 rate 3.380%** (This rate equals today's 91-day T-Bill rate of 3.080% plus 30 basis points)
- **Balance today in Sovereign Bank investment account \$19,057,769.55 rate 3.424%** (This rate equals today's 1-month Libor of 3.324% plus 10 basis points)

\$10M TRAN Line-of-Credit Status at PNC: No activity to date.

Mr. Yohe: Again, just looking at this we probably should have had the higher amount in Sovereign but with these variable rates that these two banks are indexing off of Commerce started off the month in the lead and now Sovereign overtook them here at the end.

Mr. DiFrancesco: How are you tracking it? At the end of the month what has to happen is that money has to be in the average highest balance. I realize life becomes very complicated when we start doing these variable rates but somehow we need to build into this process. Obviously we haven't quite gotten there yet. When that snapshot is taken the biggest portion of that money should be in the highest rate.

Mr. Yohe: I understand.

Mr. DiFrancesco: I don't know how we are tracking daily what those average balances are but in some way that is going to have to become a function so we know where to put that money in the future. I don't think it is a matter of a teaser rate or anything like that, but the bottom line is they have to show some consistency across the board that their rate is in fact the best rate in order to get that additional piece of money. That is a lot of money.

Mr. Yohe: It is. Unfortunately I think our policy, the one we have been using, is identify which one is going to win it for the month and then they have the understanding that they have the money for the month. That is why I hesitate. I saw that this was creeping this way and I struggled with whether or not to switch it. Ultimately, I think our understanding is that whoever comes in with the best rate at the beginning of the month keeps it for that month.

We'll see. I'm open if that's what we want to do. I will run that by them and see if it causes any problems.

Mr. DiFrancesco: I think at the very least on a daily basis we need to track the rates. I know you sent me the graph, but it really wasn't what I was looking for. What I was looking for was an overlay of the three rates. In other words, what I wanted to see was the....Community is what a solid interest rate? It is not defined here. I actually wanted a chart that was going to show me the M&T overlaid on the LIBOR overlaid on the third so that we could actually see...

Mr. Yohe: I did send that.

Mr. DiFrancesco: I think the one that I received just had the one rate on the graph. It wasn't an overlay of the three.

Mr. Haste and Hartwick: The one that I saw had all three.

Mr. DiFrancesco: I will go back and look again, maybe I missed that one.

Mr. Yohe: I sent an overlay of a bar and line graph and then there was actually the numbers behind it.

Mr. DiFrancesco: I may have missed it when I looked at it. The bottom line is again, the highest number isn't in the highest interest rate. I just want to make sure that as they put these things out here that these things are being tracked. They should be very close or one is showing better performance than the rest.

Mr. Yohe: It is a tough call. I need to make that call at the beginning of each month as to which one is going to be the highest. I think this month was the first time that it did flip-flop until the end of the month. I'm not happy about that though either.

Mr. DiFrancesco: Honestly, I think we have instituted a very good policy it's just going to need to be tweaked. The curve ball that we were thrown was we're not going off of solid interest rates any more we are going off these variable...

Mr. Yohe: They are not the same. They are indexing off of different things that is what makes it difficult.

Are there any more questions on the investment report? (There were none.)

B. Report on RFP's

Mr. Yohe: The second item I would like to go over are the RFP's. We discussed that at some length last week. My recommendations, based on the responses I received, were that Sovereign Bank, with a fixed rate of 3.64%, was the highest for July. Community Banks and Commerce Banks came in second and third. My recommendation would be to continue with those three for the next six months. Effective Friday the bulk of the money will be switched over to Sovereign at that fixed rate and then the bidding process will again start in August. I will send out a reminder. These three are free to change. I will not let them change downward, these are the minimum amounts other than if the indexes drop.

Mr. Haste: If they want to compete that month they can pay for it.

Mr. Yohe: They are free to raise them up. I would like to hear any comments on that. I would like a vote on that today so that I may go ahead and notify the people that this is what we are going to do.

It was moved by Mr. Hartwick and seconded by Mr. DiFrancesco that the Board approve Mr. Yohe to engage with Commerce Bank, Community Bank and Sovereign Bank as our three primary institutions for deposits; motion carries.

Mr. Yohe: Like I said Friday I will make the switch.

A. Adoption of the Fiscal Year 2005/2006 Budget

Mr. Yohe: The third thing on the agenda. Today we have had our 20-day public inspection period on the proposed 2005-2006 FY Dauphin County Budget. We have advertised today as the day that we would approve it and vote on it. I'm here to tell you that I have not had any changes. (Passed handouts.)

Mr. DiFrancesco: Mike, this one is no different than the one that we had?

Mr. Yohe: No. Like I was saying there has been no change to the figures. At issue I think was a potential change in the Children and Youth Budget. I know Children and Youth went back and looked at it and the cuts that they have made are about as far as we can go comfortably without seriously disrupting services. That is my understanding.

They are here to respond and to give a little bit more in-depth discussion or highlight of what is included and what is not included in their FY 05-06 Budget.

What we are looking at is we have 9 different funds that run on a July to June fiscal year mostly to correspond with the state budget and state funding sources. The total for FY 05-06 is \$133,905,064 or \$4,987,970 more than the FY 04-05 budget which is about 3.87% increase.

Mr. Haste: Say that number again.

Mr. Yohe: Which one?

Mr. Haste: What is the increase?

Mr. Yohe: \$4,987,970. It is a 3.87% increase. It is a little deceiving because when you look at this MH/MR went up \$8.6 million while Children and Youth came down \$5 million. If we look at it as a total for the budget that we are presenting today we are looking at a 3.87% increase.

On the county fund side on page 2, we are increasing the amount requested from Dauphin County, by \$1,031,155 or 12.42% increase in county dollars. We are looking at a \$5 million decrease in Children and Youth's overall budget. We are looking at almost a \$1 million increase in the required funds from the county. Everybody else, all of the other funds stayed pretty much the same or had a slight increase.

Again, I won't have a long presentation. It is the same as what it was 21 days ago when we laid it on the table.

Mr. Haste: I was curious to see what you handed out here because I have three different documents with three different amounts in front of me. I wanted to see what...and this has not changed, but I think we have a summary from Chad and I think what happened is that we may have double counted that \$400,000 TANF.

Chad has in here that the county's share for Children and Youth is \$7.4 million plus \$400,000 from, not TANF but Title IV-E. If you take the \$400,000 out you are back at the difference that Mike is saying. I just think that whenever you folks start to talk about this budget you make sure that we have the right numbers. What we are voting on and what is in this report are not the same. The Children and Youth increase that is before us is an increase in \$89,682 not \$1.2 million.

Mr. Hartwick: That is correct.

Mr. Saylor: Okay. The numbers that I had, I think deal specifically with each program that we were cutting, not the overall budget.

Mr. Haste: The memo says county share for FY 05-06 will be...and that is different than what we are voting on.

Mr. Saylor: Sorry, I may have misinterpreted the information.

Mr. Haste: Just so we get it right. I think that is what it is. It looks like you may have double counted the \$400,000. So this has not changed since 20 days ago?

Mr. Yohe: Nothing.

Mr. Hartwick: I think our pain in this fiscal year budget has been something that has been clearly communicated over the past several months, actually over the past year or so. We have been announcing with blow horns in every way that we can across the state, on capitol hill, to the Governor to the Secretary of DPW, who by the way made a comment that she was going to hold counties harmless in this upcoming budget cycle. By my calculations I would hate to see if they held the counties harmful in a budget where we are ultimately reducing a Children and Youth budget by \$5,028,450.00 over what the current budget was. We are decreasing the overall amount which is an 11% decrease. Then we are increasing the general fund amount that we have to pay out of taxpayer dollars by close to one million dollars, which equals a total hit to the Children and Youth budget of \$6,018,139.00. I don't know about holding counties harmless, but that doesn't seem like it is holding counties harmless in this case.

Am I correct in those numbers? You look like you have some questions.

Mr. Haste: Well, you were close.

Mr. Hartwick: Ultimately, we've been sold a bill of goods that we were told since Dauphin County is moving in the right direction, because we have got some great innovative programs, because we are doing great things in JPO and keeping kids in the community, because our prevention and intervention programs are actually showing trends moving in the right direction and because as public servants we have an obligation to invest in peoples lives and not throw them away and put them in a part of the system that is going to cost taxpayers twice as much in the long run rather than investing in individuals lives today. We have been forced to make some serious cuts in areas that unfortunately are places where people don't have a whole lot of a voice, for example the Program for Female Offenders and after school programs for kids in the Harrisburg School District. Part of the programs that make the entire Harrisburg School District transition successful is what is happening before and after school. Ultimately we are forced to make decisions to halt or to stop some of that progress because of the budget hand that we have been dealt and not putting it all on the backs of taxpayers. This has been a painful process. Quite frankly, I am disheartened that I have to make these kind of choices to make these kinds of cuts. We also have the responsibility to look out for the best interest of the taxpayers first. I will ask the state at what expense are we willing to throw away children, are we willing not to invest in individuals and see them be productive members of society and are they going to continue to play the shell

game with us forcing us to make these tough decisions, be it either to raise taxes or invest in peoples' lives. Clearly that is the shift that is going on with this kind of budget. I am extremely disappointed in the legislature, the shift and I am disappointed most importantly for the kids in Dauphin County who are going to be short-changed because we had to make some serious tough decisions over investing in kids' lives or adding additional tax dollars. This budget is extremely painful. I think it is going to be felt in the long-term in many ways that short-term political thinkers just don't believe because of their current priorities are not fiscally responsible. We will be spending hundreds of thousands and millions of dollars down the road in sending kids to placement, meanwhile the investment that we could be making in their lives today has been shortchanged. That's all.

Mr. DiFrancesco: I think there has been a lot of disheartening aspects to this whole discussion. Many of them have already been stated. One of the things that struck me as true and needs to be promoted much more is the fact that in the last couple days *The Patriot News* wrote an editorial where it basically talked about the relationship between different levels of government and how they don't currently work together. The people that truly suffer are the taxpayers of Pennsylvania when that happens. Realizing that we are all up against very difficult budgets the bottom line of what I have seen through this process has been an administration that has not taken the time to talk to the communities involved. Government is in a very bad way if you take an issue from one perspective only. It seems that is exactly what happened through this budget process.

One downside to the Dauphin County taxpayers is the fact that the county is now putting more money into this budget to receive less in terms of services. Get behind the numbers and the other very real aspect to this community is in fact as Commissioner Hartwick mentioned that there are going to be less programs to the children in our communities and to the families that need the programs. Ultimately at the end of the day what that means to the families that are untouched with those immediate needs is the fact that we are going to see more kids ending up in other aspects of our system that are far more expensive than these prevention programs that we are cutting back on.

The goal in Dauphin County has always been to be very proactive to try and get the kids out of the streams that take them into wrong life choices and to try and put them into the tracks that show them what their life can be, by giving them the support that they do need because for whatever reason, their community or their family is not giving them all that they need. The real effect of that is to say that these kids are not going to end up in the Schaffner Center or they are not going to end up in placement and they are not going to end up in the adult system. This budget actually counters that.

I have a lot of faith in the professionals that run our Human Services Department. I honestly think that they have gone as far as they can possibly go in making cuts to this budget. To go further, as they say they've cut out the fat a long time ago, they are definitely cutting muscle now. It is cutting into the health of the programs of our communities. It is unfortunate. It is unfortunate the way this whole process has taken place. In my humble opinion the administration should have reached out more to us.

They should have brought the county into partnership and looked at the real challenges before them without making unilateral decisions. There has been a lot of rhetoric out there in terms of holding the counties harmless. We all pretty well know by looking at the numbers that is not going to be the case. That rhetoric doesn't help. What does help is when different levels of government can sit down together, acknowledge the problems and attack them on a common unified front. That did not happen through this process. What we are going to see at the end of the day is that the families that receive direct services are going to suffer and the property owners in Dauphin County, and across the Commonwealth as those other counties institute their budgets, are going to suffer because of a lack of communication, effective planning and leadership at the state level. We have to do a better job.

Mr. Haste: This is probably no surprise. I will be voting no on the budget. Not because I do not support the programs or the efforts that everybody has made. In fact, I tried to make it as clear as I can that I commend our staff and our departments for doing a yeoman's job on a very tight situation.

At some point in time we need to stand up and send a message to the administration and to the Legislature that enough is enough. Irregardless of the rhetoric of the administration and their spin trying to say that they put more money into it, the fact of the matter is that the state has cut their allocation to Dauphin County by 19%. I am talking about just Children and Youth. Now we are being asked to increase our allocation by 14.3%. What they are doing, this is nothing but a tax shift by the administration. They talked about real property tax reform and how they are going to mandate and make sure that slot money, isn't that ironic they are going to use the money that these very programs are going to have to counsel people on, they are going to use that money to give us some sort of property tax relief when that quite frankly is nothing but double talk.

This really goes to a bigger issue and that is an issue of meaningful tax reform. This would allow counties to in fact run the business of running counties and not have the administration or someone else tell us how to do it. Having gone through this process now two years, it is clear that, and I'm picking on the administration but the Legislature has to join in this as well, currently the mentality is they understand big city and big government budgets but have no clue what goes on in county governments. If they would take this, what they are giving us is \$124,569,933, if they would give that to the counties and tell us our responsibilities in these areas, tell us to run it as we see fit, we could do that. We could do that without giving our taxpayers a bigger hit. I think this Board has shown, we just talked about it, we have been creative, we've been trying to do things, we make our banks compete, we do whatever we can to give efficient government to our citizens. This is an attempt to tie our hands and somewhere we have to stand up and say no. In my vote today I am saying no, not no to the prevention programs, not no to the hard work that our folks have done, not no to the kids that we have to serve but no to the system. It is a system that is broken. I have said it time and time again, it goes back to the archaic way in which we tax people and generate revenue. It is as archaic when a king would tax people for the number of windows we

have on our property in our homes. This is a stupid system. There are silos of the way they give us the money, that is a stupid system. Until someone wakes up, up there, there is going to be more difficulty for counties across this state. Not only that, but I think local governments are going to see it as well. My vote today is to say no to their stupid way of doing business. Is there a motion to be laid on the table?

It was moved by Mr. Hartwick and seconded by Mr. DiFrancesco that the Board adopt the FY 2005/2006 Budget as presented; Mr. Haste was opposed; motion carries.

REPORT FROM CHIEF CLERK/CHIEF OF STAFF – CHAD SAYLOR

Mr. Saylor: Commissioners I have nothing to report.

SOLICITOR'S REPORT—BILL TULLY, ESQ., SOLICITOR

Mr. Tully: Just one point of clarification to item M3, amendment 5. That is simply to authorize us to enter into an amendment to extend services. I understand that there are some changing circumstances who want to have the flexibility to extend services with that provider, but until those terms are worked out we just need the blessing of the Board that we can do that assuming that we can arrive at acceptable details on that agreement.

Mr. Hartwick: What number was that again?

Mr. Tully: That would be M3.

Mr. Haste: Okay, so we are not really approving the amendment. At this point in time we would be approving or really authorizing the Solicitor's Office to negotiate an amendment?

Mr. Tully: That is correct.

Mr. Haste: Okay and that is for item M3.

Mr. Hartwick: I would also like to pull item L18.

Mr. Haste: Item L18 will be tabled. Anything else?

Mr. Tully: Nothing else.

MATTERS REQUIRING BOARD ACTION

Mr. Haste: We have items A through W, with item L18 tabled and a clarification on M3. Are there any other clarifications needed? (There were none.) I would just like to say before we take a vote, to again thank the Controller's Office, particularly Gary Serhan

for putting together that county travel policy. That was in need of being updated and I appreciate Gary's effort on that. I was hoping he would be here today to thank him.

Ms. Rebuck: I will relay that to him.

It was moved by Mr. DiFrancesco and seconded by Mr. Hartwick to approve Items A through W as amended; motion carries.

- A. Training Packet
- B. Approval of FY05/06 Per Diem Rates between Children & Youth Agency and various providers (per distributed lists).
- C. Satisfaction Pieces with the following individuals:
 - 1. Jay W. and Valarie S. McClymont for property located at 1511 Green Street, Harrisburg
 - 2. Andrea J. Carnes for property located at 3940 N. 6th Street, Harrisburg
 - 3. Brian L. Kline for property located at 208 Fishburn St., Harrisburg
- D. Subordination Agreement with Kimberly Ferguson for property located at 3538 N. 6th Street, Harrisburg.
- E. Approval of a Dauphin County Travel Policy.
- F. Adopt Ordinance #3-2005 – Dauphin County Tax Abatement Program Ordinance- in concurrence with the City of Harrisburg's Ordinance #48-2004 passed by City Council April 12, 2005 in reference to deteriorating area in the City of Harrisburg.
- G. Memorandum of Understanding between the County and Exelon Nuclear Co. for compensation of an Emergency Management Specialist assigned as Radiological Planner/Trainer for DEMA.
- H. Title IV-D Cooperation Agreement between the Domestic Relations and the Bureau of Child Support Enforcement for FY 2005-2010.
- I. Community Action Commission's Cooperation Agreement for the Derry Street Bank Building Housing & Redevelopment Assistance Grant.
- J. Community Development Block Grant 2005 Subrecipient Agreements with the following:
 - 1. Dauphin County Area Agency on Aging Meals on Wheels Truck
 - 2. Berrysburg Borough Construction of an enclosure over secondary clarifier at sewage treatment plant
 - 3. Halifax Borough Emergency repairs to stone bridge and roadway on Chestnut Street and storm water improvements
 - 4. Elizabethville Borough Rehabilitation of sanitary sewers in Phase 7 area to reduce infiltration/inflow
 - 5. Lykens Borough Main Street water main replacement – Phase IIIB
 - 6. Millersburg Borough North Street utility and road construction
 - 7. Community First Fund Affordable Loan and Comprehensive/Technical Assistant Project
 - 8. Steelton Borough Acquisition and spot clearance

9. Steelton Borough Engineering and improvements to Boat Dock area facilities
10. Steelton Borough Renovation of a building to be acquired for a Senior Center
11. Steelton Borough Second Street Revitalization
12. Penbrook Borough Lighting the way revitalization/street lights
13. Middletown Area School District Layne Youth Center Sustainability Plan
14. Wiconisco Township/Wiconisco playground project
15. Rejoice, Inc. Engineering and repairs to Rejoice Office Bldg.
16. Harrisburg Area YMCA/Northern Dauphin County Branch Engineering and construction of Senior Wellness Center
17. Highspire Borough Update - Highspire Borough Comprehensive Plan
18. Community Action Commission Success Academy – Education, Training and Employment Services
19. Williamstown Borough-replacement of raw water main Phase I

K. Purchase of Service Agreements for FY05/06 between Area Agency on Aging and:

1. Grayson View Adult Day Center
2. Visiting Nurse Association
3. Global HealthCare Group, LLC
4. Emerald Senior Services, LLC
5. Center for Independent Living
6. Vision Healthcare Services, Inc.
7. Comfort Keepers #267
8. Central Pennsylvania Food Bank
9. Rebuilding Together Greater Harrisburg, Inc.
10. Heinz-Menaker Senior Center
11. Capital Area Late Start a/k/a The Rutherford House
12. Millersburg Senior Center
13. Williamstown Senior Center
14. Steelton Senior Center
15. Friendship Senior Center
16. Mohler Senior Center
17. Nittany Partners, Inc.

L. Purchase of Service Agreements for FY05/06 between Children & Youth Agency and:

1. Community Service Foundation
2. National Mentor Healthcare, LLC
3. Hempfield Behavioral Health, Inc.
4. Centre County Youth Service Bureau
5. There's Room in the Inn, Inc., t/d/b/a Boys Ranch Academy
6. Clear Brook, Inc.
7. Summit Quest Academy
8. Evergreen Youth Services, Inc.
9. Hoffman Homes, Inc.
10. Holpen Village, Inc.
11. Youth Services Agency, Inc.
12. International Service Center, Inc.
13. Jewish Family Service of Greater Harrisburg, Inc.
14. United Methodist Home for Children, Emergency Shelter for Youth
15. The Shawnee Academy, Ltd.
16. Ramona Thompson
17. William Shreve
18. Jeff Foreman **(Tabled)**

- M. Amendment to FY04/05 Purchase of Service Agreements between Children & Youth Agency and:
1. Concern Professional Services for Children, Youth and Families – Amendment #2
 2. Community Action Commission – Amendment #2
 3. Cornell Abraxas Group, Inc. – Amendment #5 **(Authorizing negotiation of an amendment)**
- N. Purchase of Service Agreements for FY05/06 between MH/MR and:
1. Capital Area Transit
 2. Ann Meckley Panchik, M.A., CCC-SLP
 3. Diana T. Myers and Associates, Inc.
 4. Goodwill Industries of Central PA
 5. Allegheny Valley School
 6. Lawrence J. Vuxta
 7. Darryl K. Guistwite, DO
- O. Human Services Development Fund Grant Agreements for FY05/06 between the Human Services Director's Office and:
1. Family Service Partners
 2. ParentWorks, Inc.
 3. YWCA of Greater Harrisburg
 4. Community Action Commission
 5. Visiting Nurse Association of Central PA, Inc.
 6. International Service Center
 7. Christian Churches United of the Tri-County Area
 8. CONTACT Helpline
 9. Catholic Charities
 10. Addus Healthcare, Inc.
 11. Shalom House
 12. The PROGRAM for Female Offenders, Inc.
 13. Upper Dauphin Human Services Center, Inc.
- P. Amendments to the Human Services Development Fund Grant Agreements for FY04/05 between the Human Services Director's Office and:
1. Christian Churches United of the Tri-County Area
 2. The Program for Female Offenders
 3. The Foundation for Enhancing Communities
 4. Puerto Rican Organizing Committee
 5. Community Action Commission
 6. Lee's Industries, Inc.
 7. ParentWorks, Inc.
- Q. Purchase of Service Agreements between the Human Service Director's Office and:
1. Herbert Rowland & Grubic, Inc.
 2. Upper Dauphin Human Services Center, Inc. – January through June service agreement
 3. Upper Dauphin Human Services Center, Inc. – July through December service agreement

- R. Sublease Agreement between the Human Services Director's Office and Upper Dauphin Human Services Center, Inc. for the following:
 - 1. Rm. #3 Drugs & Alcohol
 - 2. Rm. #6 MH/MR (Crisis Intervention)
 - 3. Rm. #1, 2 & 7 Children & Youth Agency
 - 4. Rm. #16 Area Agency on Aging
- S. GIS License Agreements between Information Technology and:
 - 1. Middletown Borough
 - 2. Millersburg Area Authority
- T. Adopt Resolution No. 19-2005 adopting the Spring Creek Act 167 Stormwater Management Plan.
- U. Appoint Dolores Miller to the Area Agency on Aging Council. (Term will expire December 31, 2007)
- V. Approval of a recommendation from Steve Howe, Director of Tax Claim, to refund to Corporate Gateway General Partnership the penalties and interest on interim 2003 County and Library taxes on parcel #35-034-094 in the amount of \$2,762.23.
- W. Approval of the Hazardous Material Emergency Response Preparedness Report for 2004.

FORMER BUSINESS

(There was none.)

NEW BUSINESS

(There was none.)

COMMISSIONERS' DISCUSSION & ACTIONS

(There was none.)

CORRESPONDENCE

Mr. Haste: We have correspondence items A through F that will be handled by the staff appropriately.

- A. Notification from DEP indicating Meadowbrook Coal Company, Inc., Williams Township, was granted a waiver from the requirement to obtain a permit to conduct coal exploration.
- B. Notification from Gerald Lehman, Leamansted Farms, indicating his intent to apply to DEP for a general permit 6 for two stream crossings on his property located in Londonderry Township, Dauphin County.

- C. Notification from Hartman & Associates, Inc., indicating they intend to file an application for a NPDES permit to DEP concerning the proposed earth moving activities located on property owned by the Living Water Community Church, Oakleigh Avenue from the intersection of Rutherford Street.
- D. Notification from CET Engineering Services – responding to questions raised by DEP in reference to Lower Paxton Township Authority, Lower Paxton Township, Spring Creek Mini Basin SC-11 sanitary sewer system rehabilitation project.
- E. Notification from Light-Heigel & Associates, Inc., on behalf of Rosemont LLC, indicating they intend to file a NPDES permit with DEP for a proposed residential land development in Derry Township, Dauphin County.
- F. Notification from Glace Associates, Inc., on behalf of Insite Development Company, indicating they intend to apply to DEP for a general permit pertaining to demolition of existing facilities to provide for construction of a Comfort Inn Suites Hotel with parking.

PUBLIC PARTICIPATION

(There was none.)

ADJOURNMENT

It was moved by Mr. Hartwick and seconded by Mr. DiFrancesco that the meeting be adjourned; motion carries.

Respectfully submitted,

Chad Saylor, Chief Clerk/Chief of Staff

Transcribed by: J. Wolgemuth

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