



**DAUPHIN COUNTY BOARD OF COMMISSIONERS**

**WORKSHOP MEETING**

**JANUARY 12, 2011**

**MEMBERS PRESENT**

Jeff Haste, Chairman  
Mike Pries, Vice Chairman  
George P. Hartwick, III, Secretary

**STAFF PRESENT**

Chad Saylor, Chief Clerk; Marie E. Rebeck, Controller; Janis Creason, Treasurer; William Tully, Esq., Solicitor; Randy Baratucci, Director of Purchasing; Joe Cardinale, Solicitor's Office; Faye Fisher, Director of Human Resources; Kay Lengle, Human Resources; Leila Brown, Solicitor's Office; August Memmi, Director of Community & Economic Development; George Connor, Community & Economic Development; J. Scott Burford, Deputy Chief Clerk; Amy Richards, Commissioners' Office; Brenda Hoffer, Commissioners' Office; Jena Wolgemuth, Commissioners' Office; Kacey Truax, Commissioners' Office and Richie-Ann Martz, Assistant Chief Clerk

**GUESTS PRESENT**

Matt Miller, Jay Wenger, Matt Kirk, Todd Hoover, Ken Hoover and Charles Hooker, III

**MINUTES**

**CALL TO ORDER**

Mr. Haste, Chairman of the Board, called the meeting to order at 10:16 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: We have two sets of meeting minutes that we'll take up at next week's meeting.

## **PUBLIC PARTICIPATION**

Mr. Haste: We are at the point in time in the meeting for public participation. Is there anyone in the audience that would like to address the Board at this time? (There was none.)

## **DEPARTMENT DIRECTORS/GUESTS**

### **A. George Connor, Community & Economic Development Todd Hoover, Twin Valley Players**

#### **1. Update on the Millersburg Colonnade Project**

Mr. Connor: We have four different items on the Agenda today. Two are RACP Grants that were awarded by the State. The first one is a RACP Grant that was awarded to the Twin Valley Players for the Millersburg Colonnade Theatre for \$750,000. Do you have any questions on that? Todd Hoover is here to answer them.

Mr. Haste: I know when Representative Helm talked to me about this I thought it was a pie in the sky type of thing to get approved, the administration coming through at the last minute with it. It will be a big boom to Millersburg. I talked to some locals up there and there are a lot of things could spin off of this. There are some things waiting to happen. I had quite a few phone conversations in how this could really change downtown Millersburg. I think it is a good economic tool.

Mr. Hoover: I appreciate the Commissioners' support. That is clearly one of our goals. We have, obviously, a goal for our organization. This started as a much bigger goal for the community. We want to make the building itself a community-resource center and make it available to the community for other uses, but to also create a synergy with the surrounding businesses and hopefully revitalize that area. There are some empty shops sitting in that section of town and with just the nature of the business we will have people walking by and will get more people into the downtown area of Millersburg and will help with the revitalization.

Mr. Hartwick: Do you have an owner/operator? Is this going to be a community-based theatre? I know you have worked with Marv Troutman. Who are your partners?

Mr. Hoover: The Twin Valley Players own the theatre now. It was actually gifted to us by the Troutman's. For those that are not familiar, they have cinema centers. They have also agreed to help us with the business side of it in terms of acquiring movies and all the other stuff that we have to get. We are working with them. It is owned and operated by the non-profit Twin Valley Players.

Mr. Hartwick: I think it is a great project. Do you have a plan on how you are going to operate the building? It is one thing to do a rehab on the building, which is overdue and absolutely necessary, but I would like to see, as you progress, and even if you want Dauphin County engaged, to develop a market analysis/plan of operation. The population and market study probably has shown that there is not a whole lot of population to support just the theatre. Mr. Troutman is very savvy and that is probably one of the reasons he moved out. That doesn't mean that we can't do more with this for the community. I'm just interested in seeing sustainability.

Mr. Pries: One of the goals that I have and I have spoken with you and Mr. Memmi about utilizing existing structures around the County and the region that have fallen into disrepair. Instead of just leaving them that way and building a brand new facility right down the road on pristine land, cutting down trees and taking away green space, doing something like this that will benefit the folks in Millersburg and the region outside, I'm fully supportive of. I think it is a great project and I thank you and your partners for undertaking this project. I know this Board is fully supportive of it. Great job!

Mr. Hoover: We actually did consider building a new facility, but felt that why wouldn't we rehab a building that is right there in the community if we can make it work. We feel like we can.

Mr. Hartwick: Do you know what kind of community organization or team that is going to be together, like the Millersburg Redevelopment Association? Who is the group that is going to be responsible? How will the word get out to folks?

Mr. Hoover: Just this past Monday I attended the first meeting of the Millersburg Area Recreation Commission (MARC). That is a new group and their sole purpose is to coordinate events across the community and the region. We are working with them. Chris Dietz, Millersburg Borough Council President, at this point is heading that. They are actually forming a new Board to get that organization moving. That is one organization that we are working with to tie the different elements of the community together.

Mr. Hartwick: Whatever support we can provide just let us know. We want to see it work.

Mr. Connor: The next RACP Project is the Keystone Human Services project. They received \$950,000 in State RACP Grant Funding. They are requesting for a pass-through agency, the Dauphin County Redevelopment Authority, to administer the RACP

grant. Charles Hooker from the Keystone Human Services Department is here if you have any questions.

Mr. Haste: This is a project that Senator Piccola's Office has been involved in. He has been working on this for awhile. We just became aware of it. They needed an agency to be the pass-through and the County appeared to be the most logical.

Mr. Hooker: Thank you for your time. Basically what we had done was we worked through Senator Piccola's office to have him authorize a request of \$3 million to the Legislature. We fell short of that. We ended up at \$950,000. We were notified of that yesterday. Therefore we had to scramble. We were not sure if this was going to happen given the tight financial picture. What our project will focus on is actually administrative office space for one of our newest programs, the Adult Community Autism Program. We currently have 54 individuals who are receiving services and are enrolled in that program and are supported by about 60 staff. We lease the space currently on Front Street. What we would like to do is move into an owned office building. We want to take an existing building and to renovate that to house the Adult Community Autism Program. We are pretty sure that it will end up in Susquehanna Township. That is what we are looking at right now. It would be a mid-size office space. Over the growth of the program, we project that there will be 60 additional staff. We will get up to 108 participants in the program. Of those participants, they will also end up being employed. We have been working very closely with individuals with autism who are adults that are at home in many cases and are not getting out. We are supporting them. There will be employment opportunities for meaningful involvement in the community and getting the support that they need to be effective members and contributing members of the County.

Mr. Hartwick: I'm proud of what this County has done in terms of autism. I think Dauphin County has provided a significant amount of investment and interest. It would be great if the insurance companies who are responsible for paying for school-based services would live up to their obligations to try to support integration in schools. We have been advocating for that.

Mr. Hooker: Your comments are very crucial about the continuum of care for individuals with autism. Right now from birth to three areas, we provide a lot of support through our early intervention services. We identify a number of children with autism. The Bureau of Autism Services just recently released a study and is projecting in the next ten years that there is going to be 25,000 more individuals with autism diagnosis leaving the schools. Once they turn 18 or 21, they move out. There are very little, if any, services available. Keystone is doing this pilot project with the Bureau of Autism Services to support adults so that there can be a full continuum. We all know that it is crucial to fill in many of those gaps that currently exist. Education and Early Intervention and Support for Children at School Age and then support for the adults. We appreciate the partnership with Dauphin County. We will continue to do so.

Mr. Connor: The other two items on the Agenda. You have already signed off on the contracts for the State. It is the Community Action Team Pre-Development Grant. You signed both contracts. We just need the MOU signed off on so we can receive the funding from the State.

Mr. Saylor: I'll just add Item E for the Whitaker Center. This is essentially the same paperwork that you approved before. We got revised numbers so we have to run them once more.

Mr. Pries: A is putting together a list of the facilities around the county that are similar to the ones that we talked about before, correct?

Mr. Connor: Yes, that's correct. That is the \$50,000 for the strategic comprehensive plan.

## **B. Jay Wenger**

### **1. Basis Swap Presentation**

Mr. Wenger: We have had some informal conversations about the presentation that is in front of you this morning and that is a basis swap opportunity. Commissioner Haste and Commissioner Hartwick, we have done this essentially three times previously. It is the same structure for Commissioner Pries. This is an interest rate swap opportunity. In our opinion it adds value to the County's cash position. The County will essentially be receiving a percent of 3-month LIBOR plus a fixed number of basis points, today approximately 26 basis points and in exchange you would pay the tax-exempt index rate, which we call SIFMA. The basic proposition in this transaction is that you receive the benefit of the marginal tax rate structure that is currently in place for Federal Income Taxes. The primary risk in this structure is that the marginal tax rate structure that we have today would be eliminated and replaced by sales tax, value added tax, fair tax, or whatever you want to call it. Modest changes to the tax structure, up or down a few percentage points of tax rates doesn't significantly impair or improve the pricing or cash flows, but elimination of the marginal tax rate structure would. At that point we would have negative cash flow. To be very clear, the fundamental risk here is that Congress in the near term or in the coming years would eliminate the marginal tax rate structure. The debt does amortize. So, over time your risk goes down, because you have less debt outstanding as would the cash flow decrease as well. We have, at the direction of Chairman Haste, received competitive pricing from two swap providers, RBC Capital Markets and PNC Bank. They are essentially the same – 8 basis points to provide a basis swap. In the transactions that we have done and observed in the marketplace, we think that is very fair provider pricing. There are some professional fees aside from that. We will provide Mr. Yohe with a detailed analysis of the pricing so that as in the past you have not only an understanding of basis points, but dollars paid to professionals in the marketplace. I'll go through this in brief detail.

We did this in early 2009 when the markets were in a substantial upheaval as a result of the financial crisis. The pricing was extraordinarily good at that time. It is not quite as good, but we had terminated that swap within 12 months. The county had realized a substantial profit of approximately \$1.3 million. Pricing today is not quite as good. Our expectation here isn't that there is going to be a quick turnaround and another \$1 million pocketed in six, nine or twelve months. We think, like the first basis swap that you did, this is one that will be on the books for a longer period of time and producing monthly cash flow. That original swap, which is similar pricing to this one, has produced positive cash flow on a monthly basis. This would be a larger dollar amount, like the 2009 transaction this would be about \$45 million, a notional amount of debt. Currently the only other interest rate swap exposures that you have are three fixed receiver swaptions that have not been exercised. You did receive cash up front. The likelihood, given where rates are today and what those prices are, that they are ever exercised is fairly low at this time. We have a little over a year and a half of option period left in those. As that option period declines, we probably will look to terminate those and take them off the books and book a profit. Your only other swap exposure is on the Incinerator project. One of those rolls off June 1 and from that point on the swap cash flow is actually positive to the County's benefit. We can talk at another time about dealing with those. As of June 1, they will be a positive cash flow effect also. There is a flow chart that gives you the boxes. Qualified swap counterparty - that is one of the boxes that we need direction from you to fill in. Assuming that you want to proceed, we would like to come back two weeks from today with a swap resolution prepared by your legal counsel that would include that name. So, we need some time in advance of that advertisement to have that name populated in the document. You would receive a floating rate and pay SIFMA. Again, there is typically a spread. That is a spread we are anticipating would accrue to the County's benefit. The initial amount of \$45 million would include portions of the 2002A, 2005C and 2006 Bonds. This swap runs through November 15, 2024, which is not in the terms of debt in swaps not a long term swap. Your debt is becoming shorter and shorter as the years pass. It is not very front loaded debt service. Page 4 covers the risk. We have done this in the past. The primary risk here is that the marginal tax rate structure would disappear, which would affect the first two, which we call basis risk and tax risk. In very short terms, that means that you would have negative cash flow if we went to a sales tax and tax-exempt securities no longer had value in the marketplace. They would have to trade like taxable securities. Counterparty risk is if the counterparty defaults the two banks that you have asked us to talk to are highly rated banks. They meet the State's requirements. They seem to have come out of the financial crisis in as good of shape as about any bank in the country. RBC is a Canadian domicile bank. PNC is obviously domiciled in Pennsylvania. Interest rate risk, we are indifferent to the direction of interest rates. This is actually is a little better if short term rates go up, but it does work in a very low interest rate environment. An event risk is really those things that we can't contemplate like the fall in 2008 when the financial markets completely failed to operate and SIFMA went to 12% and 1-month LIBOR was at 1. That is a market environment that we can't really anticipate. We don't want to happen. There may be periods over the next 15 years where that happens again.

(A question was raised by Commissioner Haste.)

Mr. Wenger: Higher than it was when we did this in 2009. I think 15 years is probably not a likely outcome. Page 5 is the picture of what the cash flows would look like. October 2008 was the big dip. Page 6 is the structure we are talking about, which would be 70% of 3-month LIBOR plus 26 basis points. Skip Page 7 and go to Page 8, which is the structure rate that we are contemplating. All this does is convert the pictures to numbers over various periods of average rates. You can see the potential cash flow on the right side on an annual basis and aggregate basis. If we assume average historical rates there is significant benefit to the County over time.

Mr. Pries: Why do we skip Page 7?

Mr. Wenger: It is a different pricing model, which we are not recommending for this transaction. Same analysis, but different pricing model which we are not recommending.

Page 9 is kind of next steps. Again, as I said earlier, select who the swap provider would be, come back to you on the 24<sup>th</sup> with a swap resolution, which is required under the Debt Act. At that time we would have a complete interest rate management plan, which is also required under the Debt Act and update you on market conditions. Assuming that everything is still as it is today and you approve the swap resolution, we would look to price either that afternoon or the following morning. It takes a week or so until it settles and then the transaction cash flows probably effective February 1.

Mr. Haste: We will know the counterparty as soon as you are done with the analysis.

Mr. Wenger: From that perspective they are dead even. It is the same cost to use either one.

Mr. Haste: Pennsylvania wins.

Mr. Wenger: That's your call.

Mr. Haste: That would be my choice.

Mr. Hartwick: Could you give me a listing of potential counterparties?

Mr. Wenger: Yes.

Mr. Hartwick: It doesn't need to be today. Just email me a listing.

Mr. Wenger: Of firms that have a presence in Pennsylvania, it is limited to PNC, RBC, Wells Fargo and we see M&T on a limited basis. Those are the four that have what I would call a market presence in Pennsylvania. They are a lot of firms outside of this area. Bank of America/Merrill Lynch, JP Morgan, Deutsche Bank, there are a lot of Wall

Street firms that could do this. The practice, in the past, has been to use firms where there was some relationship with the County so it becomes, if you will, local participation. Even though none of them are headquartered in Harrisburg, we still consider Pennsylvania local. Yes, we will provide the analysis to all three of you, Chad and Mike Yohe.

Mr. Hartwick: You can skip the potential counterparties. I took notes. I just need the fee structure from you.

Mr. Wenger: We can do that.

Mr. Pries: It is your opinion, because you had mentioned two specific ones earlier that those will be the ones that we have to choose from?

Mr. Wenger: We can expand that. The direction that we were given was to competitively price it with those two. We have done business with both. They both do, in our opinion, a very good job. They are credible, reputable and workable.

Mr. Pries: You said Pennsylvania. Are they both Pennsylvania?

Mr. Haste: No, they have a presence here. The four that have a Pennsylvania presence are PNC, RBC, Wells Fargo and M&T.

Mr. Wenger: We will provide the information. You can just tell us who it is. We need a week or so to populate the resolution.

Mr. Haste: PNC and RBC appear to be the better of the four.

Mr. Wenger: We have done work with Wells Fargo. They do a nice job. We have not done any swaps with M&T. I know they have done a swap in Pennsylvania under the Debt Act. That would be our concern.

Mr. Haste: There have been some bad things written about swaps. We have been very successful with swaps, because I think we have a very conservative approach to it and it has been part of our portfolio. It hasn't been a major part, but it has been a part. Because we go with very reliable firms that are not going to go bankrupt and if they have a hint of having problems we don't deal with them. As long as we are very conservative in the way we go and very limited in which swaps we take advantage of, we have done well by them.

Mr. Wenger: The swaps historically that you have read about in the newspaper, the issue there that really started the toppling of the dominos has been the underlying credit support for those. This transaction is not contingent upon or a function of any third party credit policies or support. So long as the County continues to run its business as you have, we don't see credit being an issue down the road.

Mr. Hartwick: How much work would it take and again I concur with Commissioner Haste in understanding and knowing those companies, I would like to have an idea of the other players of Wells Fargo and M&T on what their pricing structure would be, from our perspective, just so we know what we are in the market for and do a fair and accurate comparison.

Mr. Wenger: Give us a couple of days to get that and we will report back on all four. We will proceed with that information. We will plan on being back here in two weeks unless we hear otherwise.

### **DEPARTMENT OF HUMAN RESOURCES**

Ms. Lengle: Do you have any questions on any of the items in the Personnel Packet? (There was none.)

Mr. Haste: Marie, are you okay with the Salary Board items?

Ms. Rebuck: Yes.

### **PURCHASE ORDERS**

Mr. Baratucci: You all received your Purchase Order Packet yesterday. As we had discussed last week, if you are okay with it I would ask that you approve these POs at the Workshop. That way we can keep our current contracts that renew in January rolling and getting them over for payment. Next week we will be back on our regular approval schedule. They are all good budget-wise.

**It was moved by Mr. Pries and seconded by Mr. Hartwick that the Board approve the Purchase Order Packet.**

**Question:** Mr. Haste – Aye; Mr. Pries – Aye and Mr. Hartwick – Aye; motion carried.

### **TRAINING PACKET**

Mr. Saylor: We need a vote on #8.

Mr. Pries: That was actually just brought to the oversight's attention yesterday, for the record.

**It was moved by Mr. Pries and seconded by Mr. Hartwick that the Board approve Item #8 in the Training Packet.**

**Question:** Mr. Haste – Aye; Mr. Pries – Aye and Mr. Hartwick – Aye; motion carried.

## **ITEMS FOR DISCUSSION**

- A. Memorandum of Understanding between and among the County of Dauphin and the Dauphin County Redevelopment Authority and Delta Development Group, Inc. for a Community Action Team Pre-Development Grant. (**\*\*\*A Vote is Requested 1/12/11\*\*\***)
- B. Memorandum of Understanding between the County of Dauphin and the Capital Region Economic Development Corporation for Community Action Team Pre-Development Grant. (**\*\*\*A Vote is Requested 1/12/11\*\*\***)
- C. Memorandum of Understanding between and among Dauphin County, the Dauphin County Redevelopment Authority and the Twin Valley Players regarding the Colonnade Theatre Project for a RACP grant in the amount of \$750,000. (**\*\*\*A Vote is Requested 1/12/11\*\*\***)
- D. Resolution #3-2011 approving the Keystone Human Services Project for a RACP grant. (**\*\*\*A Vote is Requested 1/12/11\*\*\***)
- E. Amended Letter and Cooperation Agreement for the Whitaker Center for the Science and the Arts Facility Rehabilitation Project. (Replaces Letter and Agreement that was approved on 12/22/10) (**\*\*\*A Vote is Requested 1/12/11\*\*\***)
- F. Appointment of Adam Rabenold to the Ag Land Preservation Board. Mr. Rabenold will be filling an unexpired term, which will expire December 31, 2011.
- G. Appointment of Dan Tunnell to the Tri-County Regional Planning Commission – term expires December 31, 2011. (Filling a vacancy)
- H. Appointment of Josh First to the Dauphin County Planning Commission – term expires December 31, 2014.

Mr. Haste: We have Items for Board action on the Agenda. Items F, G and H we will take up at next week's Legislative Meeting. A through E will need to be voted upon.

**It was moved by Mr. Hartwick and seconded by Mr. Pries that the Board approve Items A, B, C, D and E, listed above under Items for Discussion.**

**Question:** Mr. Haste – Aye; Mr. Pries – Aye and Mr. Hartwick – Aye; motion carried.

## **SOLICITOR'S REPORT – WILLIAM TULLY, ESQ.**

Mr. Tully: I have no changes to the revised draft report, but would be happy to answer any questions you might have. (There was none.)

## **CHIEF CLERK'S REPORT – CHAD SAYLOR**

Mr. Saylor: Likewise, I have nothing to report unless there are questions of me. (There was none.)

## **COMMISSIONERS' COMMENTS**

Mr. Haste: Is there anything else to be brought up by the Board?

We will not have a Retirement Board Meeting today. Most of the folks are coming from out of the State and travel was an issue today. We will have to reschedule. I think we are tentatively talking about a meeting in February.

Ms. Rebuck: February 23 at 1:00 p.m.

Mr. Haste: That Retirement Board meeting will be longer than normal. I would ask that the members check their schedule.

## **PUBLIC PARTICIPATION**

Mr. Haste: We are again at the point in time for public participation. Is there anyone that would like to address the Board? (There was none.)

## **ADJOURNMENT**

**There being no further business, it was moved by Mr. Hartwick and seconded by Mr. Pries that the Board adjourn.**

Respectfully submitted,

Chad Saylor, Chief Clerk

Transcribed by: Richie-Ann Martz