DAUPHIN COUNTY BOARD OF COMMISSIONERS

WORKSHOP MEETING

FEBRUARY 13, 2008
10:00 A.M.

MEMBERS PRESENT

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

STAFF PRESENT

Chad Saylor, Chief Clerk; Marie E. Rebuck, Controller; Janis Creason, Treasurer; Gary Serhan, Deputy Controller; Ed Marsico, District Attorney; Steve Libhart, District Attorney's Office; Mike Yohe, Director of Budget & Finance; Randy Baratucci, Director of Purchasing; Kay Lengle, Personnel; Dave Schreiber, Personnel; Sheila Britt, Domestic Relations; Jack Wright, Human Services Director's Office; Josiah Frederick, Commissioners' Office; Diane McNaughton, Commissioners' Office; Edgar Cohen, Director of Facilities Maintenance; Dan Robinson, Director of Community & Economic Development; Carolyn Thompson, Court Administrator; Jena Wolgemuth, Commissioners' Office; Brenda Hoffer, Commissioners' Office; Richie-Ann Martz, Assistant Chief Clerk

GUESTS PRESENT

Garry Lenton, Barry Wickes, Randy Stuart, Mary Smith, Dave Twadell, Esq., Matthew Kirk, Dave Transue, Cindy Boratko and H. Michael Liptak

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: We have three sets of meeting minutes that we will 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.)

DIRECTORS/GUESTS

A. Barry Wickes, President of PA Tourism
Randy Stuart, GM of Holiday Inn Harrisburg/Hershey
Mary Smith,

1. Ordinance #1-2008 – Hotel Tax

Mr. Stuart: My name is Randy Stuart and I represent the Dauphin County Lodging Association. I'm the President and we are in support of the 2% County tax increase. The importance of this additional surplus of income for the tourism is critical in our ongoing efforts to promote tourism in the region. $1.1 million is in excess of what we do in the Dauphin County area. 15% of the workforce is represented by tourism. We are excited about the over 50% revenue we are going to generate as a result of this 2% County tax increase. Thank you.

Ms. Smith: I'm Mary Smith with the Hershey/Harrisburg Regional Visitors Bureau. The additional dollars generated will help us make an impact in tourism, promoting and direct selling and marketing of the Hershey/Harrisburg Region. It not only promotes the tourism aspect, but also the meetings, conventions and sporting events. We should see a huge increase and impact in our ability to go out and market this as a number one destination in the State of Pennsylvania. So, thank you.

Mr. Wickes: I'm Barry Wickes, Pennsylvania Tourism and Lodging Association. On a state level there are only four counties in the Commonwealth that don't impose hotel room taxes today. Again, I would like to reiterate what Mary and Randy had said the importance of having those marketing dollars dedicated to promote the tourism product here in Dauphin County and the capital region.

Mr. DiFrancesco: This is kind of an unusual situation. I'm not a big fan of increasing taxes, but this morning I have to tell you that this is a good day in Dauphin County culminating from four years of working together with the hoteliers and the tourism industry to really try to get us on track. For far too long we were not on track. There was some clashing going on between the two and tourism is such a major industry. It is so important to this community as you have already stressed. This action that we take today really gives all of us, the entire team, the opportunity to promote this area even more to get more people brought into this area. That is the beautiful part about this in that the local residents really don't feel the full brunt of this. It is the folks that come in from the outside. It gives us the opportunity to go out and market it at such a higher level to really show the people outside what we have to offer here in Dauphin County and the Central Pennsylvania region. I really look forward and I'm very impressed with what I have seen out of the Tourism Bureau. The hoteliers have always been a great partner with us. They have always been very supportive and we try to respond back to them as well because they are so critical to the economy. I think we are going to see tremendous results as a result of the action we take today. I want to thank you all for the effort that you do every single day. We keep getting better and better. The market here and what we have to offer, people coming in from the outside, conventions and so forth, keeps getting better and better. You guys are doing a great job of promoting that.

Mr. Hartwick: The one thing that I would like to say and I apologize for being late, but with delays and trying to get all my family to where they needed to go was such a challenge. I don't know what it is about cartoons and kids being mesmerized and not listening, but it was a challenge getting out of the house this morning. When we first ran for office I know we met with the Hotel Association and a number of folks and the amount of investment that Dauphin County was providing at that time was about $200,000. That was clearly not enough. We are not the professionals. We wanted to make sure that we are engaging people who understand the highest and best use of their dollars in order to maximize the ability to get a good return on the investment and get more heads on beds. I believe today's commitment is $1.4 million. That is a significant commitment from this Board and it shows the confidence that we have in the professionals, the hoteliers who actually know when the ups and downs of their seasons are and maybe coordinating that with our Parks & Recreation Department in making sure that as we promote events we are thinking about the hotels and to try to assist you in your business plan. We understand who is obviously driving the show as it relates to tourism. We are very appreciative of the increased numbers and we look forward to working with you and this is a successful step in the right direction. We expect to see a whole lot of return for the investment. Thank you.

Mr. Haste: I'll just thank you and if you want to mark Friday at 10:00 a.m. for a press conference.

Ms. Smith: We do. We have a press conference scheduled for 10:00 a.m. on Friday in the Lobby of the Hilton. All I can say is it is a sweet launch followed by another press event that will take place on March 13, 2008 at Hollywood Casino. The exact time of that has not been confirmed, but it will be around 5:00 p.m.

It was moved by Mr. DiFrancesco and seconded by Mr. Hartwick that the Board adopt Ordinance #1-2008, which imposes a 5% hotel tax.

Mr. Saylor: Before you cast your vote I just wanted to note for the record that although the voting is today, the tax will be effective March 1, 2008 and I believe our Treasurer is preparing correspondence to go out to all the folks who will be impacted by this tax to inform them of such.

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

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

B. Ed Marsico, District Attorney
Stephen Libhart, District Attorney's Office

1. **Dauphin County Drug & Alcohol R.I.P. Grant Modification**
2. **Project Safe Neighborhoods Firearm Prosecutor Grant**

Mr. Marsico: I'm here with Steve Libhart to address two issues. First on the Agenda is the modification of the D & A R.I.P. grant. Before Steve gets into the technical details I again just want to publicly thank this Board for their work in changing the face of drug treatment in the criminal justice system through this grant and through modifications that were made to staff by placing an individual at the Prison. It has been greatly successful. We are spending the dollars on treatment, which is what we want to do. We are getting more and more people in each month as you know from the Prison Board meetings where Erica reports the actual details. Without the intervention of this Board we would not have been nearly as successful. In fact we were giving money back and now we are asking for more.

Mr. Libhart: In the project modification we are requesting a mid-term review of the D & A R.I.P. program throughout the state. PCCD asked them to make a comprehensive analysis of how much you spent, what are your trends for acquiring people in your program, and where is that going to leave you at year's end. Nobody wants to see treatment have to be suspended. Along those lines we made a determination after our mid-term review that in order for us to ensure at current levels that we are actually accepting clients monthly that we would need approximately $70,605 more dollars to get to year's end. Project year-end would be June 30, 2008. We are making that modification. I've already submitted correspondence to the Commission on Crime and Delinquency alerting them to the fact that this modification would be coming and so we are bringing it to you for approval.

Mr. Hartwick: What a turnaround. Before we had to wait for referrals to come to us versus now we are making modifications for more dollars. It shows you that the program can work and we do have individuals who qualify. I was in a meeting with the directors yesterday and the Drug and Alcohol Department was there as well. We talked about working closer with the Public Defender's Office. We had some concerns from the Judges about that. Having them at the table right now and being proactive and once we get the full complement being assigned to Adult Probation, Prison, P.D.'s Office, we want to make sure that they are constantly working with the District Attorney's Office. Great job to the District Attorney's Office and Erica and all the folks who have been involved in making sure this process works and getting people into treatment.

Mr. Marsico: The drug court will be at the point this summer where we have a pilot drug court up and running. President Judge Lewis is supportive of that. Several of us visited drug courts in Lycoming and Northumberland Counties. We are working on a protocol with Adult Probation and the Public Defender's Office. Once that is up I think we will see regardless of whether there is… Steve has grant applications everywhere for drug court funding, but we are at the point now where we are going to start it no matter what.

Mr. Hartwick: Are you able to get to Level I and 2?

Mr. Marsico: Not…

Mr. Hartwick: Have you been able to expand that out and identify resources for that particular population?

Mr. Libhart: When they go through the screen for this program, if they are deemed to be only ineligible due to their offender level, currently the way that we have to go about it is we refer them through Erica to her offices. Then they set up alternative funding methods for them to receive the treatment and then they receive like a County intermediate punishment sentence, but it can't be termed the same thing because of the way these funds are allocated, strictly a level 3 and level 4. It is similar if not identical. It is just the funding ties to it that keeps it different.

Mr. Marsico: As a result of structuring and giving us Erica that has been a great benefit. It's not the free dollars necessarily that we are receiving from this PCCD grant, but nevertheless it is still treatment dollars being well spent to avoid recidivism down the line.

Mr. Haste: The staff at the Prison has been aware of that and they have been working…

Mr. Marsico: Correct, in regard to treatment.

Mr. Hartwick: It is another example of how we can pull down medical assistance dollars population in order to do the assessment at the appropriate time…

Mr. Marisco: We would be hard pressed to find per use of spending dollars than we have done in this program since…

The second item is a request for you to approve a grant application. This application is in the amount of $69,000 for a gun violence prosecutor. This is money that we started receiving in 2002. At that point the U.S. Department of Justice, through Attorney Ashcroft, started this Project Safe Neighborhoods Program, which is a program to combat gun violence by partnering local prosecutors with Federal prosecutors. What we have done in that regard we had funding for two years for a gun prosecutor that we received. That funding dried up about a year or so ago. We are actually down an attorney from where we were when we had all of our grants up and running. We still have someone working in that capacity, but we did not replace that position. What we have done is we have cross designated and as a special assistant to U.S. Attorney Mike Consiglio from my office, he spends a lot of his time over in Federal Court with offenders who have a history of violence and who are caught with illegal firearms. The reason for that is historically the penalties we can get in the Federal system for those who have illegal firearms are greater than we can get here in the State system. One of the spin-offs of this program has been legislatively we have increased the penalties here in the State to get greater sentences. We now have a five-year mandatory sentence if someone has a gun and drugs. The numbers we have produced here in the Middle District of Pennsylvania, federally, from Dauphin County alone are staggering. The partnership we have with the U.S. Attorney's Office is excellent. They have allowed us to bring these offenders to Federal Court. The Federal Judges have done a good job in sentencing them. I really wish this program had gotten more publicity, because if some of the individuals in the streets saw the sentences, the 15 and 20 year sentences just for carrying an illegal firearm, not necessarily committing any other crime, I hope it would be a deterrent. Nonetheless these monies come from DOJ through the U.S. Attorney's Office. The Attorney's Office in the Middle District is given discretionary funding that they can use to fight gun violence. Because of our partnership, they basically invited us to apply for more than what a lot of the other counties are getting. My main thing is staffing at this point. We are up numbers the last couple years down attorneys and if we can dedicate someone else to do gun crimes with 100% Federal money I certainly want to take advantage of that. I would be glad to answer any questions about that. I realize that a question will be what happens when the money runs out? We didn't refill, we are still doing the work and we are down a position since this grant ran out a year or two ago. In that sense there is a pretty good guarantee that there is money in the future for this, but who knows with the cuts that we have seen in JAG funding this year, which are tremendous. They are going to affect the criminal justice system throughout. This money seems like it will still be in the pot.

Mr. DiFrancesco: I really just have one comment about the grant and then a question about another issue. Clearly to have somebody on staff watching the trends, not just prosecuting, the prosecution is a great thing, but also watching the trends trying to focus full attention on where the guns are coming from would be a great thing. Obviously it is not just the guns on the street it is how they are getting there.

Mr. Marsico: Right.

Mr. DiFrancesco: It is well worth the investment to try to go after this and get somebody on staff. My question to you is how has the shot detection system been working?

Mr. Libhart: Actually there was just a follow-up to the initial installation done roughly three weeks ago by some of the media outlets. The detection system itself has been doing quite well. The problem with it is it did receive an undue amount of publicity, so to speak, so you have kind of seen a migration of what would typically happen within the perimeters of the system to outside of that.

Mr. Marsico: Which we are happy. If it is a deterrent, that is fine. I don't necessarily want that to move somewhere else, but the system has worked. On occasions there has been…Anecdotally we have a story of a guy who said that a gun went off accidentally. The system went off, police were dispatched right away, got there and the guy with the gun said that it went off accidentally. The police said that there were three shots that went off, how did it accidentally go off three times and the guy changed his story. For better or worse we haven't had that many incidents. It has worked. One time the police showed up and neighbors didn't even hear the gunshots, but the police were canvassing going door-to-door and again found out that there had been gunshots fired. There's not as much volume as we had expected, but I guess that is not a bad thing.

Mr. DiFrancesco: Deterrence is good. I would rather have a shot not shot than…

Mr. Marsico: Exactly and that is why we publicized the system. We didn't want to be sneaky just trying to catch people. I want to eliminate the guns being fired in the first place.

Mr. Haste: Are you bringing someone new on?

Mr. Marsico: We will hire someone new although I probably will have a seasoned prosecutor doing this position.

Mr. Haste: You have not identified a person, because I looked at your…

Mr. Marsico: No, I have not identified a person yet.

Mr. Hartwick: You haven't gotten the money yet, we are just submitting the grant.

Mr. Marsico: Correct.

Mr. Haste: Do you need action this week?

Mr. Libhart: Yes preferably.

It was moved by Mr. DiFrancesco and seconded by Mr. Hartwick that the Board approve the submission of a Dauphin County Drug & Alcohol R.I.P. Grant Modification and a Project Safe Neighborhoods Firearm Prosecutor Grant; motion carried.

C. Matthew Kirk, Managing Director, Access Financial Markets

1. Series of 2007 Bonds / XL Capital Rating Downgrade

Mr. Kirk: I'm here with David Twaddell, your Bond Counsel. We are here today to give you an update on a discussion we had recently with your staff and to follow-up on a memo that we produced regarding the 2007 Bond Issue. Anecdotally and some of this may sound familiar to you from listening to several media reports. In the 4th quarter of last year several of, what are known as municipal bond insurers or mono-line bond insurers, those are insurance companies which provide insurance for the repayment of principle and interest in fixed income securities. A majority of all municipal issuers use this type of insurance when issuing bonds. I ran into some trouble initially related to what is known as the collateralized debt obligations they insured. There are a number of different things that go into these collateralized debt obligations. The primary of which is causing the problem is some of the sub-prime mortgages which had been securitized and also been insured. As a result of several of the losses that some of these mono-line insurers began reporting the rating agencies began looking at a number of these insurers among them XL Capital Insurance, which had insured the 2007 Bonds. I believe others are Ambac, MBIA and FGIC. They actually have begun a downgrade process for several of these. XL Capital Insurance was downgraded a few weeks ago by Fitch from "AAA" to "A". Just recently, I believe it was last week, Moody's Investor Service downgraded the XL Insurance from "Aaa" to "A3", which is essentially A-. As a result of the downgrades of the bond insurers, any bond issues which were guaranteed by those insurers are by definition downgraded as well. So, the 2007 Bond Issue which was insured by XL in September carried an "AAA" rating. As a result of this downgrade in the market several things have happened. The investors who hold these bonds, money market funds, known as 2A7 Funds and other holders have the right under the documents to put these floating rate bonds, these variable rate demand notes back to the County technically. But practically what happens is the remarketing agent and in the case of the 2007 Bonds was PNC has to take these bonds back and then try to sell them in the marketplace. Unfortunately, for practical effect, what has happened to this downgrade is the ability to resell these bonds at any sort of market prevailing rate has disappeared. No bondholders want these bonds. I heard anecdotally yesterday that another Pennsylvania municipality has XL insured bonds as well. The interest rate on their bonds is being reset in excess of 7%. Currently PNC has been put back about $15 million of the $16.7 million of the Series of 2007 Bonds. They are holding these bonds in inventory. They have reset last week and it will reset again, but it reset last week at a 3.5%. So, they are holding these bonds in inventory below prevailing market rate. After several discussions with the financing team and PNC, the simplest solution and the one that sort of avoids the cataclysmic event of the interest rate resetting at 7 or 8 or higher in the future is for the County to issue 2008 Bonds that refund the 2007 Bonds that will shed the XL insurance and will use solely the underlying rating of the County, the "AA" rating along with a standby liquidity facility from PNC to sell the 2008 Bonds in the marketplace. Over the past several weeks, we have been discussing alternative solutions. One of the solutions is to wait and hope that something happens like XL Capital is bought by someone and the "AAA" rating is restored. That was probably something to think about when Fitch has just downgraded, but now that Moody's has actually gone down and downgraded the XL Capital as well that has triggered certain events in the documents. The most important of which is the liquidity provider, which again in this case is PNC has the right to terminate the liquidity agreement when S&P or Moody's downgrade the bonds or the insurance company below "AA" level, which they have done. So, just waiting doesn't seem to be too practical of a solution. There are several plans that are out there, which you may have heard of from Warren Buffet to wrap some municipal bonds and the municipal bond portion of these insurers. Again I'm certainly not closed to those discussions, but they are rejecting those out of hand and the primary reason that offer is being rejected is essentially the new entity, Warren Buffet's entity would end up with all the good stuff and all the bad stuff the CDO would remain. So, it is not a solution for the insurers. There are other people that are considering something, but again because of the capital depletion and the unknown of what this exposure is on the CDO market there doesn't appear to be a solution in the near term horizon. We believe that the simplest solution is to refund the Series of 2007 Bonds, unwind the interest rate Swap associated with those 2007 Bonds, issue new 2008 Bonds, put in place a new interest rate Swap and the new structure then would have an underline rating of the County's along with the Standby Liquidity Facility. PNC is telling us that structure, given the demand in the marketplace right now, would trade at about what's called the SIFMA, the old BMA rate plus three or five basis points, which was pretty close to what we were trading out with the initial 2007 Bonds. The reason again PNC says there is a demand for this kind of structure we are contemplating now because of the dislocation in the insurers. We wanted to come and give you an update on that. David is here to talk about the legal or the tax issues that would be associated with this. If you would choose to proceed we would come back next week with the appropriate documentation for you to consider by resolution to put a 2008 Refunding in place as described.

Mr. Haste: Would the new structure still be variable?

Mr. Kirk: The underlying bonds would be variable, but it would be fixed through the use of a new 2008 interest rate Swap. It would mimic the structure that you currently have in place. The difference would be we would shed all associations with XL Capital Insurance or any other insurer and utilize the County's underlying rating to support the bonds.

Mr. Haste: Really the only big difference is we are doing this without insurance?

Mr. Kirk: Correct.

Mr. Twaddell: That is absolutely correct. In a sense this is a refunding to accomplish interest rate savings, because these events in the marketplace have affected your bonds. If they remain unrefunded, we expect them to trade at substantially higher interest rates than had been estimated when the issue was done by shedding the insurance policy and taking advantage of the County's own good credit, which unfortunately is totally disguised by the insurance process and many people have asked can't investors just see that the County is not in financial difficulty. Unfortunately with that structure, investors do not look beyond the rating and so the County unfortunately, with many other municipal insurers, suffers. It will be a refunding to accomplish interest rate savings and restore basically the transaction that you put in place last year.

Mr. Kirk: I think David does touch on a good point. Dauphin County is not the only entity experiencing this right now. As a matter of fact, this actually compared to some of the other problems in the marketplace, is a rather simple solution. This is industry-wide and that may not even do it enough justice. There are a number of broker dealers in the marketplace holding billions of dollars of this paper that can't be resold with Ambac, XL or MBIA insurance. There will be more to come that you will see in the media.

Mr. Haste: Are there any insurers still "AAA"?

Mr. Kirk: Yes, FSA insurance.

Mr. Haste: For how long?

Mr. Kirk: Actually it appears that they are not in jeopardy of being downgraded. Two things happened, one because of all the problems in the market they have done 50% of all new issues in the United States I think since December. One they are terribly backed up, but two they are taking a very long look at the remarketing and risk associated with this. Sort of supply and demand as you can imagine that if you are the only "AAA" left in the market that insures this kind of paper I'm sure the pricing will follow too. That's a little editorializing.

Mr. Haste: Standard used to be if you were "AA" you paid the insurance and then you were "AAA", which made things a lot better. It may not be worth it right now.

Mr. Kirk: It's not right now simply because there is a demand. Think about all these 2A7 funds are putting this paper back. They still have demand for product. Again PNC is saying that an "AA" Dauphin County backed by a liquidity facility will trade at this plus three or five basis points which is very close to what it used to trade at with an "AAA".

Mr. DiFrancesco: So the interest rate risk of what you are saying is probably not real high. From an interest rate perspective…

Mr. Kirk: Correct, the new 2008 Bonds yes it will be economic… It is important to keep in mind the alternative that you could just leave it in place, but there is a time and it is probably closer around the horizon than we think that these bonds will be trading at twice what it is trading at right now.

Mr. Haste: And the offshore companies haven't really weighed into this yet have they?

Mr. Kirk: You mean the reinsurance?

Mr. Haste: Yes.

Mr. Kirk: I have read a little bit about that. Again, my knowledge of that is only anecdote…

Mr. Haste: That will make everything worse.

Mr. Kirk: I don't think it has trickled to any of the reinsurance policies yet, because I think they are still assessing what these collateralized debt obligations are like and until there is actually a capital call by one of these insurers to pay on these and ultimately they call on the reinsurance I think it will be until that time till you see the full extent of it.

Mr. Haste: And then it will happen.

Mr. Kirk: This is all anecdotal. I have been hearing if there isn't a solution to some of these huge broker dealers there are going to be cataclysmic interest rate resets in the near future and what will ultimately happen is if Moody's and S&P continue to downgrade all of these entities there will be a huge number of write downs across the street, because what will happen is if they downgrade these bonds interest rates go up, the price of the bonds go down so when you have to record these things for accounting purposes there will have to be a write down across the board. That is sort of outside what we are talking about here, but yes there could be further damage to come.

Mr. DiFrancesco: Do we have any numbers of what it would cost to do nothing compared to where we are now?

Mr. Kirk: We are speculating a little bit because you would be assuming that right now the interest rate is at 3.5%. If you refunded let's say it would be 2.5% it would be less. You would have to make some assumptions that if you don't do anything in four weeks let's say those bonds can be trading at 6.5% or 7.5% and then you would have to make an assumption how long that could persist. The absolute worst case scenario is it persists the entire leg of the bond issue. If there would be some solution in the interim it could be half of that, but I think what is clear is that doing nothing the interest rate will most likely double from where it is today in the near term. PNC all they are saying is we can't do this indefinitely. Dauphin County is a good client. We understand what is happening in the marketplace, but they also have a lot of this other paper that they are holding as well. Other entities are taking a position of we are just going to let it float out in the marketplace and again it is 5, 6 or 7% we have heard. I think what is clear is that doing nothing the interest rate will significantly go up in the next few weeks.

Mr. DiFrancesco: Dave, is there any arbitrage concerns? I know the way we did the structuring of the deal the first time around there was certain marks we had to hit in terms of times of when the money was spent down.

Mr. Twaddell: Those will all remain in effect, because it will be a current refunding. You will continue to enjoy the benefit of the temporary period during which if the market offers rates in excess of the rate that you are paying you will be able to invest at a profit and if you meet the spend down requirements you will be able to retain that investment profit. Obviously interest rates outside of this particular problem in the marketplace have been falling. We will expect to see that on both sides of the equation. After factoring in the transaction cost you should find yourself essentially in the same position you were before the insurance crisis interrupted things.

Mr. Hartwick: What you are saying is the estimated interest rate savings less the transaction costs of the bond issuance fees we are going to be an even…

Mr. Twaddell: It should be essentially a wash.

Mr. Hartwick: Obviously have you taken a look at the variable rate position…

Mr. Kirk: Yes, in light of the fact that as initially contemplated put this financing in place and the combination of the variable rate bonds and the interest rate Swap the alternative could be to just let this float or the alternative could be to issue fixed rate bonds. But, what closely mimics what was put in place in the fall of 2007 would be the structure that we are discussing here.

Mr. DiFrancesco: I hear what you're saying about closely mimics. Is that still the best option for us in your opinion with the rates being down where they are right now?

Mr. Kirk: I think it is. Again we have been discussing this for some time. It is the simplest solution right now. It is the simplest in the sense that it immediately allows you to have these bonds placed in the marketplace where they trade at the index plus three or five basis points and avoids the potentially cataclysmic but potentially a very serious spike in the interest rate.

Mr. Twaddell: You looked at this before I'm sure as the County has done each time you consider variable rate debt. It would seem counterintuitive because interest rates are down and it might logically appear that this would be an appropriate time since you can issue fixed rate securities to take advantage of the municipal bond market fixed interest rate market. I think what your financial advisor's advice is and this is certainly consistent with what we are hearing elsewhere we continue to have a marketplace where if you can enter into a fixed rate pair interest rate Swap agreement, the fixed rate that you would pay under that would be a lower fixed rate than if you issued fixed rate bonds of the County simply because by using the Swap you are gaining access to a much larger marketplace. While the County is issuing variable rate debt and theoretically has at least initially that variable interest rate exposure you are hedging that fully by entering into another interest rate Swap agreement. At the end of the day, that agreement should actually reflect the minor reduction in interest rates over the last four or five months. I don't think we expect to see a big drop in that, but actually your fixed pair rate compared to the prior may actually drop a little bit. Essentially you'll be in a fixed rate environment by using that hedging device to the extent the variable interest rate climbs that becomes a problem for your Swap provider, not a problem for the County. You are giving up, if you didn't have the hedge you might have weeks where your interest rate is 1 ¾% or 2% but rather than chasing that variance expensive debt you're agreeing to a fixed rate in the middle and protects you over the long term.

Mr. Haste: We need to be doing the entire $16.7 not just the $15?

Mr. Twaddell: In order to eliminate the insurance we really need unfortunately to redocument the transaction and issue new bonds that do not have the insurance language and features associated with them. Because of that change, we also need to redocument the Swap. You may recall under the Debt Act we actually have to technically terminate the Swap any time we do a refunding. I think it will be sort of a technical termination. We will expect to see Deutsche Bank write a new confirm. In talking with the County Swap Advisor Mr. Wenger, I think yesterday, there are probably other good reasons to in a sense rewrite that ticket to reflect the change of interest rates on both sides of the equation. We did talk initially is there some way to essentially sign the existing Swap, but I think at the end of the day we concluded that the County is better off really rewriting that ticket to reflect the change in interest rates as well as the redocumentation.

Mr. Haste: Can you have it prepared for next week?

Mr. Twaddell: Yes, we will take that as direction to go ahead and advertise the Debt Ordinance for refunding of the 2007 Bonds. I will be out of town next week, but will have one of my partners here to answer any questions that may occur at that time.

D. H. Michael Liptak, Chairman, Dauphin County General Authority

1. Dauphin Highlands Golf Course

Mr. Liptak: I'm joined of course to my right by the Vice Chairman Mr. Transue and in the audience by our Executive Director Ms. Boratko. I see the agenda item has the Dauphin Highlands Golf Course, but if you'll indulge me just a moment I would like to give you a quick history of the Dauphin County General Authority. It was established by the Board of Commissioners in 1984 and it was authorized under the Municipalities Authorities Act of 1945. In 1984 it was authorized for a term of 50 years. It was then amended in 1997 to another 50 years. So, at this point the Authority is technically in business until 2047. Over the years the Authority made, in my opinion, some rather poor decisions and let me preference that by saying that there are no members of the Authority board currently who had anything to do with all of those decisions. The Authority bought Whitetail Golf Course in 1999 and then sold it to the Hummelstown General Authority. We bought Bedford Springs Golf Course in 2001 from the Industrial Development Authority of the County of Bedford and sold it back to them. Prior to 2003 we were operating the Parking Facility at the Harrisburg International Airport. We divested ourselves of that in May of 2003. We did and I think this was a good decision of the current Board we donated Cibort Park to the Friendship Fire Company. That was a real money maker for $1. I'll tell you then that is what we owned. Now I'll tell you what we own. We own the Human Services Building as you know and 100 Chestnut Street, both of which are enterprise funds. We own them, but the County actually operates them. The Dauphin Highlands Golf Course, the Riverfront Office Center, Forum Place, which is currently in default, and the Hyatt Regency International Pittsburgh Airport Facility are the sum of our current holdings.

Now to Dauphin Highlands, the Dauphin Highlands discussion probably if you read this morning's paper that probably was the sum and substance of most of it. Dauphin Highlands was bought for about $2 million back in the early 1990s. Because of excessive construction costs and a lot of other things that were not anticipated the current debt of that course is approximately $13 million. As I commented in the article in the paper you could build two golf courses for that. We have over the years had people come in and give us letters of intent to buy the course until we show them what the debt service is. Each year for a number of years the Dauphin County General Authority, from its own funds, has had to subsidize the golf course anywhere from

$250,000 to $500,000 a year. The reason we do that is as you know the bonds that brought the money in to pay for the golf course are guaranteed by the County. If the Authority, from our fund, didn't make those payments we would go in a position where the County would be required to come up with the money to make the debt service payments. That is obviously something that we want to avoid. However, with declining rounds, golf is not quite as popular as it was at one time, our peak rounds were back in the early 2000s. We see a decline each year in the number of rounds. Obviously weather reflects some of that, but we see the need to increase prices which puts us in a not very competitive position with other public golf courses and as a matter of fact we shouldn't be doing that to begin with. The philosophy of this current Authority Board is we ought not to compete with private enterprise under any circumstances. We are always trying to sell any one of our properties, the hotel anything that we own is up for sale. The problem is in most cases the debt service is higher than they want to pay. The other issue that comes up in you selling one of our properties is the sale is reasonably easy if it is a government-to-government sale or an authority-to-government sale. When you introduce private enterprise into it, it gets very complicated with tax laws and all the other things that get in there and you no longer have pilots you got tax assessments. All of those kinds of things make it complicated, but not impossible to do. As the newspaper indicated this morning we do have a non-binding letter of intent to purchase the golf course. We do not yet have an agreement of sale. We hope to have that by next week, which at that time we can divulge the name of the buyer. I choose not to do that now for obvious reasons, because we don't have an agreement yet. I can tell you that the letter of intent will allow the golf course to be sold free of debt. There will be no additional debt needed. That is probably not going to be popular with a lot of people, because we do get 35,000 rounds out there. There comes a time when we cannot continue to subsidize this facility. We don't have the funds in the General Authority to do it and I know you all don't want to have to do it. So, we reached a point where it is time to sell it and move on, because in fact we shouldn't have done it in the first place. That is kind of the summary of where we are at. I would be glad to answer any questions.

Mr. DiFrancesco: First I want to commend you for your efforts in turning this authority around. I know that we are still living with a lot of history and bad decisions made in the past, but the current board has really focused their attention on getting out of those bad decisions, trying to unravel them and trying to offload them as best they can. But more important to me is the fact that you've also begun to market the school pools back to the local school districts. It is one thing to sit back and consider yourself a financial institution and raise money, basically lending money in Southeast Pennsylvania, but it is another thing to actually take that cheap money and give it to schools here in Dauphin County around this local region. I really want to commend you on the fact that now all of a sudden that money is coming back here and it is being marketed here and is being provided to school districts here to really help schools do their building projects at a much lower cost. I want to commend you for that. That is probably one of the most important roles that you play as far as I'm concerned. I also want to take the time to commend you for the fact that I mentioned that you are starting to unravel a lot of bad decisions of the past and stress the fact that this is unfortunate for this reason it is probably one of the nicest golf courses in Central Pennsylvania. It really truly is a first class facility. It is a first class facility because a lot of money was borrowed to put it together and you could fill that golf course with as many rounds as you possibly can and you are not going to pay your debt service so the two points that you've already mentioned are very important. One, we should not be competing with the private sector. A General Authority should not be competing with a private sector something that the private sector takes care of very richly in this area. There are a lot of very good golf courses in this area and for us to be in a position where we are losing money providing a recreation facility that the private sector does so much better than we can do and the bad choices that have been made to set us up in this position has got to be noted. Second thing is obviously this is a personal opinion that property taxes should not be used to subsidize this level of recreation, especially based on the bad decisions that have been made in the past. I'll join the voices that will say what a great loss this will be to our community. There is no doubt about that. I don't think anybody can argue the fact that in losing this golf course we lose a real fabulous asset, but at the end of the day reality has to take over and reality is it is losing money and it is in a bad financial position and County property owners are not going to want to pick up the cost of paying the losses on that golf course. It is that simple. It is going to be a tremendous loss. There is no doubt about it, but I guarantee you that there is a majority of citizens in Dauphin County that do not want to pay higher property taxes because of the golf course and I agree with that. Quite honestly there is no way that I'm going to sit here and not support this sale because it is in the best interest of the taxpayers. Those are my comments.

Mr. Haste: We will hear from the golfers now, but prior to this point I bet it has been ten to one comments about why is the County in the golf course business. I think that will cause the golfers to come out. Before you finish make a note I do want you to go back and talk about the increased demand for the school pool.

Mr. Liptak: Unfortunately we focus so much on the bad things that we forget about the good things, but we will go back to those.

Mr. Hartwick: Fundamentally I think we all principally agree on the philosophy of what authorities should be functioned to do and how they should be run and what they should be focused on. Ultimately it would be great to see an authority to be in the position for the reason it was created as an alternative revenue source outside of just property taxes hopefully to assist the County in running county operations and to assist in generating revenue through school bond programs and to reduce the reliance on property taxes. It could have been an alternative way for us to gain some additional revenue. Because of those bad decisions that revenue is far off in the distance and that is why this Board has given the direction to move and quite frankly appointed individuals that have also believed in our philosophy. I want to commend you as well. I think you have hit a lot of the points including the school bond pools that you refocused on. I for one am going to take more heat than anyone else because I'm the most avid golfer on this Board and that is my home course. Quite frankly having a connection to that community in a way, that is where I grew up, it means a whole lot to me. I know one of the biggest concerns in Swatara Township is open space and recreation. Keeping that in mind and I know we are going to remain extremely active when we talk and when we move down the road a little bit further we want to be engaged in trying to partner with Swatara Township and whoever this individual is going to be in order to try to keep some open space and recreation for residents of that region. I know it is important. You should be directly commended for the Cibort Park piece. The Friendship Fire Company and the Bressler Club woke up one morning with a for sale sign on Cibort Park and to hear the history of how that park was created by men and women who brought backfill in to make that into the park that it is and the pride that they have. Your leadership in making sure that became a community aspect in perpetuity was a great move on your part and one that I thank you for. We hope to have a similar relationship for the residents in that particular region. Again this dialogue turned quickly towards the golf course, but I think it has to do with the overall success of the General Authority in their ability to divest of a lot of programs. Along with School Pool I and II could you also briefly touch on how the Hyatt has begun to turn the corner? I have tried to bring individuals to the table on that. Whoever the financial advisor and attorney were on that issue obviously should have been held much more accountable by the Courts, because clearly they did not deny themselves the fees for giving extremely poor advice. Each one of these deals if you take a look at them from a real estate perspective are completely upside down. They didn't turn their fees back and they continue to receive an annuity as a result of the bad advice they gave to Board members. We unfortunately are stuck in a position where a lot of these risk adventures are all but impossible to turnaround. Quite frankly that is the problem with the golf course. If you take a look at just the operations of the golf course that is not the challenge, but you add in the debt service and that is where you have a significant amount of contribution being required from the General Authority and from this Board now because you are in a position to have to make those contributions.

Mr. Liptak: The Hyatt, we did have one material event when we had to dip into the Bond Reserve Fund in order to make a debt service payment. When you do that you have to alert all of the people in the bond business that this happened in the event that it is going to get worse. That was the only time and I believe that was probably two years ago. In recent history they are doing very well. Their occupancy rate is up to around 85% to 87% range. The facility is ten years old and Hyatt or we are going through a refurbishing of the facility now and Pittsburgh is attempting to get more business to that area. The funny thing is that all this is happening because of the snow storms and thunderstorms, because they are attached to the airport so occupancy goes to 100%.

Mr. DiFrancesco: Of course they are all happy people too.

Mr. Liptak: Yeah, they are real happy.

We have had ongoing discussions with a number of people and I will tell you including the Hyatt themselves which I found out that they own very few of their own properties. They manage most of them, but that doesn't mean that we won't continue to look for somebody to buy it and get out of that business as well. I can tell you with the recent incident at the Riverfront Office Center this past Friday afternoon that I can't tell you how much it makes me want to get out of the building business, managing and owning any of that kind of stuff. We are not equipped to do that.

Mr. Haste: Dealing with State workers is easy too.

Mr. Liptak: It was easy.

Mr. Hartwick: Is it safe to say that as of today that everything that the Authority owns is for sale?

Mr. Liptak: Everything except for the Board and the Executive Director and the County properties.

Let me talk a little bit about School Pool I and II. School Pool I was done in 1986, which made it a pre-arbitrage pool. That pool had $200 million in it. We have $155 million of it loanable. School Pool I there are more out of the area than are in, but as you said that trend is changing. School Pool II was put together in 1997 so it doesn't have that arbitrage feature that works for Pool I. Keep in mind pre 1986 we could, the Authority could keep the arbitrage earnings, but we have chosen to turn those earnings back into the pool so as to reduce the costs to those school districts of their bonds and the administrative costs. The 1997 one of course the IRS takes the arbitrage unfortunately. That started with $150 million worth of funds and our loanables are $144 million because we have to have some for debt service reserve. In Pool II we have loaned money to Derry Township, Susquehanna Township, Cornwall-Lebanon and some of the other ones are out of the area, but with the change of our remarketing agent in the last couple of years we find that we can market these pools more locally than we were able to before because of their particular customer base. We are however, as you just heard the gentleman before us talking about the interest rate and insurance and all that we are going through the same thing because our Pool II is insured by Ambac and we had to go and get a standby liquidity letter of credit and the prices have just gone out of sight. Pool I is insured by FSA so we are in pretty good shape there. I think that we had assured the school districts to whom we have loaned the money that even though their cost may go up a little bit, it is still cheaper to stay with us than it would be to try to start a whole new issuance because of attorney fees and all the rest of the things that go on.

Mr. Haste: You were talking that there may be a need for a third one.

Mr. Liptak: Yes, we are investigating the possibility of establishing School Pool III, but frankly given the market, because I don't think anybody can predict what is going on out there. Like we heard this morning, Buffet wants to come in and buy everything, but he only wants to buy the good stuff and on and on and on. I think we will eventually do a School Pool III, but we will need for the markets to settle down a little bit before we can really do it.

Mr. Haste: I think the key of that is the Pools that you have, have gotten a reputation where districts are looking and have told the financial advisors they have an interest in coming there once the market gets itself straightened out. I think there was a pretty good demand to come to one of the Authority's pools because of the way you handled them.

Mr. Liptak: We have in some of this refinancing the Authority has accepted some of the cost in the interest of maintaining good relationships with the school districts because we don't want to lose them. I agree. That is a program that I think is a great program and is certainly one of the better programs the Authority has.

PERSONNEL

Ms. Lengle: Are there any questions on the Salary Board requests? (There was none.) I have the Personnel Packet and the Addendum. Are there any questions on those? New Hire #20, we do not have a starting date yet. By next week I will have a date.

Mr. Haste: On the Addendum, that came up at the Conservation District meeting. I told them to send it down and that is no cost to the County.

Mr. DiFrancesco: Has #20 been confirmed?

Mr. Hartwick: Start date is March 24^{th} I think.

Ms. Lengle: I can check into that too.

Mr. Hartwick: Scott Burford knows the answer to that. It is March 24^{th}.

Mr. Saylor: I just note for the record that the hiring window is open for the quarter so that is probably the reason why we have so many new hires on the agenda.

PURCHASE ORDERS

Mr. Baratucci: You should have received a report yesterday. There are some budget issues as usual. Do you have any questions on the report? (There was none.) In addition to that there are a number of requests for remote access set-up. There are 7 of them for Children and Youth, 1 for Adult Probation and in addition to that there is 1 Blackberry request for Bob Long of IT. We are looking to get those approved next week. In case you have any specific questions, Tom can address those for you.

TRAINING PACKET

Mr. Haste: There are none that need to be approved today.

ITEMS FOR DISCUSSION

A. Ordinance #1-2008 Hotel Tax. **(***A VOTE IS REQUESTED 2/13/08***)**

Mr. Haste: We have already taken action on Item A.

SOLICITOR'S REPORT – GUY BENETENVANO, ESQ.

Mr. Beneventano: We have nothing to report.

CHIEF CLERK'S REPORT – CHAD SAYLOR

Mr. Saylor: I have nothing unless there are questions of me.

COMMISSIONERS' COMMENTS

(There was none.)

PUBLIC PARTICIPATION

Mr. Haste: We are again at the point in time in the meeting for public participation. Is there anyone in the audience 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. DiFrancesco that the Board adjourn.

Respectfully submitted,

Chad Saylor, Chief Clerk