



DAUPHIN COUNTY BOARD OF COMMISSIONERS

WORKSHOP MEETING

June 7, 2006
10:00 A.M.

MEMBERS PRESENT

Jeff Haste, Chairman
Dominic D. DiFrancesco, II, Vice Chairman

George P. Hartwick, III, Secretary (Absent)

STAFF PRESENT

Chad Saylor, Chief Clerk; Marie E. Rebuck, Controller; Robert F. Dick, Treasurer; William Tully, Esq., Solicitor; Bruce Foreman, Esq., Solicitor's Office; Dave Schreiber, Personnel; Diane McNaughton, Commissioners' Office; Tom Guenther, Director of IT; Gary Serhan, Deputy Controller; Mike Yohe, Director of Budget & Finance; Randy Baratucci, Director of Purchasing; Leila McAdoo, Solicitor's Office; Dan Kern, Director of Schaffner Center; Elke Moyer, Human Services Director's Office; Frank DeRoba, Schaffner Center; Tom Kershaw, Schaffner Center; Faye Fisher, Director of Personnel; Kay Sinner, Personnel; Dan Robinson, Director of Community & Economic Development; Scott Burford, Administrator of Spring Creek; Laura Kempton, Schaffner Center; Sara Steckbeck, Schaffner Center; Julia E. Nace, Assistant Chief Clerk; Jena Wolgemuth, Commissioners' Office; Lena Martinez, Commissioners' Office; Kacey Truax, Commissioners' Office and Richie-Ann Martz, Commissioners' Office

GUESTS PRESENT

Nichelle Chivia, Dan Malpezzi, Elaine Barber, Missy Stehr-Wood, Pete Washington, Lou Verdelli, Matt Kirk, Mary Schwanger, Elaine McPherson, Mary Tomlinson 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: We have three sets of meeting minutes that will be considered at next week's meeting.

PUBLIC PARTICIPATION

Mr. Haste: We are at the point in time 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

Laura Kempton, Supervisor at Schaffner Youth Center

Presentation of Awards

Frank DeRoba – Distinguished Service Award Outside Detention

Sanford A. Krevsky – Distinguished Service Award Outside Detention

Sister Elaine McPherson from all God's Children Volunteer Group – Distinguished Service Award Outside Detention

Sister Mary Tomlinson – All God's Children Volunteer Group – Distinguished Service Award outside Detention

Mr. DiFrancesco: We are under the Directors and Guests part of the agenda. At this time I have the pleasure and distinct honor to introduce some folks that volunteer or work with us as professionals out at the Schaffner Center. We have been talking a lot lately about where we are in Dauphin County and the fact that unfortunately we have seen a spike in our juvenile crime rates. It comes as no surprise that we do have challenges in our community where we have kids in need. We have kids in shelters. We have kids that are coming from different backgrounds and challenges in life. Through the past two and a half years, I have had the real honor of working with both Juvenile Probation and also the folks out at the Schaffner Center. You hear us joke about how in human services folks don't do what they do for money, because quite honestly the salaries don't show the importance of the role that these people perform. These people tend to be very, very passionate about the job, protecting children and being there for kids, when they are in a time of crisis. They do their job out of a real sense of calling. Every time I get the opportunity to sit up here as the oversight for the Schaffner Board and introduce some very special folks to the public, it is delightful and it

reassures the community as a whole that we have very caring people. I mentioned it before that the quality of life in Dauphin County comes down to so much more than just our economy. It comes down to the fact that we do have neighbors who care about neighbors and people who care about people that do not come from their neighborhood, they come from other places. They have troubles and struggles and people set their own personal interests aside and sacrifice in order to make the lives of others better. Recently at the 2006 Pennsylvania Association of Probation, Parole and Corrections and the Juvenile Detention Centers Association joint conference, about a month ago, we had actually five employees who were nominated to receive awards. I think annually Dauphin County is acknowledged by the number of award nominations that are entered and quite often those people do in fact receive awards. Again, it speaks very highly. I think out at the Schaffner Center every single day there is an attempt to raise the bar. If we feel something isn't quite right, we try to address it and make it better. It is truly a joint effort between the management team out there and the folks that are walking the hallways dealing with the kids. It is a great relationship. This year we did have a couple of awards and I have the honor of presenting them to these people today so I'm going to ask, as I introduce them and give a little bit of background, that if you would be so kind as to step up and come over to the flags, we will be making the presentation after I make the introductions.

I would like to begin by asking Sister Elaine McPherson and Sister Mary Tomlinson to rise and come forward. These two ladies began a foundation or association called "All God's Children". They are very dedicated to the children and the facility. They are out there twice a week. I have been told that you have been doing this probably for the last four years.

(One of the Sisters): For about seven or eight years.

Mr. DiFrancesco: They are out there doing religious programming and talking to children. They are focused on bringing faith and hope to kids who probably at this time in their life don't have a lot of hope. It is caring and compassion and it's absolutely incredibly important to change the lives of these children.

I would also like to call forward Sandy Krevsky (he could not attend the meeting today). I have worked directly with him because he sits on the Schaffner Advisory Board, as well as other times. He is dynamic. He is dedicated in so many ways. Sandy will wear the Santa Claus outfit every year at Christmas time and go out there and work with the kids. He will serve and give his all as he's sitting in the chair basically deciding the fate of where kids are going to go. He is a strong advocate for children. He cares greatly about what he is doing. Time and time again, he is constantly getting acknowledged for that. We are very honored to have him working here in Dauphin County.

I would also like to call forward Frank DeRoba. Frank is in a counselor's role and serving the children well. Again, it goes back to my earlier statement, generally speaking, if you are a counselor in Human Services you are probably not looking for the millions of dollars that the profession provides to you. What you are doing is you are

doing it because you have a heart for kids, because you care about them. You care about all of them. You will take the time to go out of your way, sacrifice your private time whether you are getting paid or not, to listen to a kid who may have a particular need at a particular time.

At this time I would just ask all of you to join me in a round of applause for these people who are the heart and soul of our community.

(Applause)

I would be remiss if I didn't put in a pitch. There are a lot of children out there in our community, whether they pass through the system or whether they don't, who are in need. We see it every day. We see it in the newspapers. We have seen it run repeatedly over the last couple of weeks. We've got alcohol in our community. We've got drugs in our community. We've got parents who don't take the time to love their kids. We've got all kinds of issues going on in our community where if someone doesn't step up and love these children the future of America is lost. I urge each and every one of you, if you have the opportunity to get involved in a kid's life, please take that opportunity or at least guide them to somebody who will take that opportunity.

With that I would like to take this time to come over to present you with your plaques and certificates.

(The Commissioners presented them with their certificates and plaques.)

Sister Elaine McPherson: All I want to say I thank God to be here today and I thank God for the staff. The staff at Schaffner is awesome. We can't take all this credit on our own. We got them out there every single day, seven days a week, 24 hours a day. I thank God for our Pastor who teaches me. My Pastor always teaches me that it is not about us, it's all about the kids and the help that we do outside. I thank you very much.

Sister Mary Tomlinson: I would also like to say that I thank God for Schaffner's wonderful staff and love the children as well as we do. We are about love. We see their lives changing and if just one asks questions and wants to make a better life for them that is one more than what we had before. They are lovely people.

Mr. DeRoba: I just want to thank the staff at Schaffner too. They are a wonderful group of people. They have the kids all day long and all night long. It is a very difficult place to work. I just have to go in and meet with kids one-on-one, which is easy. I do enjoy working with kids. Some of the kids I know through school, because I also work in the school. Sometimes I see them at night.

Ms. Kempton: I would like to thank you for making us part of your Agenda this morning. I'm Laura Kempton, one of the Supervisors at Schaffner. I love and appreciate each of these people. There are a lot of other volunteers, but I appreciate everything they do and taking their time for the kids at Schaffner.

(Applause)

Lou Verdelli, Public Financial Management, Inc.; and Dan Malpezzi

Final approval of the Emergency Management Agency financing and adopt Ordinance #2-2006 authorizing and directing issuance of two series of General Obligation Bonds in the amount of \$33,700,000

Mr. Verdelli: What we are here for this morning is to report back to you on the financing package that you authorized your financing team to implement for the Emergency Management equipment and communications equipment.

I would first like to introduce the folks who are part of the team: Dan Malpezzi, your Bond Counsel from McNees, Wallace & Nurick; also in the audience is Ray Lowery and Marie Boyer from PNC, who served as the underwriting firm on the bond transaction; Matt Kirk from Access Financial Advisors, who served as your SWAP advisor and I'm not sure if Andy Giorgione arrived or not, but his firm was serving as underwriter's counsel on the transaction.

We all have been working very diligently over the last month since you authorized us to proceed. We think we have a bunch of good news for you in terms of some of the interest rates that in one case we locked in yesterday and in another case we would potentially be locked in tomorrow.

The document, with the yellow cover, is what I would first like to take you through. Probably of great interest to you is Pages 1, 2 and 3; the credit rating report from Standard & Poor's. Every time we access the market, we need them to update your credit rating. They have reaffirmed the County's AA rating with the outlook of stable. You remember a couple of years ago they had a negative outlook on your AA rating. Page 1 they talk about the rationale for that rating. Certainly the improvement in the County's general fund reserve levels and financing position overall are some of the things that they highlight. Our tax base and the economy that we enjoy here in Central Pennsylvania is also part of that rating. Pages 2 and 3 they continue to comment on the nursing home and some of the financial commitments there that the County has. That is something that they have continued to monitor in each of these. At the bottom of Page 3, I just wanted to point out that they do now give each of the issuers that they rate, they take a picture of your derivative profile, meaning all the different SWAPS that we have either done here or the ones that you have guaranteed. I would just point out that on a scale of 1 to 4, 4 being the highest risk debt profile, they assigned the County a 2 based on the interest rate SWAPS that you have entered into. I think that is good as well. That obviously also gets factored into the AA rating. It should be something that you should be very proud of that they have reaffirmed that credit rating.

Page 4 focuses in on where interest rates are and the fact that you are entering the market yesterday on one transaction and potentially entering the market tomorrow on another. Page 4 shows long term interest rates. The chart at the top shows, on the far right, that rates have moved up a little bit. But, when you look back across the last 30

years, you can see there has only been a few times that rates actually have been lower than where we are today. The lower portion of Page 4, at the right end of that chart, that is showing day-to-day movements of this long term bond index. There you can see actually in the last two weeks we have had long term rates drop and especially in the last couple of days long term rates were moving lower. Again despite 16 Fed rate hikes that you have heard about, Fed increasing short term rates, long term rates have stayed relatively low. You heard the economists talking about a flat yield curve, short term rates are high, long term rates are relatively low. When you connect those dots across you have a flat yield curve. It is a good opportunity when it comes to borrowing this money. On Page 5 that also leads to a good opportunity in terms of investing the money for the project. We know that it is going to take several years to complete this. Page 5, the strategy that you are implementing was really derived around maximizing your potential to keep interest earnings and benefit from this high interest rate environment that we have for short term investments. This is how we have sized the issue to pay for your project. We talked about the two financings occurring in column 9. One is current and the other one would actually be put in place in 2007. We actually have all the documents today for you to put both of these financings in place. All of that will be fixed. All we have to do on the 2007 transaction is actually close it; once we get there and once you are ready and have spent down all this first pot of money that we get from the first 2006 Bond Issue.

Mr. Haste: You are going to be monitoring that timing, right Lou?

Mr. Verdelli: The timing is more going to be driven by just when you need the funds, because what we are going to do tomorrow is lock in the rate on that second borrowing, the SWAP that we will talk about in just a minute. By tomorrow, all your interest rate risk will be eliminated on the entire package of the two borrowings. It is just that you won't have that second piece of money until probably the Fall of 2007 when you need it.

Page 6, this is the first transaction, the 2006, we talked that we would do a traditional fixed rate bond issue to lock the rates. July 6th is the closing date, so that is when the money will be available for the County to reimburse you for the payments that you have already made towards the project. A couple columns to look at, Column 2 shows how we are going to pay the principal back. You will recall when I was last here we talked about structuring this principal to wrap around the County's existing payments so that when existing payments are dropping down these new payments will move higher, therefore, the County's overall debt repayment structure becomes more level so there you can see at the bottom on Column 2 this borrowing in the amount of \$16,450,000. Column 3 and 4 shows the coupons and yields on the Bonds. Column 4 is what you want to focus on that is really the rate at the end of the day that you are borrowing this money at and there you can see those rates range from a 3.55% to a 4.38% and we will show you what that all averages out in a minute. I did just want to point out that the \$16,450,000 we had originally said that was going to be \$17,000,000. You will see that when we look at Columns 3 and 4, one of the ways that bonds can be priced and the way that it ended up being an efficient way to get the best interest rate yesterday was to sell what is called premium bonds. In Column 3 you see 5% coupons, but I mentioned

in Column 4 they yield something less. The reason and the way we get to a lower yield is that the investors are actually going to purchase the bonds at above face value. So, what happens is while we are only issuing \$16,400,000 in bonds, you will see on Page 7 under the uses line, first line deposit to your construction fund or project fund there that you will actually net \$17,000,000 available for the project as was our original plan. About the fourth line down there is a line that says original issue discount and premium there was \$788,000 of premium that was factored into the pricing of the bonds. That is how we end up still giving you the original amount that we talked about \$17,000,000 despite only issuing \$16,400,000 of bonds. I just wanted to make sure that was clear since we talked about that when you gave us authorization a month ago that we had set the exact amounts that we were going to borrow and we weren't going to increase those. Everything is the same there.

Page 7 just shows the other costs of the transaction. Those are all broken out for you. In the middle of Page 7 when we average out those interest rates and take the present value of them the rate that you locked in as a result of the pricing process with PNC yesterday is that number in the box that says yield of the issue 4.30%. This \$17,000,000 borrowing, the rate is locked in assuming that you accept their Purchase Proposal today at 4.30%. Mike Yohe and I yesterday were looking back at some of the rates over the last several months when we were putting this together, that rate is very much in the ballpark of where rates were several months ago when you really kind of moved into high gear in terms of moving this forward. I think we have been fortunate that long term rates have held.

Page 8 as I mentioned you are actually authorizing today the issuance of the 2007 transaction. That is shown in Column 2, \$16,700,000, that is how you are going to pay that back. Again, that wraps around the other debt that the County has issued. Column 8, far right, that is what the County's annual debt payments will look like after the 2006 is in place, after the 2007 is in place and you will see that you will have that level debt service of about \$11.7 million per year out through the year 2023. That is the issue that these bonds will be issued in a variable rate mode in 2007, but as a result of entering into a SWAP tomorrow, we'll fix that interest rate. The target right now as of the end of the day yesterday, the pricing indications are that SWAP rate is probably going to be around a 3.97%. We are locking in a rate today for a transaction that won't start for another year at under 4%. The goal of the plan was to eliminate your interest rate risk and we would have therefore both financings locked in at that 4.3% and the SWAP at just hopefully under 4%.

Page 9 is all of the County's debt again shown by individual issues and the annual payments that you make on each one of your existing bond issues.

Mr. Haste: The only thing I didn't see, I didn't see the fees for the second issuance. Are all of those being paid at that time, or are we paying some of it now, because some of the work has been done?

Mr. Verdelli: That is a good question. Some of the work has been done now to set it up. We will still have some fees when we get to the issuance, such as a credit rating fee today. We are going to have to go through a credit rating process in 2007. There will be additional fees that when we actually implement that transaction we'll come in and say here are the final costs to do the 2007. Some of that is done because things like the legal framework all has to be set up today.

Mr. Haste: Do you already know those fees?

Mr. Verdelli: We don't know all of them. We know what variable rate bonds, approximately, are going to cost, but some of those things you can't get the quotes today, but we have a good feel for what they will be.

Before I turn things over to Dan, the other document that we need to review with you, per a State law requirement, is this document labeled the Interest Rate Management Plan. This is all in regards to your interest rate SWAPS, the ones that you have on your books, as well as this proposed one that I am describing to you. This is what our firm, working with your SWAP Advisor, Access, has put this document together. I would just point out a couple of important things on this. Starting on Page 1 in that second paragraph, I mentioned that right now we have it filled in that the interest rate will be approximately 3.97%. The plan is that if you authorize this tomorrow morning at 9:30 we will have a pricing call with the counter-party bank and we will actually set that rate tomorrow morning. So, that would be subject to change. Also on the second paragraph, the counter-party, the bank that you are doing this transaction is going to be Deutsche Bank. They are a bank that has AA credit rating, similar to the prior SWAPS that you have done. You know that has been a priority to do these transactions with AA rating institutions. That is who your counter-party is going to be that you are going to exchange these payments with. The last sentence of paragraph 2 talks about the SWAP will begin on December 1, 2007. You will lock the rate tomorrow, but none of these payments will begin until December 2007. That is set to coincide with the issuance of those 2007 Bonds, assuming those occur in the mid-fall. We will have the SWAP transaction begin in December 2007.

Mr. Haste: That date may change too if we have to draw those dollars earlier or later, right?

Mr. Verdelli: The issuance date can change, the SWAP date will be set as of tomorrow. That is why we pushed it back a little to give you a cushion so that if things slow down and you didn't need to issue those bonds right now it is targeted September, things were a little bit slower, your SWAP won't be starting before you actually issue the Bonds. The third paragraph does show the ratings for Deutsche Bank from all three rating agencies, Moody's, S&P and Fitch. You can see they are in the AA category from each one of those rating companies. The bottom of Page 1 just talks about the other SWAPS that the County has outstanding and the SWAPS that you provide guarantees. I want to point out on Page 8 the SWAP costs for doing the transaction, those are all shown on Schedule 3. Again, this is a draft. The one other item that will

be added to Page 8 will be First Albany serving as the SWAP Broker. Final negotiations will occur tomorrow. That is the one thing that will get filled in there. I wanted to also point out to you on Page 11, we talk about that interest rate SWAPS have a value and that value is always changing. On Page 11, we just show a termination payment table that if anything happened where either you had to terminate the SWAP or the counterparty forced you to terminate it, in that situation your credit ratings would have had to have fallen to below investment grade for you to be forced to pay off this transaction. Page 11 that table shows what those potential termination payments would look like. The right side of the Page shows interest rates rising and the left side of the Page shows interest rates falling. After the transaction, if interest rates rise at some point in the future and you needed to terminate this transaction, you would actually get a payment if rates were lower a couple of years from now and you had to terminate it, you would have to make a payment. I think I had given you an update that the Harrisburg Authority on that fixed rate SWAP that they did a year ago, interest rates had risen over the last year and so they had recently terminated that because rates had risen, the contract was worth more and you could collect \$4 million to use towards the project costs. This is a similar illustration that if in fact at some point rates were to increase dramatically we would be monitoring this and bringing it to your attention that maybe you would want to cash the contract out. It does have significant value, but it also does have significant potential termination payments if you were forced to terminate and we were in an environment where interest rates had dropped.

The last thing in this document, Page 12, this SWAP just like your other SWAPS does take tax risk. That risk that if the Federal government were to lower taxes, there would potentially be a negative impact on the transaction. Page 12, we show, in the Column labeled 67% that is the current version of the transaction that you are doing. 67% of LIBOR, we are showing you there that your savings are about \$617,000 by taking the tax risk. In those other columns we are showing that if taxes are increased the ratio would decrease, there on the left at 57%. There you would actually be benefiting in the annual cash flows would get better to the County. In the columns on the right, if for example, the far right column, if tax exemption was completely eliminated on municipal bonds or we were to have a flat tax or something like that, that would kind of be the worst case scenario in terms that your savings would go from being positive savings to negative savings, assuming that would happen here in the near future. As I mentioned on all of your other SWAPS, as time goes by you are paying down your principal so your risk is also decreasing as we go through time and that principal is paid down. The rest of this document we have to include and list all those similar tables for all of your existing SWAPS and all of the SWAPS that you have guaranteed. I would be happy to answer any questions on the financing side.

Mr. Malpezzi: I am from McNees, Wallace & Nurick and we are serving as Bond Counsel for the County's financing. I think you should have before you a relatively thick document, which is the Bond Ordinance. The Ordinance does a number of things. It authorizes the two series of bonds that Lou has described to you, the series of 2006 and the outstanding aggregate principal in the amount of \$16,450,000, as well as the series of 2007 Bonds, the variable rate bonds which are anticipated to be issued

sometime next Fall in the aggregate principal amount of \$17,000,000. The total aggregate principal of the Bonds is \$33,150,000. The two series basically represents two phases of financing for the construction of the County's upgraded County-wide Emergency Management Response Communications System and paying the costs and expenses related to the issuance of both series of bonds. The Ordinance also authorizes the forward SWAP contract with Deutsche Bank, which Lou has described to you and which is the subject of the interest rate management plan that will take affect next December when payments will start. The Debt Act requires various authorizations to be in place for the SWAP contract including this Interest Rate Management Plan. The Ordinance also authorizes the County to execute that document as well. The Ordinance also authorizes the County to enter into and accept two Bond Purchase Agreements with PNC Capital Markets, LLC for the sale and purchase of the Bonds. I think Commissioner that is the stack of contracts that are on your right. Ray Lowery is here from PNC Capital Markets and if he has anything to add I would be happy to turn it over to Ray. The contract for the purchase of the 2006 Bonds is for a total sale price of \$17,156,473.50 plus accrued interest from the date of the Bonds, which will be July 1, 2006 through the date of settlement, which will be July 6, 2006. You will have about 6 days of interest on top of that. That purchase price also represents an Underwriter's discount of \$82,250 and the net original issue premium, that Lou described to you of \$788,723.50, that is the sale proceeds that is above and beyond the face amount of the Bonds, which gets you to your original principal amount of \$17,000,000.

The second Sales Contract with PNC Capital Markets is for the Series of 2007 Bonds, which would have a purchase price of \$16,645,725 which is 100% of par amount of the Bonds, less an underwriting fee of \$54,275.00. Because those Bonds are variable rate bonds, they do not carry accrued interest. They will start accruing interest on the date of settlement. I don't think we need to go through the Ordinance page-by-page. It is rather lengthy. There are other important features of the Ordinance, in addition to authorizing the Bonds, the SWAP and accepting the Bond Purchase Contracts, is that the Ordinance appoints a Paying Agent, a Registrar for the Bonds and because the variable rate bonds have a tender feature to them you need a Tender Agent, which at this point is M & T Bank. Also because the 2007 Bonds are variable rate bonds that do carry a tender and purchase feature, there is a Remarketing Agent that you need to resell the Bonds as they are brought in and pursuant to the working of that mechanism that will also be PNC Capital Markets. There will be a separate remarketing agent agreement that will be presented to the County.

Mr. Haste: At that time?

Mr. Malpezzi: At the time of closing, yes.

The Ordinance also awards the SWAP Agreement with Deutsche Bank. It accepts the Interest Rate Management Plan that has been presented to you by your SWAP Advisors. It appoints the various professionals for the transaction. The Ordinance also authorizes the County to purchase bond insurance for the Series of 2006 Bonds, which at this point I think is Excel Capital Assurance. The Ordinance also authorizes the

officers of the County to negotiate with another bond insurer or Excel Capital if they come to the table with an acceptable offer for bond insurance on the 2007 Bonds, as well as insuring the County's obligations under the Forward SWAP Contract. Typically you would have the same insurer that insures the 2007 Bonds insuring the 2007 SWAP. It is sort of two sides of the coin and often there is not an additional premium or nominal additional premium for providing the insurance on the underlying SWAP Contract. I don't know where that is. I know that Lou has been talking with a couple of bond insurance companies and getting some quotes. The Ordinance also sets forth certain continuing disclosure obligations with respect to the Bonds that is required under Securities and Exchange Commission regulations, 15 C 212. The Ordinance also sets up the structure of the Bonds, it provides for the registration of the Bonds, transfer of the Bonds, sets forth how the interest rates work on the Bonds and it basically, if this were not a General Obligation issue, would be the equivalent of the Trust Indenture and that is why it is so thick and long. It provides for the redemption of the Bonds and all the various provisions and mechanics for how the Bonds work and trade, and sets up the duties of the Remarketing Agency, Paying Agent, and sets up the Sinking Fund that is required for payments of the Bonds under the Debt Act. It is essentially the governing document for the Bonds. That hits all the high points and I would be happy to answer any questions that you might have.

Mr. Haste: Matt, do you have any thing that you need to add?

Mr. Kirk: I would like to thank you for the opportunity to serve the County. We will be, tomorrow, as Lou indicated locking in the rate on the 2007 Forward Starting SWAP, which again will have a pricing date of tomorrow, but will not be effective until 2007. Currently as Lou indicated as well, the rate is approximately 3.97%. We will know exactly what that rate is at the time of the pricing tomorrow. That will serve, not only as your hedge against rising interest rates, but also give you the budgetary certainty on the 2007 issue. Details of the trade again are listed in the Interest Rate Management Plan. Upon the actual execution of the SWAP you will be receiving a confirmation of the transaction from Deutsche Bank, which lays out the exact transaction, all the specific terms for their signatures and yours, which will then finalize the transaction.

Mr. Haste: Mike, is there anything else?

Mr. Yohe: No.

It was moved by Mr. DiFrancesco and seconded by Mr. Haste that the Board adopt Ordinance #2-2006, captioned as follows; motion carried.

AN ORDINANCE OF THE BOARD OF COMMISSIONERS OF THE COUNTY OF DAUPHIN, PENNSYLVANIA (THE "COUNTY") AUTHORIZING AND DIRECTING ISSUANCE OF TWO SERIES OF GENERAL OBLIGATION BONDS IN THE AGGREGATE PRINCIPAL AMOUNT OF \$33,700,000 AS PERMITTED BY AND PURSUANT TO THE LOCAL GOVERNMENT UNIT DEBT ACT, 53 Pa.C.S. § 8001 et seq., CONSISTING OF: (1) GENERAL OBLIGATION BONDS, SERIES OF 2006 (TAX EXEMPT FIXED RATE), IN THE AGGREGATE PRINCIPAL AMOUNT OF \$17,000,000 (THE "2006 BONDS"), FOR THE PURPOSE OF PROVIDING THE FIRST PHASE OR TRANCHE OF FINANCING FOR THE ACQUISITION AND

CONSTRUCTION OF THE COUNTY'S UPGRADED COUNTY-WIDE EMERGENCY MANAGEMENT COMMUNICATIONS SYSTEM, AND TO PAY THE COSTS AND EXPENSES RELATED TO THE ISSUANCE OF THE 2006 BONDS; (2) GENERAL OBLIGATION BONDS, SERIES OF 2007 (TAX-EXEMPT VARIABLE RATE), IN THE AGGREGATE PRINCIPAL AMOUNT OF \$16,700,000 (THE "2007 BONDS"), FOR THE PURPOSE OF PROVIDING THE SECOND PHASE OR TRANCHE OF FINANCING FOR THE ACQUISITION AND CONSTRUCTION OF THE COUNTY'S UPGRADED COUNTY-WIDE EMERGENCY MANAGEMENT COMMUNICATIONS SYSTEM, AND TO PAY THE COSTS AND EXPENSES RELATED TO THE ISSUANCE OF THE 2007 BONDS; ACCEPTING CERTAIN PROPOSALS FOR PURCHASE OF SUCH BONDS AT PRIVATE SALE BY NEGOTIATION; SETTING FORTH THE TERMS AND SUBSTANTIAL FORM OF SUCH BONDS AND AUTHORIZING EXECUTION AND AUTHENTICATION THEREOF; PLEDGING THE FULL FAITH, CREDIT AND TAXING POWER OF THIS COUNTY IN SUPPORT OF SUCH BONDS; APPOINTING PAYING AGENTS AND SINKING FUND DEPOSITORIES FOR SUCH BONDS; APPOINTING A REMARKETING AGENT AND TENDER AGENT FOR THE SERIES 2007 BONDS; SETTING FORTH CERTAIN COVENANTS AND REPRESENTATIONS RELATING TO THE FEDERAL INCOME TAX STATUS OF THE INTEREST TO BE PAID ON SUCH BONDS; ESTABLISHING AND AUTHORIZING A MAXIMUM RATE ON NET PAYMENTS (EXCLUDING PRINCIPAL) DUE ON THE 2007 BONDS; PLUS PERIODIC SCHEDULED PAYMENTS (WHICH EXCLUDE TERMINATION PAYMENTS) THAT MAY BECOME DUE UNDER THE QUALIFIED INTEREST MANAGEMENT AGREEMENT RELATING TO THE 2007 BONDS APPROVED HEREIN AT THE MAXIMUM RATE SPECIFIED IN SUCH QUALIFIED INTEREST RATE MANAGEMENT AGREEMENT; AUTHORIZING AND APPROVING A QUALIFIED INTEREST RATE MANAGEMENT AGREEMENT (INTEREST RATE SWAP AGREEMENT) WITH RESPECT TO THE 2007 BONDS; SETTING FORTH THE SUBSTANTIAL FORM OF THE QUALIFIED INTEREST RATE MANAGEMENT AGREEMENT; SETTING FORTH AND ADOPTING AN INTEREST RATE MANAGEMENT PLAN WITH RESPECT TO THE 2007 BONDS; DECLARING THE MANNER IN WHICH THE QUALIFIED INTEREST RATE MANAGEMENT AGREEMENT IS TO BE AWARDED; MAKING CERTAIN COVENANTS OF THIS COUNTY WHICH ARE INTENDED TO SECURE THE QUALIFIED INTEREST RATE MANAGEMENT AGREEMENT WITH RESPECT TO THE 2007 BONDS; APPROVING A SWAP INSURANCE COMMITMENT WITH RESPECT TO THE QUALIFIED INTEREST RATE MANAGEMENT AGREEMENT FOR THE 2007 BONDS; AUTHORIZING A MUNICIPAL BOND INSURANCE COMMITMENT FOR EACH SERIES OF BONDS; APPROVING A LIQUIDITY FACILITY FOR THE SERIES 2007 BONDS; APPROVING THE USE AND DISTRIBUTION OF PRELIMINARY OFFICIAL STATEMENTS AND OFFICIAL STATEMENTS FOR THE BONDS; APPOINTING BOND COUNSEL FOR THE BONDS AND THE INTEREST RATE MANAGEMENT AGREEMENT; SETTING FORTH CONTINUING DISCLOSURE OBLIGATIONS OF THE COUNTY IN CONNECTION WITH THE BONDS; AUTHORIZING APPROPRIATE OFFICERS OF THE COUNTY TO TAKE CERTAIN ACTIONS AND TO EXECUTE CERTAIN DOCUMENTS IN CONNECTION WITH ISSUANCE OF SUCH BONDS AND THE INTEREST RATE MANAGEMENT AGREEMENT WITH RESPECT TO THE 2007 BONDS; AND REPEALING ALL ORDINANCES OR PARTS OF ORDINANCES INsofar AS THE SAME SHALL BE INCONSISTENT HEREWITH.

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

Mr. Haste: That covers everything we need. We don't need to take any separate action?

Mr. Malpezzi: Yes, this is the authorizing document. As Lou indicated all that is left is the closing of the transactions. It is not impossible between now and closing that we might have to tweak something, but I don't foresee that. Most of the work is done.

Mike Yohe, Budget & Finance Director
Presentation of the Proposed FY06/07 Budget

Mr. Yohe: Today is the day we have advertised to make the Fiscal Year 2006/07 Dauphin County budget available for the 20-day inspection period. As you are aware, we met back on May 24th, we had a public hearing to address the requests for next year for the fiscal agencies. This budget cycle covers all the County funds that operate on a July 1 to June 30th fiscal year. Primarily they get most of their funding through the State and Federal government. They need to report on a year July to June. We run this separate budget cycle just to address those funds.

The first page of the handout lists the nine Funds that operate on that fiscal year. You can see it is just a comparison between the current 2005/06 budget and the 2006/07 proposed budget that we have. It is a very small increase, \$2.9 million or 2.1% over the \$141 million that we currently have budgeted for these agencies. If you remember at the public hearing, Children and Youth came in with a worst case budget. You directed them to go back and do a little more work on it and they were able to come in with actually a decrease from the previous year. Again, that reflects the continued cuts at the State level, on the Title IV-E and the TANF funding. The County isn't picking up the increased cost so essentially their operation is reducing in size due to these cuts. Again, very good numbers as far as percentage increases and dollar increases. I think we are maintaining the required services, although maybe to a lesser extent on the optional services that we offer here at the County.

The second page is the summary of the funds. Each of these funds is supported in one way or another by the General Fund. Six of the nine funds require a County support budget. Again, a very small increase from the current year to the next year's request, \$183,512 or 1.96%. The bulk of that is in Children and Youth even with their modifications since the budget hearing they still require a slight increase next year just to cover the mandated services that they are required.

At the bottom of that page I just want to highlight, normally we have a few new positions throughout these funds. In 2006/07 there were no new positions requested and there are no new positions in the proposed numbers.

Page 3 is just a chart showing where the money comes from for these funds. As you can see most of it does come through the Federal and State government. The Federal government provides about 40% and the State about 49%, the County provides about 7% and 4% comes from other sources (fees charged or donation or private individuals).

The last page shows how the expenses go out on these funds. The vast majority of these expenses act as a pass-through, the State passes it through to us and then we pass it on to the providers that provide most of the care. 81% of the expense budget covers actually out-of-county providers for the services. We have salary and benefits of 11%. Indirect costs 1% that is what would come back to the General Fund of the total. Again, I don't have a whole lot to show. Since I have been here this is probably the smallest increase that we have seen in a Fiscal Year budget. This will serve as a guide

to what to expect for the real budget cycle that starts in July. This is good news in that regard when generally we see a large increase requested from the County at this level it follows through into the General Fund also. We are in pretty good shape for the upcoming Fall cycle too.

Mr. DiFrancesco: I guess this is the time I point out that your comments are accurate in terms of the fiscal state of the County, but they would not be considered accurate as we look at the services being provided to the community. I had the opportunity to speak a little bit earlier in honor of some very distinguished guests and mentioned that we have some serious issues going on in our community where there are children in crisis, where there are adults in crisis, where there are a lot of people in crisis and yet now for probably the third time in a row we are facing an increase in County spending to leverage less money coming in from the State and Federal governments. We have hacked our prevention programs over the last two years. We have butchered them because the money is not there. What that means is that those people that are in crisis, those people that need services in our County are not going to have access to prevention services. Earlier this year I had the opportunity to take part and spend some time with the Firm Foundation's, Rev. Tilley. Rev. Tilley went down to Washington recently and I loved one of the banners they used in their protest in Washington and it said that "Budgets are Moral Documents". It is not right to balance the budget, at the State and Federal level, on the backs of those who are the most needy. We have an obligation, as a government in this country, to care for those people that are truly in crisis. We have the luxury of providing money for economic development projects and things that are shrinking the economy and things of that nature. What is happening, the Federal and State officials through their tweaking of their regulations and the nice things that they say that they are trying to do to implement new policies at the State and Federal level, they are passing the burden down of caring for people to the counties and they are not giving money to do the job. What we have is a wonderful situation where the people that arguably are least able to pay, the hardworking families who are trying to get into their first house, the senior citizens who are living on a fixed income are now forced to pay their property taxes to shoulder the burden of caring for the people in their community and their neighborhoods. The tax system that is the absolute worst, the property tax system has to pick up the burden that the Federal and State government is shifting down to the counties. I'm not about to call anybody immoral, but if budgets are moral documents I can say that what is being said at this Federal and State level coming down to the counties does not reflect people who are real caring about others who live in this country. That is very frustrating. I respect the job that we have to do and I respect the fact that one of the goals of this Board was to ensure that we keep people in their homes so that we don't have to increase property taxes. We try to respect the people in this community by really balancing the budget, living within our means, throwing the credit cards away, trying to build the efficiencies back in where inefficiencies exist. As you can see services are being cut. Once again I think it is terrible the way the system works. I think it is terrible that time-and-time again when the State and Federal decision makers are making their decisions they don't access, they don't take the time to talk to the people at this level. There are ways to manage a budget. There are ways to control costs that don't harm the community. Unfortunately,

often times we are not asked for our opinions and when we give them we are just one voice among many that are screaming for money at the Capitol. It is very frustrating to sit here because what we do everyday is very real. Through our oversights and through our responsibilities on this Board we are out there with the organizations providing the services, we are seeing the faces and individuals, they are not names or numbers, they are real people. So, while they sit up in the Capitol and in Washington, the Governor continues to make policies that truly hurt the communities, we see the faces of those people that they are hurting. We see the faces that have to be turned away. I'm not very proud of the system right now.

Mr. Yohe: You're correct that was the common theme when I met with everyone. Yes, we can give you a budget that has a minimal impact on the County General Fund, however, we are cutting services or we are not providing the services they used to provide. Someone is going to get left out, delayed or pushed back. The waiting list gets longer in some of these departments.

Mr. Haste: What day will we take final action?

Mr. Yohe: June 28th, the budget will be on the table for three weeks. Right now, this is the document, if voted on, will be placed at the front desk for public inspection.

It was moved by Mr. DiFrancesco and seconded by Mr. Haste that the 2006/2007 Fiscal Year Budget be placed on the table for public inspection until June 28, 2006; motion carried.

PERSONNEL

Ms. Sinner: The first item in the Personnel Packet is the Salary Board requests. Due to a desk audit by Personnel and AFSCME, Court Administration is reclassifying an individual's position. They are currently a Department Clerk II and that position is going to be eliminated and an Administrative Assistant I position is being created pending approval of this. That reclassification is in the Personnel Packet as well. It is based on the duties being performed. The second item is the creation of a part-time Records Manager position in Information Technology. That is to help with the different row offices getting their records in order and determining what records are going to be archived, etc.

The Personnel Transactions, I have requests to fill a full-time Telecommunicator Trainee position in EMA, a Correctional Officer position at the Prison, and a part-time Youth Program Specialist in the Schaffner Center. There is a new hire for that position in the Packet. They are hoping that it can be approved today so the individual can start tomorrow. That is New Hire #7. Do you have any questions on the items in the Packet? (There was none.)

It was moved by Mr. DiFrancesco and seconded by Mr. Haste that the Board approve New Hire #7 in the Personnel Packet; motion carried.

PURCHASE ORDERS

Mr. Baratucci: There is nothing unusual about the Purchase Order Packet. There are a couple of over budget items that we need to take care of, but if you don't have any questions on it we will just take care of those prior to next week's meeting. (There were no questions.)

TRAINING PACKET

Mr. Haste: Chad, is there anything on the Training Packet that needs to be taken care of?

Mr. Saylor: I don't believe so.

ITEMS FOR DISCUSSION

- A. Approval of Access and Use Agreement between Dauphin County and Villa Teresa for use of the facility on June 22, 2006 for a Dauphin County Crisis Response Team Training.
(A VOTE IS REQUESTED 6/07/06)**
- B. Appoint the following individuals to the Dauphin County Council on Aging:
 - 1. Edward Schultz
 - 2. Roberta Berdofe

Mr. Haste: Under Items for Discussion, Item A we need to vote on today for a crisis response team training. Are you aware of that?

Mr. DiFrancesco: I'm not aware of the specifics, but it is fine.

It was moved by Mr. DiFrancesco and seconded by Mr. Haste that the Board approve an Access and Use Agreement between Dauphin County and Villa Teresa for use of the facility on June 22, 2006 for a Dauphin County Crisis Response Team Training; motion carried.

Mr. Haste: I have one other thing that came in this morning. I was asked to try to expedite it. At Spring Creek, the actual creek behind the Prison on County property, there is quite a bit of erosion that was cited by the Conservation District. The run-off goes in behind the Prison. The Conservation District has been able to secure State funds to make the improvements on that stream bed. The Conservation District is going to kick in a little over \$4,000. We would need to make up the difference, which would be \$7,000 as a match to draw down the State dollars to improve that. I was asked by the Conservation District to seek approval to do so.

Mr. DiFrancesco: Do you know off hand what the total costs would be?

Mr. Haste: I believe it is around \$40,000. I'll report the total amount next week. They asked that we try to move that today so they can draw down the dollars.

It was moved by Mr. DiFrancesco and seconded by Mr. Haste that the Board commit the \$7,000 match to the grant in order to do the stream remediations on Spring Creek; motion carried.

REPORT FROM SOLICITOR – WILLIAM TULLY, ESQ.

Mr. Tully: Nothing to add to the report, but would be happy to answer any questions you might have. (There were none.)

REPORT FROM CHIEF CLERK/CHIEF OF STAFF – CHAD SAYLOR

Mr. Saylor: One item that I wanted to bring to your attention or just to give you a heads up, the Audit Committee has been studying our Travel Reimbursement Policy, which hasn't been touched in some time. With the help of Mr. Serhan we have made some changes and improvements and I should be bringing that to you at some point in the future for your review.

COMMISSIONERS' COMMENTS

Mr. DiFrancesco: I just wanted to say that last evening we were out at Swatara Township for the subdivision plan. Having served as a Township Commissioner for eight years and on Borough Council for probably three years, I don't know that I have ever had the pleasure of sitting through a Planning Commission Meeting before. I will say to those people great job because for about three hours we sat there as they went over the details of ten or twelve development plans. From the Commissioners' standpoint it is nice because you get this cute little packet that basically says approve or disapprove based on the comments of the Planning Commission. You review it, look at it quickly and you cast a vote. It takes about two minutes. Those people, pour over these things and I would assume that last night's meeting was representative of what they go through most of the time. I would like to say thank you to all the people out there that serve their communities in so many different ways. I'm not certain under Pennsylvania law if the Planning Commission members get paid or if that is strictly volunteers, but I do believe it is volunteers. I believe the only people that get paid are zoning committee people.

Mr. Haste: I was on the Zoning Hearing Board and you don't get paid. That was a lot of fun as well.

Mr. DiFrancesco: Those Planning Commission members are exceptional for their dedication and what they give to their communities. I thought that was important to note. We have had a good relationship with Swatara Township through many, many projects and once again they have really come through for Dauphin County.

Mr. Haste: The solicitors get paid on those boards. The rest of us that did the work didn't get paid.

Mr. DiFrancesco: And the engineers.

PUBLIC PARTICIPATION

Mr. Haste: We are again at the point in time 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. DiFrancesco and seconded by Mr. Haste that the Board adjourn.

Transcribed by: Richie-Ann Martz

Respectfully submitted,

Chad Saylor, Chief Clerk/Chief of Staff

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