



DAUPHIN COUNTY BOARD OF COMMISSIONERS

WORKSHOP MEETING

AUGUST 23, 2006

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; Robert F. Dick, Treasurer; Graham Hetrick, Coroner; William Tully, Esq., Solicitor; Carolyn Thompson, Court Administrator; Randy Baratucci, Director of Purchasing; Tom Guenther, Director of IT; Mike Yohe, Director of Budget & Finance; Gary Serhan, Deputy Controller; Edgar Cohen, Director of Facilities Maintenance; Dan Robinson, Director of Community & Economic Development; Diane McNaughton, Commissioners' Office; Julia E. Nace, Assistant Chief Clerk; Dave Schreiber, Personnel; Kay Sinner, Personnel; Sharon Way, Personnel; Guy Beneventano, Esq., Solicitor's Office; Leila McAdoo, Solicitor's Office; Jena Wolgemuth, Commissioners' Office; Lena Martinez, Commissioners' Office and Richie-Ann Martz, Commissioners' Office

GUESTS PRESENT

C. Peter Carlucci, Esq.; Dr. Melvyn Schiavelli; Dr. Eric Darr; Paul Clancy; Susan Hair; Steven Early, Dana Kruger, Daejon Spriggs, Kani Little, Videl Little, Conell Hughes, Carlos Baleom, Tamir Williams, Ishmael Hodge, Ryland Nelson, Darius Crenshaw, Darian Crenshaw, Alexis Torres, Alexandral Torres, Ricardo Torres, Malik Penn, Marquise Barnes, Desmond Early, Deion Schumate, Devon Sanders, Devonte Sanders, Aiken Ruth, III, Darnell Robuck and Michael Goodman

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 four sets of meeting minutes that will be considered at next week's meeting.

PUBLIC PARTICIPATION

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

DEPARTMENT DIRECTORS/GUESTS

Dr. Melvyn Schiavelli, President; Dr. Eric Darr, Executive Vice President, of the Harrisburg University of Science & Technology; and Paul Clancy, Managing Director of A.G. Edwards & Sons, Inc.

1. *Request for debt service support to Dauphin County Commissioners*

Dr. Schiavelli: We have a short presentation regarding some assistance that the Harrisburg University of Science & Technology is seeking from the County. I think you have that presentation in front of you. I'll highlight some of the points.

The Harrisburg University of Science & Technology was incorporated in 2001 and is a private independent institution, which might be characterized in its early stages as a teaching university with the expectation that sooner or later it will become a research university offering graduate, as well as undergraduate, programs. Our student population last year was 113. I can report to you that in this coming fall the current estimate is that we will have 176 students. You can see in that report that about two-thirds of our students are minority, 96% of our students demonstrate financial need and will tell you that about two-thirds of our students are residents of Dauphin County.

We have a license to build a structure at the corner of Fourth and Market on property that the University owns. This property was purchased last year. A 370,000 plus square foot structure, 16 stories, containing classrooms, laboratories, library, auditorium, as well as a parking garage that will have approximately 392 spaces. We have completed this part of the structure and we have had our endorsement by both the Planning Commission and the City with regard to its construction. At present, we are working on finalizing the financing for this structure and that is the reason for us being here today.

What I would like to do is ask Paul Clancy of A. G. Edwards, Managing Director, to discuss with you what we are seeking.

Mr. Clancy: At this point, we will just quickly breeze over the timing of the transaction. As Dr. Schiavelli indicated the design phase has been completed and we are in the process of putting the final touches on our financing structure. Basically, at this time we are looking to confirm the guarantee maximum purchase price or project cost of the facility this month. Next month we expect to have meetings with the City officials, the typical meetings with the Board of Trustees, etc. to have all the approvals put in place. We have had previous meetings of course with the Harrisburg Authority, as well as the Parking Authority, who is a major component of the overall project. Our intention is to host a handful or maybe a dozen or so potential investors here in Harrisburg to view the site and to meet with the management of the University, as well as members of the Board of Trustees and other officials of Central Pennsylvania who have a vested interest in the project. Hopefully with that being successful, which we do expect in our preliminary discussions, we will be successful and that we will have bond sale the end of October. We should be able to close the end of October, early November. Of course, the question is how much of a bond sale is there? In section 3, we have outlined for you the cost of the project. I don't mean to step on toes, but I will just proceed forward here. As you can see the project is made up of basically two components. One is the academic building that Dr. Schiavelli indicated at Fourth & Market Streets, as well as a parking structure that will be built as a part of that facility. You will note that there are certain loan repayments required by the University to pay off financing at 250 Market Street, as well as the loan that purchased the property at Fourth & Market. Construction costs are in excess of \$52 million for the academic building, as well as the reserve funds capitalized interest during construction period and a \$14 million parking facility to be built in conjunction with the nine story academic building; for a total project cost of \$105 million. Section four, we have pointed out where this money is coming from. The Commonwealth of Pennsylvania has awarded the University about \$26.2 million of Redevelopment Capital Assisted Program funding. We will take that money and leverage it via a bond issue and sell approximately \$80 million of bonds, along with the use of the funds from the Parking Authority to total about \$105 million. As we proceed further in this presentation, what we have outlined in Section Five is to tell you exactly how the University expects to repay the indebtedness that they have taken out. The bonds are split into two components, Series A Bonds and a Series B Bonds. The Series A Bonds, which is on the first page of Section Five will be paid for predominately with the funding from the Commonwealth of Pennsylvania. We expect to

issue about \$27.7 million of debt, which includes a reserve fund so adding the reserve plus the Commonwealth's grant we extinguish that construction loan. The Series B Bonds, which is really the corpus of the debt that the University will have to serve, which is the main reason we are here today to solicit the assistance of the County, on behalf of the University. Approximately \$59.6 million of debt, in order to construct the academic building at Fourth & Market Street, the primary sources of repayment to bondholders will be the capitalized interest, which are borrowed bond proceeds, as well as earnings on the reserve funds that we expect to borrow. The main component of repayment is University revenue. There will be a general revenue pledge of the University. Secondary sources, by no means secondary in importance, but secondary to the primary is additional sources from the County, which we are soliciting today. It would be for approximately \$1.5 million per year over a ten year period starting three years out. After the completion of construction, the liability will be based upon the University's cash flow situation during that time period; contingent upon whether or not the University has sufficient funds. In addition to the County guaranty, which we are soliciting, we have an agreement from Commerce Bank of Pennsylvania, headquartered just outside the City in Swatara Township, a Standby Letter of Credit for approximately \$3.3 million. \$3.3 plus \$1.5 is \$4.8, which is approximately one year's total debt service on the Bond Issue, add to that a fully funded Debt Service Reserve Fund, which is a common funding tactic in Revenue Bonds, you create a surplus or source of funds for the investor as additional security so that their cash flow requirements are met. Continuing further in Section Five, the priority of funds for debt service, this is just basically a summary of the previous two pages. Basically we are looking at capitalized interest during the construction period that will pay the investors during that time period. The University revenues will be available throughout the life of the bond issue; which are the unrestricted operating funds of the University and importantly the reserve fund earnings, as well as the University's fund balance. Eric Darr, CFO for the University will show you in a few moments the projections for the University's revenues, as well as the fund balance. You will see that projections indicate that the likelihood is very great that the University will be able to pay its debt without necessarily impacting upon these additional securities that we are looking to obtain both from the County, as well as Commerce Bank.

Section Six should actually follow Section Seven, which are the financial projections that I referred to that Eric Darr will go over. Section Six is the general outline of the terms of the "Guaranteed Agreement" that we are seeking from the County. I think importantly the first bullet point is how the guaranty is limited with respect to the County. It is limited as to the amount, \$1.5 per year. No more in any given year. It is limited as to the potential total amount of \$15 million. It is limited in the term or ten years. It is also limited to as to the use of the funds. Should the University actually need the support of the County in any given year, the funds would be used only to pay debt service on the bonds. They would not be used to pay other programs or costs of operating the University. The second is the request for \$1.5 million a year for a debt service support for the ten year period that we have outlined. As I said before, it is a contingent liability based on the University's ability to meet its debt service obligations. Should it meet its debt service obligation it would not draw upon this guaranty. Should it have difficulty by

chance we would draw upon that obligation up to \$1.5 million a year. The term that we are proposing is a funding period of January 1, 2010 through December 31, 2019. A ten year period whereby upon the opening of the building and the University is operating at Fourth & Market Street that would be the time period for ten years. I think it is important to note that we don't expect this to be a transferable obligation. It would not be subject to acceleration should there be a problem down the road and bondholders look to the County to say there are x number of years remaining we want that money accelerated, the answer would be no. This would not be an accelerated obligation. In addition, it is not accumulative. Should the University not utilize any of the funding during the course of one year, that money would not be available the next year. It would have a declining liability. Frankly, as Eric will go over the potential requirement by the University is probably quite low. The bondholders will receive a mortgage on the building and should the bondholders take action against the lien on the mortgage during the course of the ten year period then that would cancel this guaranty, because the bondholders will have then accelerated their rights under the mortgage thus ending the obligation of the County. I'll turn it over to Eric to go over his financial projections.

Dr. Darr: Section Seven presents two pictures. One with more detail with regard to revenue and expense projections over the next seven years including this fiscal year, which fiscal year 2007 began for Harrisburg University July 1st, just a few weeks ago. The detail presents sources of revenue, as well as categories of expenses. Probably just to summarize, one can see from a debt service perspective that in our expense calculations, beginning in 2010, complete annual debt service of approximately \$4.8 million is included in these projections. The picture here is that our revenue is sufficient in the 2013 year to completely meet the debt service. In the years 2011 and 2012, we'll note from a net cash flow perspective that there is a small deficit that is easily covered by the cash position that the University expects to have in place by fiscal year 2010 of approximately \$15.9 million. I will tell you that from a fiscal year 2007 perspective our revenue projections of \$9.9 million we have approximately 82% of that \$9.9 million already in hand for this fiscal year. From a how are we doing in year one of this projection, we feel very confident in being able to exit this fiscal year with approximately \$5 million if not more in cumulative cash, which that position is expected to grow over the next three years. While the construction is taking place, the capitalized interest from the bond proceeds covers debt service. There are a number of assumptions associated with the financial projections. I will not read these. Obviously one of the most important is the enrollment numbers and those tuition numbers are based on three iterations of an enrollment study done by a national enrollment firm. We have taken a conservative perspective on enrollment numbers, as well as net tuition per student to calculate our expected tuition revenue. The accreditation status, which we recently received, allows the University to tap into Federal IV and III monies, significantly improving our net tuition number per student and expect to receive full accreditation certainly around the time the building opens.

The other unknown in this model is fundraising and advancement. On that front, we have recently put in place a fundraising team and are aggressively executing a plan on

fundraising. But to be honest that is also an unknown in this model, much less so than the tuition numbers.

Mr. Clancy: Our final Section is essentially a summary of what we presented and a formal request by the University for the County's support. A couple of points to bring out is that in traditional municipal guarantees there is a requirement that principal and interest be paid. What we believe we are proposing is significantly less than a traditional guarantee of a \$15 million debt. As Eric has indicated the University demonstrates a low probability of needing to draw on the funds, but we as the University's investment bankers feel that it is an important component as we sell bonds to investors. We are comfortable with the University's projections, the management, the support of all the institutions, the governmental agencies throughout this region in support of the University. Nevertheless, we still need to craft a financing that allows investors additional comfort as the enrollment numbers indicate the University is growing. The University is young and we need to be concerned with allowing their time for the University to recognize its enrollment projections and therefore investors will be looking for additional security and we believe that the support of the County will be critical in bringing investors to the table and will also continue to show the significant support of the governmental agencies in Central PA. With that I'll leave it to Dr. Schiavelli to rap up.

Dr. Schiavelli: Just a couple of closing comments, it is well known how this particular team of Commissioners has been effective in its economic development of the County and its choices for the betterment of the County. It goes without saying I think that universities existing in particular regions have a large economic impact over time. We have had an economic impact study done and I won't read it to you, but you can see the magnitude of that even on relatively small numbers of students. Recognize that this is a strategic move for the region and it will take a decade to realize a major impact on the part of the University. We think the fact that we have achieved accreditation status of being a candidate for accreditation within one year when it normally takes two years speaks well of the plan that we have, the mix of programs we have and the way that we are managing them. I commend our request to you for your consideration.

Mr. DiFrancesco: Are there any provisions in the agreement that basically would prioritize the debt service over the program of the University? In other words, is there something that would prevent the administration at the time from budgeting to ensure that the County's \$1.5 million has to kick in by committing dollars first to programming and second to debt service? Is there anything in the agreement that basically would say that in fact debt service is a priority that would be paid first and that the County obligation would not kick in unless truly the University was in a position where it financially could not meet its obligations?

Mr. Clancy: Typically in these kinds of financings, what you are referring to that type of a provision is either covered in the Trust Indenture or in the Loan Agreement that is signed between the issuer and the University. The University will pledge to meet a certain rate covenant and you are familiar with municipal rate requirements, it is similar

for a university that they must charge enough to cover their debt service followed by the remaining components of the operation of the University. First things come is the first lien of the bondholders so the debt service is paid first.

Mr. DiFrancesco: I would expect that our legal folks would make sure that is in place and give me great confidence that it is in place.

Mr. Tully: We are working on that, the same concerns have already been articulated.

Mr. DiFrancesco: The government dollars that are listed in here are they primarily the grant?

Dr. Schiavelli: RCAP, yes.

Mr. DiFrancesco: Is that as it goes across its declining amounts, is that the entire commitment?

Dr. Schiavelli: The RCAP Program is a reimbursement program.

Mr. Clancy: If you are referring to Section Seven in the Financial Projections the RCAP Grant funding is not included in these projections, because the RCAP funding is to be used exclusively to retire the debt on the building, the Series A Bonds. What Eric Darr has done here has excluded the RCAP funding. This is purely operational projection.

Mr. DiFrancesco: So, what would be included in that line item? What types of dollars? Where are they coming from?

University Spokesman: Included in that line would be the Commonwealth's appropriation, which this year we received \$1 million with discussions that indicate the commitment is to continue for another four years. That dollar is in there. There is a Federal appropriation of about \$400,000 annually that is included in that number as well. As well as, indirect monies that the University is able to realize from large research centers. As you may be aware, we have a national science foundation center that is funded at about \$800,000 a year. We, the University, are able to realize about 20% on an indirect rate for hosting that center. That money is also included in that line.

Mr. DiFrancesco: I didn't do an accurate accounting, but I think you are about half way to the 6.7.

University Spokesman: In the first fiscal year 2007 and 2008 those are dollars realized from the sale of 215 Market Street.

Mr. Haste: In the government contracts and grant line item?

University Spokesman: Correct, it is a sales contract. Then you will see in the fiscal year 2009...

Mr. DiFrancesco: So, is that supposed to be government, contract... Okay, I got you. I thought that was strictly government money. That makes a little more sense than going out to where it drops down to the \$2 million. Expectations, what would those dollars then be?

University Spokesman: Primarily those three sources that I mentioned earlier.

Mr. DiFrancesco: The money that has been promised to you by the State, is that promise guaranteed or is that I'll promise you the world today, but then deliver nothing?

University Spokesman: Guaranteed this year obviously with very congenial conversations regarding the next four years. That is the best that I can do.

Mr. DiFrancesco: That means that there are no guarantees moving forward.

Mr. Haste: I hope you feel more comfortable about those than the 67 counties across the Commonwealth do.

Mr. DiFrancesco: We have to sit here and assume that money will not be coming and when it does we can say thank you very much.

University Spokesman: That is the way we build our annual budget in terms of a projection that we put out and we need to work and what our revenue needs to be.

Mr. Hartwick: I'm glad that is not the way we build our budget.

University Spokesman: We build our budget without it in there.

Mr. DiFrancesco: I was on a mission trip earlier this year in North Carolina and happened to take my Harrisburg University t-shirt with me and I was wearing it one day and a young lady from Florida came up to me and said oh I'm considering going there. My first response was that was kind of nice she is just starting a conversation because the University is just getting up and started. I'm sure it is not being published and promoted outside of the area. Later on the same young lady came up to me and started talking to me again and in fact she said I have strong strengths in science and math and somehow she is from Florida and she was seriously considering coming to Harrisburg University. Obviously that was a very telling statement to me that word is getting out and people are interested.

University Spokesman: Actually in our first year approximately 55% of our students found us on the web. In fact, we have students who are here from Baltimore and Bucks County, Berks County.

Mr. DiFrancesco: Well, there is one potential student in Florida that is looking at you very seriously.

Mr. Hartwick: I'm late for a funeral so I'll make this brief. I want to do two things if I can Mr. Chairman to deviate.

There are some young kids in the back who have joined us today from the Pride of the Neighborhood. They have been very quiet. They may be potential Harrisburg University students some day and they wanted to observe something different than besides what they see every day and hopefully aspire to be our next County commissioner, next head of Harrisburg University, next financial advisor and they are going to be spending a day with us in County Government. I want to recognize those folks real quick and make sure that their names are in the public record. Michael Goodman and Darnell Robuck are here with the kids and we want to thank you for bringing them out.

They are: Daejon Spriggs, Kani Little, Videll Little, Conell Hughes, Carlos Balcom, Tamir Williams, Ishmael Hodge, Ryland Nelson, Darius Crenshaw, Darian Crenshaw, Alexis Torres, Alexandral Torres, Ricardo Torres, Malik Penn, Marquise Barnes, Desmond Early, Deion Schumate, Devont Sanders and Aiken Ruth III.

They have been quiet and I expect when I leave today they are going to continue to be good and be respectful. We want to thank them and acknowledge them for coming here today.

(Applause)

All I want to say briefly is that this has been a discussion that we have had for two years about Harrisburg University and this could be one of the best most historic happenings in Harrisburg in the past 150 plus years with the addition of this University. The biggest concern I have is to balance the needs of our taxpayers throughout Dauphin County in all fairness with other secondary educational institutions along with Harrisburg University as well as the comfort as we study it for investors. One of the things that we discussed on many different occasions is actually what the County was willing to do. What the County was willing to do is to try to provide a guaranty to a certain amount of bonds. The \$1.5 million of contingent liability was never a part of our discussion. Quite frankly, I was a little bit taken back by that additive in today's presentation without this being discussed with each Commissioner as to what that means. It raised some red flags for me. While I am committed and wholeheartedly want to put my own money into Harrisburg University I also understand what this may do for us with other post-secondary institutions in Dauphin County asking for a contingent liability fund for Penn State Harrisburg, HACC and what that may put the County and the taxpayers in a position if in fact that is something this Board moves forward with. I don't want to speak for my colleagues, that was my biggest red flag and without sort of asking a question I wanted to state my position. I'm clearly in support of the guaranty, but the \$1.5 million causes me some great concern. That is the issue that we are going to have to battle with as we move forward. Before I leave I wanted to state my position.

Mr. Haste: I will just follow up. That is actually the thing that is causing me some nervousness as well. I'm fully supportive of the University and when Pete Carlucci came to me with this idea I told him then that I didn't really like the idea. I'm still not sure I like the idea and a little concerned that I kept hearing this on the street that was going to be the request made of the County without anybody really asking the County. In fact, I had conversations with the folks from the City on my discomfort with that need for the \$1.5 million to put aside in our budget starting in whatever year. I got several reassurances that it was not going to be the case that the request was not going to be made. Again, it was made today. So, that just troubles me a little bit. A couple months ago when Pete discussed this with me I told him I was not comfortable with it then and I'm not sure I'm comfortable with it now.

Mr. Carlucci: I thought it might be helpful if Paul could run through the priority with respect to the monies that are available. They talked about debt service reserve fund. Is that all set forth in the presentation?

Mr. Haste: That is in here.

Mr. DiFrancesco: Again, I just want to be clear on what I'm seeing and how I'm interpreting this. The \$1.5 million guaranty would only kick in if necessary. Is that correct?

Mr. Haste: Correct.

Mr. DiFrancesco: The question I asked earlier about stacking the agreement so that would not kick in until absolutely necessary that programming would in fact be curtailed prior to debt service and basically my question is so that the University could not force the hands of the County on the \$1.5 million in the same time where they are trying to expand programming and do things on the educational side? That is what I want to make sure. So, the \$1.5 million is not absolute. It is simply a guaranty. Does the guarantee extend beyond? Are we backing the entire Bond or is it limited to that ten year period?

Mr. Haste: It is a ten year period and it is the \$59 million.

University Spokesman: There is a Series A and a Series B. The County's commitment is really running to Series B.

Mr. Haste: Which is the larger of the two Series?

University Spokesman: However, in the event there should be a shortfall the amount of monies to pay the debt service of the A and B Bonds...

Mr. Haste: I see someone shaking no here.

University Spokesman: It is not contemplated that the County's support will in any way be available to the Series A Bond. It will be only available to the Series B Bond so that should there be a need, which again we don't expect there to be the need, it would not be a pro-rata basis. It would be allocated only to the Series B Bond Debt Service. Part of the reason when it was discussed previously by a guaranty of a portion of the debt, let's just take the \$15 million piece...

Mr. Haste: Actually in the discussion I had it was up to \$30 million.

University Spokesman: The roughly \$60 million Series B issuance of debt, if that were further split into two components, called a B and a C and the Series B was then the guaranty explicitly by the County that would be of interest to certain potential investors. But, then you would have the Series C Bond, which would have absolutely no support of any outside entity. You can't build the building with just the A and B, you need the C as well. We felt as the Investment Banker that there would be a greater interest in the overall project if the County's support could be some how put across the entire threshold of the \$60 million, because investors don't want to exercise the lien on a building. They would just as soon get their money back. They would prefer to be paid their debt service. I'm sure your financial advisors tell you the same thing. No body wants to exercise liens on collateral. By giving the County's support across the board on all the \$60 million that allows us to sell all \$60 million, because everybody gets a piece of the support, whereas in the other scenario the support of the County only goes to one Series of bondholders and the other Series of bondholders are basically subordinate. That makes that piece even harder to sell.

Mr. Haste: Let's just go back. When you came up with that idea wouldn't it have been a better idea to come and run that by us instead of us hearing it on the street? That's part of what has made me nervous in this whole thing is just a lot of unknown and a lot of talk without any of that conversation occurring with us.

University Spokesman: We were working under the assumption, as we were directed to speak with those individuals who were representing the financial interest of the County and that they were speaking with you.

Mr. Haste: I had a conversation with Pete about two months ago at which time I said I was real nervous about this. Again, probably a month ago had a discussion indirectly with Mayor Reed and was left to believe that was not the request again and to find out when I pull out this document that it is still in there. The only two times I have had a discussion with anybody on it, I voiced my concerns and was surprised to see it included in today's package as this is the way it is without a real discussion on it.

Mr. DiFrancesco: I need to be absolutely clear now that my understanding of what I am reading is in fact the case. So, the County would agree today to back nearly \$60 million in Bonds, giving you...

Mr. Haste: Not today.

Mr. DiFrancesco: Just a scenario.

University Spokesman: You would be willing to support the University in their efforts to fund the debt to pay the debt service.

Mr. DiFrancesco: But, they would have the backing of the County? When you go out to market that would be part of the...

University Spokesman: Yes, there would be support, but it wouldn't be a guarantee of the County. We couldn't go out and say that we got your guarantee of \$60 million of debt, because that is not what we are asking for. We are just looking at \$1.5 million over a ten year period in each of those years. It is simply support of the County. It is not a guaranty of the bond issue, it is support of the debt service payment and it is limited to no more than \$1.5 million a year and no more than an aggregate of \$15 million. Further, in any given year should the University not draw on anything that availability would slip away. It would decline.

Mr. DiFrancesco: What is the benefit of selecting those particular years and capping it at that liability? How does that benefit play out?

University Spokesman: We selected the starting period after the completion of the construction of the project. We capitalize interest during the course of the construction period, which we expect to take approximately 2 ½ to 3 years. So, we borrowed an appropriate amount of funding to pay the debt service to bondholders during the course of construction. Then honestly we were told a number of \$15 million was the potential support of the County. I wasn't aware of a number of up to \$30 million. Looking at only \$15 million we thought why not make it an even amount over a ten year period since those are the beginning stages of the University, the building is complete, they are growing and a lot of activity is going on, it gives them a support period. Frankly, I'm not going to suggest it if you come back and say \$10 million, we probably would make it \$1 million for ten years. If you said \$5 million we might make it \$1 million for five years or something of that nature. It was simply the math of \$15 million over a ten year period, an equal amount over an even number of periods. That is how we came up with the \$1.5 million over the ten year period.

Mr. DiFrancesco: Is the anticipated savings by us coming on board the potential savings, the better interest rate that you can expect by us giving the backing is that money right now being budgeted as a set aside to cover debt service or is that money being budgeted, basically the difference between the interest rate that you would basically get if you went out on the market without us and what you are benefiting from those dollars? Is that being planned to set aside?

University Spokesman: It is difficult to quantify. Going to the market without the County's backing quite honestly can make the project even more difficult to sell. As a banker we have to look at a lot of worst case scenarios. The University is new, so it is a

speculative deal on behalf of the investors. We can try to sell without the County's support and I would say that the interest rate, probably if we could get it, would probably be, right now we are looking at a 6.5%, we probably would be closer to 7.5%; if we could even sell them. There will be parties who will say we are just not interested even if the County's support is \$1.5 million a year on \$4.5 million of debt service brings people to the table, because they see the added support, across the board support of the governmental entities wherein the University sits. The main factor that we are looking at is bringing investors to the table, bringing potential investors to actually buy the bonds, because there is such an overall support in the community for this start-up institution. Absent the County support we are less comfortable in being able to sell all \$60 million of the Series B bonds. We believe we can do it, but the rate will probably be any where from 100 to 150 basis points higher than it is estimated and there will be fewer bondholders involved. So, \$60 million times \$1.5 million is \$900,000.

Mr. Haste: Would you expect to see this for comfort for those folks as a line item in our budget where this money is actually set aside, because when we back bonds now it is really a float.

University Spokesman: That is what we are expecting as well.

Mr. Haste: If you read through this, and we didn't have this discussion I think a reasonable person would draw the conclusion that you are looking to us to budget \$1.5 million in our budget during those years. Is that the comfort that you need?

University Spokesman: The critical component is that it is contingent. It is a contingent liability. We expect it to be written as a guaranty. I can't speak for Mr. Tully or Mr. Carlucci as to how they would write the legal documents in that respect and of course there is a bond counsel, underwriter's counsel, etc. and Diane Dukarsky representing the University, etc. In a traditional guaranty, which I know the County has guaranteed other revenue style projects when there is a catastrophe and I don't mean that in a physical sense, but the project fails, the County's guarantee then kicks in on all the debt and the debt service, interest and principal. The point I was making earlier is the \$15 million guaranty or the piece of debt of \$15 million fully guaranteed by the County should there be a failure of the project and the bonds would become defaulted, the County then is on the hook for that \$15 million plus the interest on it and that could equate up to \$25 to \$30 million.

Mr. Haste: Although most of the guarantees we have done we are usually the third step before that. There is enough cushion built in there.

University Spokesman: In this instance if there is a need by the University to tap into the County's guaranty it doesn't put the bonds into default and it doesn't cause an acceleration of any thing. In fact, once the County's funding, if that is insufficient then there is the bank letter of credit, which would be sufficient to fund all debt service for the course of the year buying the University if you will twelve months to right all the matters that are a problem. If that doesn't occur then there is the debt service reserve fund. So,

we do have three components. In answering your question, the order is a little shifted from what you are used to seeing, but our bondholders are looking at it as a typical municipal deal you are talking about water revenues, which are pretty identifiable source of revenue or solid waste...

Mr. Haste: This is a little more speculative, which makes it in my mind a little more of a risk for the County to do...

University Spokesman: I won't argue that point. Not trying to go against my job with the University, but it is not the most comfortable, but the reality is you are absolutely right.

Mr. Haste: I fully support the University and I want to see this happen and will continue to work for it, if this is the right means I don't know yet. Three months ago I was very comfortable with where I stood, but I am uneasy right now with what is being asked. What I will really need to see to know whether I am comfortable with it or not is the document language. This is just conceptual, right now. I guess what I would say back to you is as the legal people get together to draw up the documents I fully support the University, I want it to happen and I want to do whatever I can, but I want to do it at minimum risk to the taxpayers. I still have in my mind the fairness issue that Commissioner Hartwick raised with other universities, but I can put that aside a little bit. I didn't have the pleasure of sitting in this seat when they started. I can make an argument I'm willing to take a risk that wasn't taken for someone else because I think this is big enough to start. Would I sit here and say I want to do this forever for the University I wouldn't. It is a start-up and if I can rationalize in my mind start up I can get over the fairness issue, which I think is still there. That is where I stand. I think we can work through all of this. I just wanted to make sure you understand. I am less comfortable with my position than I was three months ago.

University Spokesman: I can understand that and I would say in terms of the risk to the County and the taxpayers it is actually the same level of risk, same type of risk whether you guarantee a bond issue or whether we go forward with this particular proposal.

Mr. Haste: When I heard all the stories on the street that is not what I heard, it had me nervous.

University Spokesman: I can appreciate that. It was the intent of the University to actually try to tone down the level of guaranty and obligation from \$30 million to what we are discussing today.

Mr. Haste: I appreciate that.

University Spokesman: Further conversations absolutely are necessary with Mr. Tully and Mr. Carlucci. We didn't come here today with a document to sign. It is truly something that has to be worked out.

Mr. Haste: And I want you to walk away not feeling bad, just saying I think the Board fully supports the University and how we do that we have to balance our desire to see the University move forward and protect the taxpayers.

Mr. DiFrancesco: Just to add to the record my position, Jeff really nailed it right there. We want to do whatever we can to make sure this happens. Our responsibility is not to see new educational institutions happen it is to see broader economic development issues happen in the County. I think just to be clear on the record as we go forward in sort of tweaking this plan it is important to know, again, if you were coming in today to talk to the Board about looking for a contribution to make this happen and asking if we would be willing to support \$1.5 million a year, my answer would be a flat out no. It would be very simple. For you to come in and say we want this project to go and we are in a better position if you do give us that backing and in fact we are sort of the last line of protection giving confidence to those bondholders so they will in fact come out and buy, and as Jeff has mentioned personally I would expect us to be in that third seat, I would expect to see with any certain defined level cash be used first. I don't expect you to spend off all your cash, but I would expect that some provision be that cash be used first, the bank be called on first to cover it depending on the circumstances. If it is a short term thing and you realize that there was a problem this year that you didn't get through, but it was a one time thing. Go to the bank first because we know we can pick it up next year. I'm looking to be the last line of defense. I don't think we should be putting money into this type of institution given the current financial state of the County and the fact that as we talked about earlier the State is pulling back in funding services that we are directly responsible for. We are in a very challenging situation here to be making large commitments to any project at this point. We are 100% committed. We want to see this happen. We realize the benefits to downtown. We realize how good it is. When someone from Florida tells me that they are looking at the University that tells me that this isn't some small scale project, this is real. This is a real University that is just in its starting phases, but will be competing with many other universities in a very short period of time. It is a great project, but again we sort of understand where you are coming from, but you also need to understand what our responsibilities are and unfortunately while we would like to have a large account and help all kinds of projects it is not realistic. Last line of defense is what I'm looking for.

Mr. Haste: First of all I'm mad that you didn't have this four years ago so my son could go there. This would be ideal for my oldest son. But, with the State when you do your calculations I want to take a further look at how much you are or are not counting on the State and Federal dollars. I know where we sit we have what we think are commitments from the State and Federal on programs and they just don't hold their end of the bargain. If that is the case then the likelihood of us having to be called on in mind is greater than it is not. If you are really counting on those dollars I'm not sure we can. The second thing I would want to look at the document on timing on how soon you would need that \$1.5 million. Meaning I wouldn't want to get a phone call on a Wednesday saying guess what its hit the fan just so you know we are going to send you your notice and we expect to have the \$1.5 million in 30 days. I would think and we sort of joke about that, but if we don't write this correctly and there are other people sitting at

that table and there are other people sitting at this table five years from now we are all going to be accused of being bad people.

University Spokesman: I understand. As a County resident I wouldn't expect my Commissioners to act in any other position than you have taken this morning.

Mr. Haste: Thank you.

Graham Hetrick, Coroner
Forensic Science Improvement Grant

Mr. Hetrick: What I have is some good news. We did a Coverdell grant from PCCD for some much needed equipment for the forensic unit and I was supposed to make sure that I tell you that it is a zero match grant. There is no money required from the County.

Mr. Haste: Is this a one year grant or is it over multiple years?

Mr. Hetrick: It is going to be one year and basically it is supplying us with equipment such as a good stereomicroscope and things like that.

Mr. Haste: Has Bill seen this?

Mr. Hetrick: I don't know if he has seen it.

Mr. Tully: I just reviewed it and it is in order if you want to act on it.

Mr. Haste: That is what I wanted to know.

Mr. Hetrick: I have the signature page and a copy.

Mr. Haste: What is the amount of the grant?

Mr. Hetrick: \$10,087.

It was moved by Mr. DiFrancesco and seconded by Mr. Haste that the Board approve a PCCD Forensic Science Improvement Grant for the Coroner's Office. The grant is in the amount of \$10,087; motion carried.

Susan Hair, Director of Program Services, Big Brothers & Big Sisters; Steven Early; Director of Partnership, and Dana Kruger, Growth & Development
Update of Program

Ms. Hair: I'm Susan Hair, the Director for Programming for Big Brothers/Big Sisters and with me is Steven Early, who is our Director of Partnership Building. Dana Kruger is also with us.

We are here today, we had talked to a number of employees of Dauphin County at different times regarding some of our school based mentoring programs and at the advise of one of them we have written you a letter asking to see if we might be able to develop a partnership with the County regarding school based mentoring for the next coming years.

A brief background of what we are doing in terms of Big Brothers/Big Sisters, which I hope we all know a little bit about. We have the basic program that everyone knows of, the one-on-one mentoring program with adults and kids in the community. We also have a program at Club Bodies, which is at the Boys and Girls Club with Messiah College students, which is a one-on-one program and then we have school based mentoring, which Steve is the chairperson which includes corporate people who go into the schools at lunch time and work with the child on a one-on-one situation, as well as some high school bigs, which we have. Our terminology is that the mentors are big so the children are little. We have had a lot of programs going on in Dauphin County for quite awhile. We are looking to expand and continue to do the work that we are doing. We have found our outcome measurement indicates that kids make a lot of difference when they have an additional adult in their life that provides them with some structure and supervision. It's only been able to demonstrate positive strides for kids. I don't want to put anybody on the spot, but we are pleased to see at least one, if not a few of our young school based and two very important gentlemen sitting among those kids in the back row. We are pleased to have them here as well.

We have programs currently in Dauphin County in the Harrisburg School District, Susquehanna School District, Halifax, Lower Dauphin, as well as Middletown. We have them in about 12 or 13 elementary schools using corporate people coming from different parts of this county, as well as some people coming across the river from Gannett Fleming. People work with the kids from Skelly Loy, PHEAA, Penn National, some Commonwealth employees, a number of different banks and as I said from Messiah College.

What we would like to talk to you about is the possibility of developing a partnership wherein we could work with some of your employees to also be able to use some of their lunch times to go to schools and develop a relationship with the children. The way we usually do that is we work out a partnership agreement with, in your case, I guess we would be referring to you as the company, which is usually who we work with, to be able to go and interview people at the places of employment, be able to discuss with them training options as to what the possibilities are for kids in the various school districts around, to do some training and so forth. In the packet that we gave you on the left hand side is a generic partnership agreement that we are talking about that we would certainly individualize to fit the County's needs. We are expanding. We want to be able to serve more kids in the schools and more kids in the community as well. The program, as I said, that we are specifically talking to you about is to be able to work with some of the County employees. Obviously some of the employees who are in a sort of job that requires crisis response perhaps wouldn't be those that we would utilize. We do look for people who can be consistent and see a child at least three or four times a

month on a weekly basis in school. In Lower Dauphin our program is a breakfast program where people go and spend time with the kids in the morning. Currently we usually spend time with kids in the other school districts that I discussed at lunch time. The children have very much enjoyed having a big in school. It has made a great deal of difference for the kids in school regarding attendance, attention to homework, attention...

Mr. Early: Self esteem, attendance, behavior issues have improved. One of the things that we are very proud of is the fact that based on our research that the children, not necessarily take a great leap from being a C student to an A student, but they do not digress. Mostly all of them stay either the same or progress. That is one of the things that we are very proud of at this point in time.

Ms. Hair: Some of our mentors provide tutoring, but that isn't the basis for what we are looking for. We are looking for people to provide the kids with an opportunity to feel better about themselves, so they can then feel better about learning. It works in that regard. We are expanding this year into opening up a number of different programs in the area. We are going to put together what we call a high school bigs, which is juniors and seniors in the high schools working with the elementary schools. This year we are expanding to take the Harrisburg High School kids to work with Marshall students. Sci-Tech students are going to work with the kids at Lincoln and Melrose. We are going to have the William Penn Vo-Tech class that is geared towards child care to work with some of the kids that are right across the street at Camp Curtain. We are going to open up a program at Middletown with Robert Reid Elementary School. These are all sort of win-win situations, because the guidance people in the high schools say it is a tremendously important thing for the high school kids, as well as it is for the elementary. Our corporate people have told us that they have a hard time going back to work and having a hard day when they have been able to spend some of their time with some of the kids that need them during the day. That is what we are hoping to do with you. One of your employees who works for a district justice had come to us and talked about what she saw as perhaps a lot of people who would be willing to do this or if we could work something out with the Commissioners to be able to talk to the staff about doing this important job during their lunch times. The children that we deal with are usually referred to us through the guidance office. They are kids for whom an additional adult person is a helpful thing to consider.

Mr. Haste: I think it is a very good idea. I had 19 adults try to raise me and they were probably two or three short. I think it is a great program. I am familiar with the one at Susquehanna. That seems to be very successful.

Ms. Hair: In Susquehanna, the high school kids go over to Sara Lindemuth and employees from United Concordia go...

Mr. Haste: You do have that.

Ms. Hair: That is the big and little program. United Concordia employees go over to Holtzman. We are working with the middle school as soon as we can.

Mr. Early: What is unique about our program is we see ourselves as the premier one-on-one mentoring program in the nation. At this time I just want to make sure that everyone is clear that the children that are involved in our program don't necessarily come from certain ethnic backgrounds or financial backgrounds, they are just children who can benefit or that the schools' staff see that can directly benefit from individual attention. These two gentlemen in the back that work with these young children, they are doing a great job with the children, but I guarantee you they just can't work with each kid one-on-one, which they probably would like to do, but they have to work with them as a whole. We are trying to provide these children with one-on-one people that can work with them. It is usually 30 to 45 minutes a week. A lot of people don't believe that is enough time, which they could use more, however, like I said, the benefit and improvement that we have seen just from those times a week has been really efficient.

Ms. Hair: We could spend the rest of the day giving you anecdotal information that would prove our point, but one little piece of information that I think is really important is that there is a young man in the Harrisburg School District whose family has moved around a lot and he has been in the course of the last four years in five different elementary schools currently at Thomas Morris Chester. One constant in his life has been a guy from Gannett Fleming, who has come over for the last four years every Tuesday and had lunch with him. It has been a real positive thing for him in terms of making switches and being able to learn that there are some adults that have consistency. Research has shown that when you look at kids that go through school and continue on into adulthood and essentially become self-sufficient and become contributing members of society they have always had at least three solid adults in their live that have made that happen for them.

Mr. Haste: I had aunts and uncles and every one of them thought that they were my parents.

Ms. Hair: We need more of that.

Mr. Early: We really appreciate the support from the County. What we would also like is some support on promotion of some of our programs, perhaps on your website where it shows that we are involved and that people can call us.

Ms. Hair: I'm not sure what our next step would be in terms of knowing who...

Mr. Saylor: What I would suggest Commissioners if you are okay, I will follow up and we will begin to implement the program.

Mr. DiFrancesco: I really didn't get the opportunity, but I think this is fabulous and what makes it particularly fabulous for us is a lot of employees, because they spend every day dealing with challenging situations this is an opportunity for them to get involved

before maybe a challenging situation happens and have a real impact on someone's life. I can see where this would be a very popular program amongst our employees and one that certainly this Board would support wholeheartedly. From the information that you have told us already it is a great program.

Ms. Hair: The other thing that works out really well for the employees is a lot of people don't get involved in our community based program because they are concerned of how much time it takes, which really is something that we can discuss another time. Being able to do it during work time provides an opportunity to do something more than what you would have been able to do otherwise. It does make the work day a different day.

PERSONNEL

Ms. Sinner: Our only Salary Board request now is the elimination of the Treatment Specialist at the Prison. It was created as an interim fill position. That position is no longer needed.

Mr. DiFrancesco: Have we been doing better keeping check of those interims? I know for a while we were concerned that we would create positions and then they wouldn't be eliminated. It seems like things are working pretty well.

Ms. Sinner: Yes, I have been keeping track.

Mr. DiFrancesco: Any other questions on the Salary Board item? (There were none.)

Ms. Sinner: We are requesting approval to fill some new hires for Spring Creek. Actually all the Spring Creek items I would like to request a vote on today because they are effective the 28th of August. We have a couple other transactions that I would like a vote on too. Children and Youth are hiring some caseworkers. They have a lot of vacancies there. They are trying to get those filled. In Personnel Changes, there are some at Spring Creek and also in Children & Youth. Children & Youth created an interim fill position for the training of a replacement of a program specialist who is retiring in January. So, they are putting someone into that interim fill position and then after the program specialist retires, we will be eliminating the position and making this program specialist 1 a permanent position.

Mr. DiFrancesco: Which one is this?

Ms. Sinner: That is #19 in the Personnel Changes. Item #21 I'm going to request a vote on because the effective date should actually be August 28. There is a typo.

Mr. DiFrancesco: A vote was requested on the Addendum?

Ms. Sinner: Yes, but actually the new hires for Spring Creek, there is a vacancy and one change.

Mr. DiFrancesco: Do you want to go over which numbers they are?

Ms. Sinner: Actually the change for Spring Creek will not need voted on today. It would be #1, request to fill a Housekeeping Aide position, New Hires #6, #7, #8, #9 and #10 and then also Personnel Change Items #21 and #22 as well as #1 through #4 of the Addendum.

Mr. DiFrancesco: Just in case there is a question what you are going to find obviously in a lot of these changes the temporary position kind of takes on a different meaning now. Basically every hire that we do from the County's perspective is a temporary position in the way that we are listing it for Spring Creek simply because the sale will take place sometime over the next say two months and therefore those people would be picked up or not picked up by the new company. But, as we hire them and move them around you are going to start to see that a little bit more.

Ms. Sinner: They are just trying to have staff in place, because I know there are some people that are going to be leaving almost immediately for retirement.

Mr. DiFrancesco: The bottom line is as positions open up, because people do leave, other people... If you recall when we downsized some people were bumped out of certain positions and moved into other positions based on labor agreements and so forth. Now, as positions open up they are able to move back into the position that they were maybe bumped from or for some reason just feel like they would rather be doing a certain job and that is why you are going to be seeing a lot of activity now. Also, we were having particular problems in the kitchen for some reason there was sort of jobs popping up that were making it difficult to meet the obligations and therefore you are going to see a lot of people start moving into those kitchen jobs and so forth. The operation continues to move forward and things are working out there.

It was moved by Mr. DiFrancesco and seconded by Mr. Haste that the Board approve the following Personnel Items: Vacancies Items #1, New Hires #6, #7, #8, #9 and #10, Personnel Changes #21 and #22 and Items #1 through #4 of the Addendum; motion carried.

PURCHASE ORDERS

Mr. Baratucci: Commissioners you should have all received a Packet yesterday. As usual there are some budget issues that need to be clarified between now and next week. Do you have any questions on the Packet? (There were none.)

TRAINING PACKET

Mr. Haste: Chad, anything on the training packet that we need to deal with.

Mr. Saylor: No.

ITEMS FOR DISCUSSION

- A. **Approve JBeitz Enterprise, Inc. to perform additional flood debris removal at Bridge #54S for \$22,500 and Bridge #23 for \$16,500 for a revised total contract price of \$101,500 and authorize an additional three (3) weeks to complete the extra work. (**A VOTE IS REQUESTED 8/23/06)**

Mr. Haste: We have Item A, which is a change to our contract to do debris removal. Once they got out they found more debris than what was anticipated. This is the same company that had bid before and was the low bidder. This is all paid out of the liquid fuels account.

Mr. DiFrancesco: The question that I have for whoever did the research and it is a tough question. Is this new scope of work that everybody would have missed or is this scope of work that others actually budgeted in their bid?

Mr. Haste: No, it is things that they found.

Mr. Saylor: This is adding two new bridges.

Mr. Haste: This was not in the original scope.

Mr. Saylor: Instead of doing three they are now doing five bridges.

Mr. DiFrancesco: So, it is additional bridges.

Mr. Haste: Two municipalities contacted the engineers once they were out and said hey here are some problems.

It was moved by Mr. DiFrancesco and seconded by Mr. Haste that the Board authorize JBeitz Enterprise, Inc. to perform additional flood debris removal at Bridge #54S for \$22,500 and Bridge #23 for \$16,500 for a revised total contract price of \$101,500 and authorize an additional three (3) weeks to complete the extra work; motion carried.

SOLICITOR'S REPORT – WILLIAM TULLY, ESQ.

Mr. Tully: I have nothing to add to the Solicitor's Report, but happy to answer questions you may have.

Mr. Haste: After the presentation from the Harrisburg University, you do have documents now that you are reviewing or you don't have?

Mr. Tully: This was an important first meeting that allows us to move in. We have a lot of documents, not actual contract documents. They are more conceptual and Pete has been taking the lead on that. It was important to have the presentation in a public setting so that you can give us direction as to how you want us to proceed.

Mr. DiFrancesco: Just so you understand we are going to be relying on you big time to make sure that the agreement is locked up the way we need it to be locked up and it says what we need it to say.

Mr. Tully: It got everyone's attention. The presentation today allows us to start the dialogue.

Mr. DiFrancesco: I think through iteration and iteration we were very clear on the final analysis. We made it very clear, but if you have any questions please come back to us.

CHIEF CLERK'S REPORT – CHAD SAYLOR

Mr. Saylor: I just wanted to note that we have received from HRG a substantial completion notice regarding DJ Postelle's Office. We are reaching the final stages of that project.

COMMISSIONERS' COMMENTS

Mr. DiFrancesco: Just one question for a very brief answer from Edgar, how is the project coming in the DA's Office?

Mr. Cohen: It is coming along good. Right now we are doing some patch work. The approval last week of the purchase order for the HVAC equipment and all that stuff has been ordered. Basically you will see in the next week and a half ceiling grid tracks to be put up in the office itself. The last part would be the floor and of course you know I'm working on that to get the bid out.

Mr. DiFrancesco: I would like to see the renovations. Do you want to take me over?

Mr. Cohen: Just give me a call when you are ready.

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.)

Just a reminder we have a Retirement Board Meeting immediately following.

ADJOURNMENT

There being no further business, it was moved by Mr. DiFrancesco and seconded by Mr. Haste that the Board adjourn.

Respectfully submitted

Chad Saylor
Chief Clerk/Chief of Staff

Transcribed by: Richie-Ann Martz