

*Comm Workshop
8/09/06/jm*

COUNTY OF DAUPHIN,
Commonwealth of Pennsylvania

ORDINANCE NO. 3-2006

OF THE BOARD OF COMMISSIONERS OF COUNTY OF DAUPHIN, COMMONWEALTH OF PENNSYLVANIA (THE "COUNTY"), TO AUTHORIZE AND APPROVE QUALIFIED INTEREST MANAGEMENT AGREEMENTS UNDER THE PENNSYLVANIA LOCAL GOVERNMENT UNIT DEBT ACT WITH RESPECT TO THE FOLLOWING OUTSTANDING DEBT OBLIGATIONS OF THE COUNTY: (1) \$16,450,000 ORIGINAL PRINCIPAL AMOUNT GENERAL OBLIGATION BONDS, SERIES OF 2006 (TAX-EXEMPT FIXED RATE) (THE "2006 BONDS"); AND (2) \$14,805,000 ORIGINAL PRINCIPAL AMOUNT GENERAL OBLIGATION NOTES, SERIES D OF 2004 (THE "2004 NOTES"); ESTABLISHING AND AUTHORIZING THE MAXIMUM RATE ON NET PAYMENTS (EXCLUDING PRINCIPAL) DUE ON THE 2006 BONDS PLUS PERIODIC SCHEDULED PAYMENTS (EXCLUDING TERMINATION PAYMENTS) THAT MAY BECOME DUE UNDER THE QUALIFIED INTEREST MANAGEMENT AGREEMENT APPROVED HEREIN WITH RESPECT TO THE 2006 BONDS AT THE MAXIMUM RATE SPECIFIED IN SUCH QUALIFIED INTEREST RATE MANAGEMENT AGREEMENT; ESTABLISHING AND AUTHORIZING THE MAXIMUM RATE ON NET PAYMENTS (EXCLUDING PRINCIPAL) DUE ON THE 2004 NOTES PLUS PERIODIC SCHEDULED PAYMENTS (EXCLUDING TERMINATION PAYMENTS) THAT MAY BECOME DUE UNDER THE QUALIFIED INTEREST MANAGEMENT AGREEMENT APPROVED HEREIN WITH RESPECT TO THE 2004 NOTES AT THE MAXIMUM RATE SPECIFIED IN SUCH QUALIFIED INTEREST RATE MANAGEMENT AGREEMENT; AMENDING ORDINANCE NO. 2-2006 OF THE COUNTY [AUTHORIZING AND DIRECTING ISSUANCE OF TWO SERIES OF GENERAL OBLIGATION BONDS CONSISTING OF: (1) THE SERIES 2006 BONDS; AND (2) GENERAL OBLIGATION BONDS, SERIES OF 2007 (TAX-EXEMPT VARIABLE RATE)] TO INCREASE BY FISCAL YEAR THE AUTHORIZED INTEREST ON THE 2006 BONDS TO AN AMOUNT RELECTING THE MAXIMUM RATE OF NET PAYMENTS (EXCLUDING PRINCIPAL) DUE ON THE 2006 BONDS CALCULATED AS INCLUDING (A) THE SCHEDULED

INTEREST DUE ON THE 2006 BONDS PLUS (B) THE PERIODIC SCHEDULED PAYMENTS (EXCLUDING TERMINATION PAYMENTS) THAT MAY BECOME DUE UNDER THE QUALIFIED INTEREST MANAGEMENT AGREEMENT APPROVED HEREIN WITH RESPECT TO THE 2006 BONDS AT THE CEILING RATE SPECIFIED IN SUCH QUALIFIED INTEREST RATE MANAGEMENT AGREEMENT PURSUANT TO SECTION 8284 (A) (2) OF THE DEBT ACT; SETTING FORTH THE SUBSTANTIAL FORMS OF THE QUALIFIED INTEREST RATE MANAGEMENT AGREEMENTS RELATING TO THE 2006 BONDS AND THE 2004 NOTES; SETTING FORTH AND ADOPTING AN INTEREST RATE MANAGEMENT PLAN FOR THE 2006 BONDS AND THE 2004 NOTES QUALIFIED INTEREST RATE MANAGEMENT AGREEMENTS; DECLARING THE MANNER IN WHICH THE QUALIFIED INTEREST RATE MANAGEMENT AGREEMENTS ARE TO BE AWARDED; MAKING CERTAIN COVENANTS OF THIS COUNTY WHICH ARE INTENDED TO SECURE SUCH QUALIFIED INTEREST RATE MANAGEMENT AGREEMENTS; AUTHORIZING APPROPRIATE OFFICERS OF THIS COUNTY TO TAKE NECESSARY AND APPROPRIATE ACTIONS AND TO SIGN REQUIRED DOCUMENTS; AND CONTAINING RELATED PROVISIONS.

WHEREAS, County of Dauphin, Commonwealth of Pennsylvania (the "County") is a County of the Third Class of the Commonwealth of Pennsylvania (the "Commonwealth"), is governed by its Board of Commissioners (the "Board"), and is a "local government unit" within the meaning of the Local Government Unit Debt Act of the Commonwealth, 53 Pa. C.S. Chs. 80-82 (the "Debt Act"); and

WHEREAS, This County, to finance authorized projects, heretofore has authorized, issued, and delivered a series of bonds designated as its "General Obligation Bonds, Series of 2006", in the original aggregate principal amount of \$16,450,000, which bonds have various maturities with the last such maturity occurring on November 15, 2023 (the "2006 Bonds"), which were authorized and secured by Ordinance No. 2-2006 of this County enacted by the Board on June 7, 2006 (the "2006 Bonds Enabling

Ordinance”); and

WHEREAS, The proceedings for the incurrence of nonelectoral indebtedness of this County represented by the 2006 Bonds were approved by the Pennsylvania Department of Community and Economic Development (the “Department”) under Approval No. GOB-16325, dated July 5, 2006; and

WHEREAS, The 2006 Bonds bear interest at fixed rates, and with annual payments, set forth in the 2006 Bonds Enabling Ordinance; and

WHEREAS, This County, to finance authorized projects, heretofore has authorized, issued, and delivered a series of notes designated as its “General Obligation Notes, Series D of 2004”, in the original aggregate principal amount of \$14,805,000, which notes are stated to mature on March 1, 2019 (the “2004 Notes”), which were authorized and secured by Ordinance No. 4-2004 of this County enacted by the Board on April 21, 2004, as amended by Ordinance No. 4-2005 of this County enacted by the Board on September 21, 2005 (the “2004 Notes Amendatory Ordinance”) and filed with the Department on September 29, 2005 with corrective filing on October 3, 2005 (jointly, the “2004 Notes Enabling Ordinance”); and

WHEREAS, The proceedings for the incurrence of nonelectoral indebtedness of this County represented by the 2004 Notes were approved by the Pennsylvania Department of Community and Economic Development (the “Department”) under Approval No. GON-11578, dated May 18, 2004; and

WHEREAS, The 2004 Notes bear interest at fixed rates, and with annual payments, set forth in the 2004 Notes Enabling Ordinance; and

WHEREAS, The Board of this County has previously approved the

execution and delivery of a qualified interest rate management agreement with respect to certain outstanding notes of this County in conformity with the Debt Act by adoption of Ordinance 5-2004 on April 28, 2004 (the "2004 Swap Ordinance"); and

WHEREAS, the 2004 Swap Ordinance and related proceedings were duly filed with the Department by this County in conformity with the Debt Act on May 6, 2004; and

WHEREAS, pursuant to the 2004 Swap Ordinance and as authorized by the Debt Act, this County has entered into an ISDA Master Agreement and Schedule dated as of April 29, 2004 (together with all related schedules, supplements, exhibits and addenda, the "2004 Swap Agreement") with Royal Bank of Canada as the counterparty which contemplate the execution of various Confirmations to evidence specific interest rate management transactions between this County and such counterparty; and

WHEREAS, RBC Capital Markets has presented to the Board a proposal (the "2006 Bonds Swap Proposal") under which this County would enter into a qualified interest rate management agreement as a transaction to be evidenced by a Confirmation under the 2004 Swap Agreement (the "2006 Bonds Confirmation") with respect to the outstanding \$16,450,000 aggregate principal amount of outstanding 2006 Bonds having various maturities as set forth in the 2006 Bonds Enabling Ordinance, with the last such maturity occurring on November 15, 2023 (the "Swapped 2006 Bonds" or "Swapped Bonds"); and

WHEREAS, RBC Capital Markets has also presented to the Board a proposal (the "2004 Notes Swap Proposal") under which this County would enter into a qualified interest rate management agreement as a transaction to be evidenced by a

Confirmation under the 2004 Swap Agreement (the "2004 Notes Confirmation") with respect to the outstanding \$13,960,000 aggregate principal amount of outstanding 2004 Notes (the "Swapped 2004 Bonds" or "Swapped Notes"); and

WHEREAS, The Debt Act, including the amendments made to the Debt Act by Act No. 2003-23, effective September 24, 2003, contemplate that a County may negotiate and enter into qualified interest rate management agreements consistent with the amended provisions of the Debt Act; and

WHEREAS, This County has received an "interest rate management plan," as contemplated by the Debt Act, prepared by PFM Asset Management, LLC, an "independent financial advisor" to this County (the "PFM Financial Advisor"), (the "Interest Rate Management Plan"), which addresses certain financial aspects and risks of the qualified interest rate management agreements represented by the 2006 Bonds Confirmation and the 2004 Notes Confirmation, with respect to the Swapped 2006 Bonds and the Swapped 2004 Notes, respectively; and

WHEREAS, Access Financial Markets has presented a proposal to serve as Co- Financial Advisor to the County to provide pricing consultation and the required fairness opinions with respect to the 2006 Bonds Confirmation and the Series 2004 Notes Confirmation ("Access Advisor"), as contemplated by the Debt Act (PFM Financial Advisor and Access Financial Advisor are, jointly, the "Financial Advisor"); and

WHEREAS, The Board of this County duly has read and considered the 2006 Bonds Swap Proposal, the Interest Rate Management Plan, the 2004 Swap Agreement and the proposed terms and conditions of the proposed 2006 Bonds Confirmation (the 2006 Bonds Confirmation, as incorporating and governed by the 2004

Swap Agreement, is the "2006 Bonds Swap Agreement"); and

WHEREAS, The Board of this County duly has read and considered the 2004 Notes Swap Proposal, the Interest Rate Management Plan, the 2004 Swap Agreement and the proposed terms and conditions of the proposed 2004 Notes Confirmation (the 2004 Notes Confirmation, as incorporating and governed by the 2004 Swap Agreement, is the "2004 Notes Swap Agreement"); and

WHEREAS, The 2006 Bonds Swap Agreement and the 2004 Notes Swap Agreement are each consistent with the Interest Rate Management Plan; and

WHEREAS, This County proposes to award the proposed qualified interest rate management agreements represented by the 2006 Bonds Confirmation and the 2004 Notes Confirmation to Royal Bank of Canada (the "Swap Provider"), at private sale by negotiation, and to enter into the 2006 Bonds Confirmation and the 2004 Notes Confirmation; and

WHEREAS, The Swap Provider possesses qualifications (including a credit rating) satisfying the criteria established by the Interest Rate Management Plan; and

WHEREAS, Under Section 8284 of the Debt Act, if the maximum net payments by fiscal year for periodic scheduled payments of this County under the 2006 Bonds Swap Agreement or the 2004 Notes Swap Agreement, not including any termination payments, and interest on the Swapped Bonds or the Swapped Notes, as applicable, exceed the amount of interest approved in the proceedings of this County with respect to the Swapped Bonds or Swapped Notes filed with and approved by the Department, this County shall adopt an amendment to the 2006 Bonds Enabling

Ordinance or the 2004 Notes Enabling Ordinance, as applicable, reflecting such increase;
and

WHEREAS, The Board of this County desires to amend the 2006 Bonds Enabling Ordinance to increase the maximum net annual payments on the Swapped 2006 Bonds, as approved by the Department, and the 2006 Bonds Swap Agreement to reflect a maximum interest rate of 25%, all as contemplated by Sections 8281 and 8284 of the Debt Act; and

WHEREAS, The 2004 Notes Enabling Ordinance has been previously amended by the 2004 Notes Amendatory Ordinance such that no further amendment to the 2004 Notes Enabling Ordinance is required under Section 8284 of the Debt Act with respect to the 2004 Notes Swap Agreement; and

WHEREAS, The Board of this County desires to take all action necessary to adopt the Interest Rate Management Plan, authorize and approve the execution and delivery of the 2006 Bonds Confirmation, the 2004 Notes Confirmation and all related instruments by this County, and to execute and deliver such other documents as may be necessary to implement the 2006 Bonds Swap Proposal and the 2004 Notes Swap Proposal.

NOW, THEREFORE, BE IT RESOLVED, by the Board of this County as follows:

SECTION 1. The Board of this County does hereby retain the Financial Advisor to serve in the capacity and perform the functions required under the Debt Act with respect to the qualified interest rate management agreements represented by the 2006 Bonds Confirmation and the 2004 Notes Confirmation. The Board of this County

approves the Interest Rate Management Plan, a copy of which is attached hereto as **Appendix A** and, without limiting the generality of the foregoing, approves, ratifies and confirms the qualifications established by this County in the Interest Rate Management Plan for the selection of the provider of the 2006 Bonds Swap Agreement and the 2004 Notes Swap Agreement, which qualifications include, among other things, a rating for such provider that is in one of the three highest rating categories of a nationally recognized credit rating agency.

SECTION 2. The Board of this County determines that the 2006 Bonds Confirmation, the 2004 Notes Confirmation, the 2006 Bonds Swap Agreement and the 2004 Notes Swap Agreement are in the best financial interest of this County, that the Swap Provider possesses the qualifications required by law and the Interest Rate Management Plan for a provider of a qualified interest rate management agreement, and that the qualified interest rate management agreements represented by the 2006 Bonds Confirmation and the 2004 Notes Confirmation shall be awarded at private sale by negotiation to the Swap Provider, as recommended by this County, consistent with the advice and counsel of the Financial Advisor.

SECTION 3. The Board hereby finds and declares the following:

(1) The notional amount of the 2006 Bonds Swap Agreement at all times shall not exceed the outstanding principal amount of the Swapped 2006 Bonds (*i.e.* \$16,450,000);

(2) The notional amount of the 2004 Notes Swap Agreement at all times shall not exceed the outstanding principal amount of the Swapped 2004 Notes (*i.e.* \$13,960,000)

(3) The term of the 2006 Bonds Swap Agreement shall not exceed the latest maturity date of the Swapped 2006 Bonds and the term of the 2004 Notes Swap Agreement shall not exceed the latest maturity date of the Swapped 2004 Notes;

(4) The 2006 Bonds Swap Agreement shall contain a provision requiring the termination thereof if the respective Swapped Bonds are no longer outstanding and the 2004 Notes Swap Agreement shall contain a provision requiring the termination thereof if the respective Swapped Notes are no longer outstanding;

(5) The maximum annual rates scheduled to be paid by this County under the 2006 Bonds Swap Agreement (excluding termination payments) shall be twenty percent (20%) per annum;

(6) The maximum net payments by fiscal year due and payable by this County with respect to (i) the Swapped 2006 Bonds (excluding principal of the Swapped 2006 Bonds) and (ii) the scheduled payments, not including any termination payments, due under the 2006 Bonds Swap Agreement calculated at the maximum rate specified therein, shall not exceed 25% per annum;

(7) The maximum annual rates scheduled to be paid by this County under the 2004 Notes Swap Agreement (excluding termination payments) shall be twenty percent (20%) per annum;

(8) The maximum net payments by fiscal year due and payable by this County with respect to (i) the Swapped 2004 Notes (excluding principal of the Swapped 2004 Notes) and (ii) the scheduled payments, not including any termination payments, due under the 2004 Notes Swap Agreement calculated at the maximum rate specified therein, shall not exceed 25% per annum;

(9) The source of payment of this County's obligations with respect to the 2006 Bonds Swap Agreement and the 2004 Notes Swap Agreement shall be general revenues;

(10) The 2006 Bonds Swap Agreement and the 2004 Notes Swap Agreement, in the forms herein authorized and approved, contain provisions addressing the actions to be taken if the credit rating of the Swap Provider changes;

(11) The periodic scheduled payments due under the 2006 Bonds Swap Agreement and any payments due in respect of principal of and interest on the Swapped 2006 Bonds shall be senior in right and priority of payment to any termination payments due under the 2006 Bonds Swap Agreement; and

(12) The periodic scheduled payments due under the 2004 Notes Swap Agreement and any payments due in respect of principal of and interest on the Swapped 2004 Notes shall be senior in right and priority of payment to any termination payments due under the 2004 Notes Swap Agreement.

SECTION 4. The Board of this County (i) does authorize and approve the 2006 Bonds Confirmation, which shall be substantially in the form attached hereto as Appendix B, with such changes and modifications as the proper officers or officials of the County executing the same shall deem appropriate, with execution and delivery thereof constituting conclusive evidence of acceptance and approval of such changes and (ii) hereby ratifies and affirms in all respects the 2004 Swap Agreement and its provisions as they relate to and govern the 2006 Bonds Confirmation.

SECTION 5. The Board of this County (i) does authorize and approve the 2004 Notes Confirmation, which shall be substantially in the form attached hereto as Appendix C, with such changes and modifications as the proper officers or officials of

the County executing the same shall deem appropriate, with execution and delivery thereof constituting conclusive evidence of acceptance and approval of such changes and (ii) hereby ratifies and affirms in all respects the 2004 Swap Agreement and its provisions as they relate to and govern the 2004 Notes Confirmation.

SECTION 6. The maximum payment obligations in the 2006 Bonds Enabling Ordinance with respect to the Swapped 2006 Bonds is hereby amended to insert a maximum rate on net payments (excluding principal) due on the Swapped 2006 Bonds, plus maximum periodic scheduled payments (which exclude termination payments) under the 2006 Bonds Confirmation, of 25.0% per annum. Schedules following **Appendix D** hereto illustrate the maximum payments on the Swapped 2006 Bonds and the 2006 Bonds Confirmation, based on a maximum net interest rate of 25.0%, which supercede the schedules attached to or filed with the 2006 Bonds Enabling Ordinance.

SECTION 7. Promptly following the filing of appropriate proceedings regarding the 2006 Bonds Confirmation and the 2004 Notes Confirmation with the Department, as required by Section 8284 of the Debt Act and authorized by this Ordinance, or as otherwise authorized by the Debt Act, and subject to the receipt of a final, written finding from the Financial Advisor that the financial terms and conditions of the 2006 Bonds Swap Agreement, including the 2006 Confirmation, and the 2004 Notes Swap Agreement, including the 2004 Notes Confirmation, are fair and reasonable to this County, such finding to be in form and substance satisfactory to the Budget Director of this County and legal counsel to this County, the Chairman or Vice Chairman of the Board of this County shall execute on behalf of this County such instruments and documents as may be necessary or appropriate to enter into, affirm, consummate and

secure the 2006 Bonds Swap Agreement and the 2004 Notes Swap Agreement under the terms hereof, his or her execution thereof to constitute conclusive evidence of such approval..

SECTION 8. This County hereby covenants to do the following:

(1) To include the periodic scheduled amounts payable under the 2006 Bonds Swap Agreement and the 2004 Notes Swap Agreement for each fiscal year of this County in the budget of this County for that fiscal year; and

(2) To appropriate those amounts from the general revenues of this County for the payment of amounts due under the 2006 Bonds Swap Agreement and the 2004 Notes Swap Agreement.

SECTION 9. This County does hereby pledge its full faith, credit and taxing power for the budgeting, appropriation and payment of periodic scheduled payments due under and payable by it with respect to the 2006 Bonds Swap Agreement and the 2004 Notes Swap Agreement.

SECTION 10. This County does hereby covenant that the periodic scheduled payments due under the 2006 Bonds Swap Agreement and the 2004 Notes Swap Agreement, and the payments in respect of principal of and interest on the Swapped Bonds and the Swapped Notes, respectively, shall be equally and ratably payable and secured; provided, however, that any termination payments due under the 2006 Bonds Swap Agreement or the 2004 Notes Swap Agreement shall be junior and subordinate to such scheduled periodic payments and payments of principal and interest.

SECTION 11. This County hereby covenants to include any termination payment or similar payment under the 2006 Bonds Swap Agreement or the 2004 Notes

Swap Agreement that may become due and payable by this County in this County's then current budget at any time during a fiscal year or in a budget adopted in a future fiscal year.

SECTION 12. This County covenants to include in its annual financial statements information with respect to the 2006 Bonds Swap Agreement and the 2004 Notes Swap Agreement, including any information required pursuant to any Statement issued by the Governmental Accounting Standards Board.

SECTION 13. The prior advertisement of a public notice of intent to adopt this Ordinance in one or more newspapers of general circulation in this County is hereby ratified and confirmed, and the advertisement of a public notice of the adoption of this Ordinance within 15 days following its adoption, as required by the Debt Act, is hereby authorized and directed. Proper officers of this County are hereby authorized and directed to arrange for the advertisement of such notices.

SECTION 14. The Chairman or Vice Chairman and the Secretary or an Assistant Secretary, respectively, of the Board of this County are authorized and directed, as required, necessary or appropriate: (a) to file with the Department a certified copy of this Ordinance, including its appendices, and a copy of the proofs of publication of the required public notices of this Ordinance, (b) to pay or to cause to be paid to the Department any filing fees required in connection with the foregoing, and (c) to pay, or to authorize payment of, all other fees and expenses of this County incurred or to be incurred in connection with (A) undertaking the 2006 Bonds Swap Agreement and the 2004 Notes Swap Agreement and (B) implementing the 2006 Bonds Swap Proposal, the 2006 Bonds Confirmation, the 2004 Notes Swap Proposal and the 2004 Notes

Confirmation, including fees and expenses of preparing, advertising and adopting this Ordinance.

SECTION 15. Proper officers of this County are authorized and requested to take all other required, necessary or appropriate action, or to authorize all other required necessary or appropriate action to be taken, by or on behalf of this County, to implement the 2006 Bonds Swap Agreement, the 2006 Bonds Swap Proposal, the 2006 Bonds Confirmation, the 2004 Notes Swap Agreement, the 2004 Notes Swap Proposal, the 2004 Notes Confirmation and the approved Interest Rate Management Plan.

SECTION 16. Any reference in this Ordinance to an officer of this County or a member or officer of the Board of this County shall be deemed to refer to his or her duly qualified successor in office, if applicable.

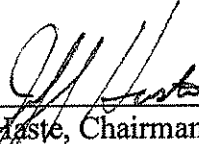
SECTION 17. This Ordinance shall be effective for all purposes immediately upon its adoption, as permitted by the Debt Act.

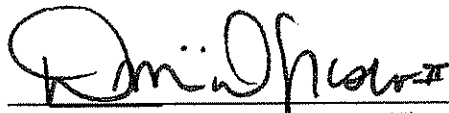
SECTION 18. In the event any provision, section, sentence, clause or part of this Ordinance shall be held to be invalid, such invalidity shall not affect or impair any remaining provision, section, sentence, clause or part of this Ordinance, it being the intent of this County that such remainder shall be and shall remain in full force and effect.

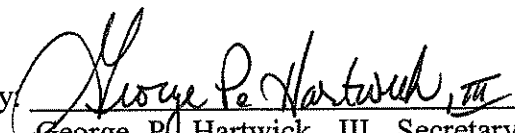
SECTION 19. All ordinances or parts of ordinances, insofar as the same shall be inconsistent herewith, shall be and the same expressly are repealed.

DULY ENACTED, by the Board of this County, in lawful session duly assembled, this 9th day of August, 2006.

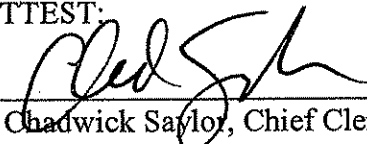
**COUNTY OF DAUPHIN,
PENNSYLVANIA**

By: 
Jeff Haste, Chairman of County
Commissioners

By: 
Dominic D. DiFrancesco, II, Vice
Chairman of County Commissioners

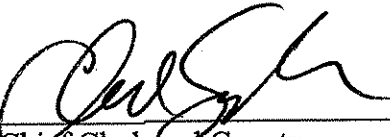
By: 
George P. Hartwick, III, Secretary of
County Commissioners

ATTEST:


Chadwick Saylor, Chief Clerk

(SEAL)

This is to certify that the foregoing Resolution is a true and correct copy of the Resolution adopted by the Board of Commissioners of the County of Dauphin at its meeting held the 9th day of August, 2006.

By: 

Chief Clerk and County
Executive