

**NO: XIV
Minutes of the
Board of School Directors
DERRY TOWNSHIP SCHOOL DISTRICT
Hershey, PA 17033**

February 23, 2009

OPENING ITEMS

1.01 Call to Order

A meeting of the Board of School Directors, Derry Township School District was held on Monday, February 23, 2009, in the District Office Board Room. Mrs. Beulah Chabal, Board President, called the meeting to order at 7:03 p.m.

1.02 Roll Call

Directors Present: Mr. Christopher Barrett
Mrs. Beulah Chabal
Mr. John Gräb
Mr. Alan Malkoff
Mrs. Ellen Sheffey
Mr. Charles Stover

Excused: Dr. Donna Cronin
Dr. Henry Donahue
Dr. William Parrish

Superintendent: Dr. Linda Brewer (Excused)

Secretary: Mr. Stephen Rineer

Solicitor: Brian F. Jackson

Student Representative: Kathryn Collier
Andrew Rogers

Press: Mr. Drew I. Weidman THE SUN
Ms. Monica von Dobeneck PATRIOT-NEWS

Representatives of the Administrative Staff: Mr. Dan Tredinnick, Dr. Bernie Kepler, Dr. Cynthia Goldsworthy, and Mr. David Yarian.

Representatives of the Staff and Community: Ed Uravic, Cathy Ferster, Cindy Hertz, Lou Verdelli, Chad Killian, Bunny Hottenstein, Chris Movelli, Robin Zellers, and John Dunn.

1.03 Flag Salute

Mr. Barrett led those gathered in the Salute to the American Flag.

REVIEW AND APPROVAL OF MINUTES

2.01 Approval of February 9, 2009 School Board Meeting Minutes

A motion was made by Mr. Malkoff and seconded by Mrs. Sheffey to approve the minutes of the February 9, 2009 School Board meeting. All Board members signified by a Yes vote.

MOTION CARRIED

INFORMATION AND PROPOSALS

3.01 Announcement of Executive Session

Mrs. Chabal announced the Board did not meet in executive session prior to the meeting.

3.02 Recognition of Citizens (Agenda Items)

None.

3.03 Standing Committee Report

Mrs. Chabal: There was a joint work group meeting on Wednesday, February 17th and I will give a brief report to that effect. We met in the Township Building and discussed communication efforts between the Board of Supervisors and the Board. We are looking forward to having positive relationship as we began to share information back and forth. We were specifically looking for information as some of the planning commissions and zoning commissions meet that the Board of Supervisors would forward information to us in a timely manner so that we might have information ahead of time about developments that might positively or negatively impact the tax payers of the District. The meeting went very well. We will have another meeting scheduled in March

and that meeting will be hosted by the District. We will report on that meeting at that time.

Finance Committee

Mr. Barrett: I'd like to give a current report on revenue versus budget. We are still looking at a positive variance to budget concerning revenue. Some areas are seeing positive variances. For example, real estate taxes continue to be positive at 101.67% and pilot payments are 82% above budget. That is where the largest positive variances are.

However, we're continuing to see some deterioration in the real estate transfer tax, which I suppose could be expected with the current economic climate. We are realizing a \$218,000 negative variance in that area. The amusement tax is negative at \$87,000, the MS Hershey Trust revenue payment is also down by about \$54,000. Those are primarily the largest negative variances in revenue. Additionally, there are some state revenue variances that are negative, but they are offsetting revenues, not material. On the local revenue side, we are 1.73% ahead. In the state, we're almost about 1% ahead at about .62%. Federal is so immaterial, it's not even worth talking about.

Overall, we're still tracking approximately 1% and this is actual as of January 2009, so unless there is anything material that has happened in the last month, I think our expenses are on target. Again, we're continuing to keep an eye on the real estate transfer tax.

We're very happy tonight to have Mr. Lou Verdelli of RBC Capital Markets here tonight. The Finance Committee met on Friday and Lou was kind enough to bring us a market opportunity that we reviewed. This opportunity could provide positive cash flow to the District at a time when obviously we're looking at all types of ways (a) to save on expenses and (b) to enhance revenues. This is one of those ways to do that without materially affecting our debt. The Committee essentially will recommend this strategy. I think Mr. Gräb asked Lou to look at some different things which I think he's going to present us tonight. After he makes his presentation, we'll probably make our formal recommendation so I'd like to turn it over to Lou to give us that presentation.

Presentation:

Lou Verdelli: Thank you. This opportunity is not much different than when interest rates drop and I come to you with a refinancing opportunity where we can go from 5% interest rates to 4% interest rates and save a couple hundred thousand dollars as a result of pricing in the market. That's really what has created the opportunity that Mr. Barrett reviewed for you and we discussed at length in the Finance Committee meeting on Friday. It's really something that's driven by a market opportunity. It didn't exist three months ago, it didn't exist a year or two ago and you'll see that one of our local issuers, Dauphin County took advantage of this. The last time the pricing was pretty good was back in 2005. Today the pricing is literally off the charts in terms of being favorable.

So, the one thing I wanted to do was review how Dauphin County did on their transaction that they did on 2005, the revenue that it provided for the county and talk about the potential for the revenue that this type of transaction could produce for the District at a time, obviously, when revenues are dropping, this could be a potential significant enhancement.

Before we open, I think the most important thing to think about is, when you issue bonds, you are issuing tax exempt bonds. Because they are tax exempted, the interest rate that you borrow money at compared to when The Hershey Company borrows money is a lower interest rate, because an investor, when they receive the interest payment from you, they don't have to report that or pay taxes on that so therefore they are willing to settle for a lower interest rate since they get to keep 100% of that payment. Tax exempt rates, typically, if we just use some round numbers right now, if you were going to do a 20 year bond issue a tax exempt rate would be 4% and a corporation borrowing money for 20 years would borrow maybe at 5%, if they are lucky and have a good credit rating. There is always that difference and this whole opportunity is really based on understanding that difference, that tax exempt debt should always be lower than taxable debt and we've got lots of charts that will show you many years of history of how that spread and difference has existed.

On Page 2 we highlight the two reasons that seem to have created the market pricing that's available for this transaction. It's driven by one item that is a market opportunity and that's basically the flight-to-quality that we've seen throughout the fall as investors. Professionals and traditional mom and pop investors saw the problems in the equity markets with people pulling massive amounts of money out and wanted to park it somewhere safe. They were buying U.S. Treasury securities. The whole world was buying U.S. Treasury securities and continues to be doing that. With all of that demand for a limited number of securities, it pushed the yields down to levels that we've never seen. Where the U.S. Treasury is selling two month bills at a 0% rate of return and can sell 500 billion dollars at 0% rate of return, people are panicked and you look at that and say that's not normal, but that's the fact. So, we have U.S. Treasury yields down at these incredibly low, below market levels and, obviously, some of these indices are based off of U.S. Treasury rates. As a result, you have a real abnormal effect in the markets right now driven by the flight-to-quality trade.

The second thing is, everybody heard about the Lehman Brothers bankruptcy in the fall. Lehman Brothers was a huge player in various financial types of transaction, including things similar to this. They do lots of different types of transactions, but in the whole credit derivative market, Lehman was a big player and, as a result of their bankruptcy, they've had to basically undo all those transactions. There are literally thousands and thousands of these transactions being undone which is changing the general pricing in the market. It's just like when I talk about selling your bonds that we don't want to do it in a very crowded market. When the Pennsylvania Turnpike is doing a \$500 million dollar issue that week or the state's doing a big issue, even though 10 million dollars of Derry Township School District bonds is a lot, in the big market, if it's competing against 500 or 600 million dollars, the pricing is going to be off that week. We have a little bit of

that going into what's created the pricing that you'll see and when I talk about it literally being kind of off the charts for this type of transaction, it's those two factors that have created this opportunity. We think it is probably a short lived opportunity, especially as eventually all of these Lehman trades are going to be gone and some of the market pricing will normalize without all that extra activity that's going on right now.

That's kind of the background for what creates the opportunity. On Page 3 to illustrate what it has done to the benchmark indexes for those two markets that I referenced, the tax exempt market and a taxable, I'll get into definitions, but if you look at the chart in the lower right corner, in the key down at the bottom, you see the green line is indicative of something called SIFMA, that stands for the Securities Industry and Financial Markets Association interest rate index. That is an index of tax exempt weekly rate bonds. It's the benchmark for any issuer across the country that has used tax exempt weekly rate bonds. The red line in that chart is something I'm sure everyone has heard on the news with all the discussion of the financial markets over the last year, it's the Libor interest rate and that is an internationally used interest rate for all types of business and corporate transactions. Many people's mortgages if they have adjustable rate mortgages, it's set off of the Libor rate. It's a huge internationally recognized interest rate. That chart in the corner of page 3, especially where we have it circled in the 20 year range is something that we haven't seen before, where a tax exempt and a taxable index are right on top of each other. The tax exempt index line should be significantly lower than where the Libor line is because Libor is a taxable borrowing rate. We have this with all the market problems and things going on, it's created this abnormality that we have Libor and SIFMA sitting right on top of one another and that will translate into some of this pricing that I've mentioned.

On the next page to take a look at that relationship, well how do SIFMA and Libor typically look. When you divide one into the other, if you think about it, because SIFMA is an index of tax exempt debt, it's norm should be about 67% of wherever Libor is. Because if we take the top federal income tax bracket and subtract that from one, that gets us down to about 65%, so that's about where tax exempt interest should be. The norm should be about 67%. You can see the lines here, we've been in that normal range for this entire chart, all of the sudden on the far right we're up at the very top of the chart, basically meaning that relationship has been at 100% or even higher when you look at, we actually got up to 105% that the tax exempt index was higher than the taxable index.

That's where we have this incredible opportunity that's been created by what's happening and to help you understand it on page 5, there are a couple of key points. The first thing to understand is the very first bullet point: that this transaction is simply the school district exchanging a payment with a bank counterparty and the two payments that are going to be exchanged are the SIFMA line that we were just looking at and short term Libor line that we were looking at. Here's where I put the explanations in just a little bit more detailed. People always say, tell me again what SIFMA means, so there's the full explanation of it in a little more detail for you. Libor, again there's the explanation of what Libor stands for. That's the exchange of payments that would occur

over the life of this transaction and that we would expect to result in a positive cash flow to the School District during that time. The third bullet point that says A basis swap trade essentially pays the issuer (that would be you) for the acquisition of tax risk. When we talk about what is significant risk of this transaction, it's basically that something happens to the top tax brackets, the federal income tax brackets, because if there were no longer income tax brackets, the debt that you issue if there was no advantage to get tax exempt debt, nobody would lend money to you at 4% when they could lend it to you at 5% just like they do the corporations. So, that is our significant risk and we start to then zero in on that risk a little bit in some additional detail, but when we look at the pricing right now when those indexes are where they are, they're basically saying that the pricing that's available is indicative of 0% tax rates right now with that relationship, because a tax exempt index is the same as a taxable corporate index. That is one of the first things when we talk about let's line up the pros and cons of why we think this is a good opportunity for the District, one of the first things that we always said about basis swaps is we have ongoing tax risks. Now, we look at it and say if we can get pricing that basically is indicative of tax rates being at 0 that first risk of tax rates actually dropping to 0 and going away, we pretty much just mitigated that because of the pricing that's available so that's the first thing to keep in mind and we'll go back to these, because again some of these concepts are new and we touched on these two years ago on the one opportunity that we talked about on the constant maturity swap transaction. There are some similarities. This is a little bit more of a plain vanilla transaction than what that one was when we looked at the universe of these types of transactions, but the next bullet point again kind of just looks at where we are and why is this relationship where it's at, this ratio of SIFMA to Libor and again, just kind of reiterates this unusual activity in connection with the Lehman Brothers terminating thousands and thousands of trades and again the flight-to-quality that's pushed U.S. Treasury bonds so low and so we look at those couple things and the final conclusion at the bottom of the page is we have these historically high ratios, but how long will they last before they go back to norm?

On page 6, just to graphically illustrate at the top how the transaction works: issuer box, that's you the District, counterparty on the right, the bank, again across the top you see the SIFMA payment being made over there, counterparty making some percent of Libor payment over to the District and that's where we look to see where will the gain occur. To try and help you see that, I thought the best thing to do would be to show you the actual outcome of the first three years of the Dauphin County transaction that is identical to what is being proposed here.

On Page 7, I just put together a list of some of the local entities that have done this exact transaction and back in 2005, Dauphin County did one for 14.8 million dollars and then you can see the other issuer just here in 2009 that have taken advantage of this and this is all just been in the last couple of weeks, but our Township did one of these transactions for 14 million. Dauphin County, when they looked at the pricing they got in 2005 and saw that today's pricing is twice as good, just two weeks ago did 45 million of the identical transaction and Central Dauphin school District just two weeks also did this transaction for about 58 million.

On page 8 to help you look at some real numbers and say, show me how this really works. This is the summary of the 2005 transaction at the county. There you can see the original amount that it was done for was 14.8. the issuer or the county pays the SIFMA index and they receive, see it says 67% of one month Libor plus 39 basis points, so wherever one month Libor goes, that's set every month, you take that rate say at 1% and you add 39 basis points to that and that's the payment that we made to Dauphin County and the SIFMA is at 1/2% in the given timeframe. The county pays out 50 basis points, see it's 139 and obviously is making that positive spread. The positive cash flow to date on the Dauphin County transaction is the County's received about \$145,000 of net payments and to see how that's broken out, there's a little spreadsheet at the bottom of page 8 that shows every six months, the actual what the rate calculated out to be for that 6 month time frame, then what the payments were and what actually happens on these is it's just netted. So if it's net favorable to the county all that happens is they receive a wire for the amount and if it were ever negative, they would simply just have to send in their payment. On the far right, you can see what the semi-annual payments to the county have been on down through to the cumulative total through the last pay period of 145,000 that they've been positive. This is basically what the county looked at and you'll see in a few pages, but just to give the county's illustration the pricing that they could do today is the same 67% of one month Libor, but instead of just getting 39 basis points, it's actually closer to 80 basis points. All of that additional benefit that they can lock in because that's the pricing that's available today. Two months ago or three months ago, it would have been similar to the 67% of one month Libor plus 30 basis points. It didn't make a lot of sense for us to show anybody that opportunity and it hasn't for the last couple of years. It's just simply the way the pricing is lining up with all these other factors happening that has created the opportunity.

That's what it would look like if you actually did this and how the cash flows would go back and forth and obviously your business office would be keeping track of this every six months, there would be a form that is sent in that shows what the rate to be paid or the rate to be received is and what the payment would work out to be.

The next couple of pages talk about tax risks a little bit more detailed and I think it's important that we do spend a little bit of time talking about tax risks and how it would potentially either adversely or in a positive way impact this transaction. I mentioned the one significant risk is if taxes are eliminated, if we go to a flat tax then the value of tax exempt income would basically go away. If that happens, we would expect the payment line, SIFMA to rise right up to where Libor is and there's no spread and we probably don't make much money off of the transaction, but if they stay at historical spreads where SIFMA's down here and Libor's up here, you should be cash flow positive. The one thing that would impact this trade and history shows us very clearly that in times of higher tax rates, and where we are right now tax exempt income becomes even more valuable to people and in those environments when you look back in time, the two indexes get further apart and we have a table and a few pages that I'll show you that goes back to 1985, the whole way through and shows what the top tax bracket was and

you'll see in many of those years when we were at 50% as the top marginal tax bracket that spread between tax exempt rate SIFMA and Libor was very very wide. I think we've had some recent reasons to believe that we could very shortly be back into that environment and so that kind of then goes another check into the column of, well you put this in place, what do we think the outcome's going to be, what shapes up to make it very positive for us? Well, if we can price it when we think taxes are going to 0, if we price it in fact at a time where in the future we think tax rates may even be higher and the difference between tax exempt and taxable income become even greater, that's another thing that says this is a pretty good time to look at an opportunity like this.

One of the other things that we talked about at length on Friday and Mr. Barrett was talking about some of this experience in terms of the market and inflation and what may be happening going forward is that right now we're obviously where there's no inflation in our economy at all. We looked at some of the numbers that have come out recently and we're at ultra low interest rates because the Fed has set rates down at a range of 0 to 0.25% so we're in what we call a very compressed interest rate environment. History also tells us when you're look at any of these charts, in low rate environments, the difference between these lines gets compressed. When we go into a higher rate environment, they pull apart and get even wider. A lot of economists believe that with the significant stimulus and spending and interest rates at close to 0%, we're certainly overly stimulating the economy and at some point hopefully, that provides a jump start to the economy and then potentially look out when it does, because it sets you up for a the potential for significant inflation and rates rising rapidly basically to offset very high inflation. In that environment, if we head toward a higher interest environment again, we find ourselves in a situation where it should be a wider spread and even some of these historical averages that we show, there's the potential that it would be even better than that. So that's an important over all economy thing that helps out with this transaction.

To switch gears to page 11 which is, okay let's talk about a transaction that is tailor made for the school district in terms of how much debt you have, what we think based on our experience with working with the rating agencies and helping to make sure we maintain our great credit rating of AA2 that we have for Moody's, what is a prudent amount of exposure to look at for this type of transaction. We start with that on page 11 by saying, how much debt does the District have outstanding right now? On the top portion of page 11 shows all the general obligation bond issues that are currently outstanding, most recent was the transaction we did last year 2008 and then you can see all of the other issues down through the 2003 bonds which I think actually will be paid off this year. There's 49.2 million dollars of bonds outstanding and then the next category is lease rental that has the debt through the ICBA that was issued for this building project as well as the Technical Schools, your share of the Technical School borrowing that was done in 2007 for their expansion and renovation project. In total, the District has just over 57 million dollars of outstanding debt obligations. When we look at these, we say let's be prudent with this type of transaction, what are rating agencies comfortable with, many school districts have done many of these transactions over the years, the ones that I think work with people that are responsible have done these in

moderation. Others have clearly abused the opportunity to use these types of transactions. We took a look at how much debt there is outstanding and on page 12 we came to the conclusion that if we placed this type of transaction on a portion of several of the District's issues, in the amount of just over 25 million, it would be under 50% of the District's outstanding debt, it actually is about 44%. It would debt that actually is paid down fairly rapidly once it begins to amortize when you look at 2016 how quickly the debt is being paid off on these various issues that we would take a look at attaching this transaction to and 2024 the transactions over. That's what we use as our base case to estimate what the potential revenue generation is for the District.

On page 13 I have a summary. It has a lot of numbers but it helps to put them side by side here and then we'll get into the actual annual cash flows to take a look at the big picture. Here on the left side of the page we're showing you two options. This is really the two most popular ways to do this transaction. The one on the left is going to be a little bit more aggressive, the one on the right is the more conservative of the two. Of the school districts that I've worked with that have done these recently, two have done the right side of the page and one has done the left side. Dauphin County has done the left side. Some of it's just when you look at the numbers and you look at your comfort level with these things, where do you come out? But there is a difference and I just want to review it quickly.

Both of these transactions were on the same amount about 25 million and when you look at the line that says historic potential present value cash flow, we go back and we take the average difference between SIFMA and Libor going all the way back to 1985 when SIFMA was created and we use those averages and say based on those averages going forward at the pricing we can lock in today, what would the potential cash flow to the District be? There you can see on the left side of the page, it's 2.7 million dollars on what we call the ratio basis swap and on the right side, the one that's labeled the spread basis swap, that same line is 2.17 million as the potential estimated benefit over the life of the transaction. Where that's derived from is if you go down a few more lines on the left side, it says issuer pays. We talked about that the issuer pays SIFMA so wherever that index goes, that's the rate the District pays. RBC, that being us the bank pays a percent of 3 month Libor and right there it says 92%. That's the number that is indicative of rates that we haven't seen before that you can lock in receiving 92% of a taxable index like Libor. Historically, that number's down at 60 something percent. Some of the times like in 2005 when Dauphin County did their transaction, that number was probably in the high 70s, so that's how far away from even what used to be they're placing on it, we are and it's bouncing around all the time, but it's been pretty consistent here in the last 2 months in this 92-100 price range. On the right side, you can set the transaction up that you pay the same SIFMA or you take a lower percent of Libor, but to help ensure that you're always receiving a payment, lock in a positive spread of adding the fixed spread of 54 basis points or just over a ½ a percent so that you're always receiving no matter where 3 month Libor is, you're going to take 75% of that and lock in a spread, which hopefully covers the difference and puts you in a positive situation. The right side of the page is really designed for people that think interest rates are going to stay ultra low and it protects you in a low rate

environment, when I mentioned rates are compressed or close to one another. The one on the left side of the page is for if you think interest rates are going to be higher long term, you would actually be much better off on that side of the page because you're taking the full advantage of where ever Libor is and you're going to receive that payment. If Libor goes up to 7% a couple of years from now and SIFMA is at 4 1/2, you'd be receiving a positive 2 1/2 %.

That's the pricing, really the important line of all these numbers that I'm showing you, it comes down to pricing as I mentioned at the beginning and it's that being able to lock in such a high rate of Libor that creates the opportunity. To show you where those numbers came from, just flip back one page to 14 and here's where we try to project again based on the historical averages that we have what this would produce in annual cash flow coming to the District. The left side of the page is the ratio where you're taking a fixed percentage of Libor. The annual cash flows are in the column labeled historical spread potential cash flow and there you can see the first year 2009 since it's only a half year, it's about \$105,000 you would receive based on these averages \$318,000 per year in the full years after that and it goes on down through and ends up at about \$3.5 million of the total projected benefit. One of the things to note in this column is you see the \$300,000 benefit quickly dropping once you get to 2016. The reason for that is your transaction is sized to match your debt and as you're paying the debt down, the transaction is getting smaller at the same time. While that also means that your risk gets smaller because you have less risk to this transaction, it also means that the projected benefit is going to get smaller because you're exchanging money on a smaller amount so that's why that decrease is there. Since this is recommended over time to take the benefit, with present value and all that and the column is shaded and there you can see the PD benefit is that same 2.7 million that we were just looking at at the previous page.

This is probably a good point to mention when you look at these annual cash flows, our very strong recommendation to what you would do if you entered this transaction and after a year 1, there was a positive payment coming into the District, we would strongly recommend that the District create a rate stabilization fund and if you received \$105,000 in year 1, you put that aside in a rate stabilization fund and you have that money there and that way if in year 2 again it's positive you put some more money into that account and that way you're preparing yourself for any crisis that may happen that may cause a 6 month period where you would actually have to make payment out. We'll show you the charts in a couple of pages that show based on current pricing, that hasn't happened since 1985 where you would have been negative. If the pricing wasn't as good as what it is now, absolutely, there would have been years that you would have had to make payments out, but we still recommend that strongly that you have a rate stabilization fund. All of the school districts and Dauphin County and other people that have done these types of transactions over the years have followed that advice and I think what you can look at is at some point, if it's working very well, you don't need \$500,000 or a million dollars if it's gotten to that. Most districts have taken money out of those accounts, they've looked at what are we comfortable with, what do we think our exposure is and transferred that money to a capital projects fund, they've transferred it

to other parts of the budget because at some point you wouldn't need all of that money in there in terms of a rate stabilization. I definitely wanted to mention that.

On the right side of the page is the cash flows projected if you do the more conservative version where you're taking the lower percent of Libor but the fixed spread added to it and there you can see the projection. It's about 2.7 million over the life, 2.1 million when you present value all that back to today's dollars. So that's really what the transaction looks like in terms of the exchange of money. It's going back and forth. I'll be finished in just one or two minutes here. I wanted to show you page 16. I think is really important. This is the page that goes back and looks at where has SIFMA been since 1985 and where, if you had locked in 92% of Libor, what rate is that? We go down through year by year and look at the annual average and then take the difference in the column labeled spread and you'll see every year it's a positive, it's a black number that is positive in 1985, just to make sure you're in the right column, it's 2.49% was the positive spread between SIFMA and Libor. You go to the column right beside that and you also see in that year the marginal tax income rate was 50% we were at. As you go down through that column, you can see it's positive, sometimes by a lot, other years maybe 70 or 80 basis points, but the point of this page and it's significant because I know in 2005 when I was in front of Dauphin County, we showed this page and there were 5 or 6 years that were red, they were negative that we said this is why you have to put a rate stabilization. There should be a lot of great years, but there are some red years. Well with the pricing today as high as it is getting such a high percent of Libor, all of those years are now black. That's a pretty important thing to take a look at. On the right side of the page is the same numbers using the lower percent of Libor plus the fixed spread and again you can see every year was positive. Graphically, some people see it a little bit easier on page 17, it's the same data just with two line charts showing the difference and the blue shading that goes through the middle is how big was that spread between those two lines. The left side of the page you can see more dramatic fluctuations so that's when I said you know if you go with the slightly more aggressive version, you're going to have bigger fluctuations, but when it's positive, it's really positive and you can see how big that spread was there in the mid 90s versus the right side of the page is the fixed spread option, it's much more consistent, but you don't have as big of the benefits that you had on the left side of the page.

Lastly, this was a very good question that was asked by a Board member a couple of weeks ago at a school district I was at, somebody said well this all sounds great, but what would have happened if we would have done one of these in June 2008 and gone through the fall where everything really melted down. What we did here was I took your proposed transaction and showed what the actual rates for SIFMA and Libor were starting in June and what we're using is the pricing that's available today because that's the important key. Had you done this transaction in the summer of 2008, you can see the weekly payments in the column labeled difference receipt versus payments, each week it would have been cash flow positive \$4,000-\$5,000 and so forth and then we hit September where the market really just fell apart. The credit markets were melting down, weekly, interest rates on tax exempt bonds, that's what the SIFMA index follows, people panicked. They thought municipalities were going to default on their debt and

these weekly interest rates on tax exempt debt like you issue went close to 8% on one given week. Where you can see that week you would have had to actually within the equivalent of making out an \$11,000 payment. It got even worse then the following week were it would have been negative \$22,000, then it started to work it's way back down and you get back into line and after four weeks you can see it kind of went back to normal where there was that positive spread between the two. On the left side, the ratio pricing after that 6 month period, even factoring in the four bad weeks, the positive cash flow was \$47,000 right side on the fixed spread transaction the positive cash flow would have been about \$54,000 so that's taking into account again what we hope was one of the worst financial crisis that we've seen in terms of the actual credit markets just coming completely uncoupled and the problems that we had on September.

Obviously, we've looked at these things and say "okay, what can go wrong?" and we look at this type of data, what are all the things that offset those risks. We've talked about strong the pricing is and where you enter it today, we've talked about the environment that we find ourselves in just economically with federal budgets that are large, with spending that we're doing that potentially has the ability to inflate the economy in the future and if everything really sets up well that this transaction looks very attractive to a lot of people and we think in moderation, we think it's a good idea for this District. I'd be happy to answer any questions on it. It's a lot of different stuff and it's different than the normal bond issues that we're talking about, just some fixed rates, but.

Mr. Barrett: A quick summary. Thanks a lot Lou for bringing this to us and we appreciate you explaining it in detail which to us has been kind of this last week so we can kind of vet out some things with you as well, but just to kind of amplify some of the things that you said which I think are really important. Even before you got to the recommendation, I think that as a Committee we all said that we would have to reserve in a rate stabilization fund whatever positive cash flows there were because our concern was we didn't want the positive cash flow going to into operations and then if there were to be an issue, God forbid, somewhere down the line, that would chew up all our positive cash flow, so we obviously would recommend that there would be a rate stabilization fund if we consummate the transaction. Somewhere down the line it's going to help us with capital dollars, if we get to a point where the fund is build to a large degree then we could look at what capital items we want to choose to purchase with that. Another thing too when the Committee went through this and hopefully you guys can jump. When we saw the first strategy, we asked you to come up with a kind of in between strategy and looking at page 13, I think this was John actually who wanted us to look at this, and I don't want to speak for everybody, but I think we kind of looked at their spread basis swap strategy, the second to the right, with the fixed spread at 0.54 to kind of give us some slight cushion in case the markets were to become radical again. I think those are kind of the material things that we looked at and if you could just before questions walk us through because we would have to move fairly quickly what the process would be, so everybody has an idea?

Mr. Verdelli: Before I do that, I have one important question that was raised on Friday that I didn't reiterate is someone raised the question of what happens to our credit rating if we do something like this and I think that's important to talk about. Many districts that have done this transaction back, and it's easiest to use as an example, Central Dauphin. They did this transaction two weeks ago for 58 million at about the same time they were doing a refunding bond issue. Their credit rating was reaffirmed. They had a AA rating from Standard and Poor's and we reaffirmed. Standard and Poor's takes a section of their report and looks at whether those statistics have any outstanding swap transactions like this. They review that and they look at the risks of it, how's it set up, what type did they do, how are they budgeting for it, how much is it compared to the debt that they have. When you do those things and follow the recommended standards of the rating agencies, it should not impact the District's credit rating. I think if we were standing here saying, let's do this 100% of the debt and let's go all left side of the page, and we're not going to create a rate stabilization fund, if Steve and I had to say that on the rating call, I don't think we would get the lowest risk profile in that rating section of the credit rating process. I'm pretty confident that done in the proper way and in moderation that this would not impact the District's credit rating and that's an important part that I did miss.

Timing wise to put one of these transactions together you really need three parties. You need a bank to do the transaction with, you need an independent financial advisor under state law that basically would walk through everything that I just said and tell you here's what the risks are, here's what the potential benefit is, and put together something under the state law that allows you to do these types of transactions. It's called an interest rate management plan and it basically reviews all of the District's outstanding debt, it reviews the mechanics of this process, it reiterates what the risks are and then basically makes some conclusions about the transaction so that document has to be prepared. It's a pretty substantial document that goes into that and you need your Bond Counsel as the third party because you have to authorize this similar to when you do a bond issue you have to place an ad in the paper that you're going to incur this transaction and a legal resolution is drawn up that basically ties into the documents that are involved.

One of the other risks that is reviewed in the interest rate management plan, it will talk about tax risk, it will talk about counterparty risk. You say well how do we make sure we mitigate all the risks of this transaction. You're entering into a contract that you're going to exchange payments with somebody for the next 15 years. You want to make sure that that entity is going to be around. What can you use to gauge that? The tool that all of the financial markets use as you know is credit ratings. Obviously, those ratings failed certain people and certain banks as we've learned here over the last year, but it's all we have to go on. The standard recommendation is you do these transactions with entities and the first rule of thumb should be somebody that's credit rating is equal to the rating of the entity entering into it. Obviously, we talked about your credit rating is AA2. You want to find somebody that has a AA2 rating or better. RBC's credit rating is AAA. We talked about this on Friday in terms of mitigating the risk. You're looking at a bank where there's only seven banks in the world left that have a AAA rating. In North America, there's only 2 and they're both Canadian banks at this point.

Mr. Barrett: So, no talks like assets? There isn't anything on their balance sheets that would give us cause to have heartburn like a city or anybody like that?

Mr. Verdelli: When you look at, again, you have to go by the credit rating reports, obviously those rating agencies are digging into those things more aggressively than they ever have. Certainly, even when you talk to a school district business manager that's recently been through a rating call, they are asking questions I have never heard them ask in 16 years of doing this work. You look at those rating reports and say are we doing this with somebody that hopefully mitigates the risk that they're not going to be around 15 years from now to make that final payment to us. Again, in the documents when you see these types of documents, there is substitution language so it doesn't mean that the people that did these transactions with Lehman Brothers were left out to dry. That's not the case. What's happening when I talk about this abnormal flow is Lehman in their bankruptcy costs are actually having to go out, find banks like us that are willing to step into those transactions, redo them with those issuers, and Lehman as part of their bankruptcy costs has to be pay all the costs to make that happen.

Mr. Barrett: So it binds the successors and assigns down the line.

Mr. Verdelli: That's right. So if there ever was a downgrade or your bank ever hit a point where you were uncomfortable, there's language that allows you to do those types of substitutions and that's important and that was all written into the Pennsylvania law designed to protect issuers that do these types of transactions.

Mr. Barrett: But I know because the paperwork and processing are slightly different, we would just be asking you to prepare those documents for consideration at the next board meeting which is march 9, correct?

Mr. Verdelli: Correct. We have nothing prepared. This is just a highlight of it and if you wanted to move forward and actually have a vote to do this type of transaction we could pull everything together potentially and be ready for that next meeting on the 9th if that's what you would like us to do. Obviously, a great deal of work will have to happen between now and then to do that, but that's when you would actually consider authorizing the transaction and go forward.

Mr. Barrett: I want my colleagues to jump in here, but I think that one of the things we were talking about was the spread basis swap on the right hand side of the ledger and I think one of our recommendations based on the information you gave us would be to proceed so that we could approve on march 9. I think that's what we had talked about in our committee meeting.

Mr. Gräb: I have to concur with Mr. Barrett, that's what we discussed on Friday. However, before we make a decision between the spread basis and the ratio basis swap, I think we need to explain this to the entire Board because I remember at the finance committee meeting on Friday, we were kind of split between the middle between

those that lean towards the left, the big buck type spread and those that lean towards the spread basis, which is why I asked Lou if he would come back and kind of give us a kind of middle of the road approach. Now, when we present this to the entire Board, we may have some more high risk people who would lean more toward the rate basis swap and a couple things you brought out Friday and I want to reiterate. We do not incur any additional bond debt. This doesn't cost us any money. It takes absolutely no money out of our pockets and I think if I remember correctly you had mentioned on Friday, if after 5 or 6 years we're really happy with the amount of money that has been brought in and we want to play that childish game and take our money and run, that possibility exists.

Mr. Verdelli: Well let me clarify the first one that you pointed out. You're not incurring debt. The debt we looked at on Page 11 that's outstanding doesn't change so this is not a borrowing in any way of incurring additional debt for the District. That's absolutely correct and that's a great point. The second one which is after a couple of years it could be working very well, but because this is an investment contract which basically always has value, just like if you buy a U.S. Treasury bond that matures in 10 years, every single day the value of that changes because it has a fixed interest rate and as interest rates move up and down in the market, it becomes either worth more or less every single day. Because this is a live contract, its value would go up and down every day. Well, what drives that? The relationship that we talked about SIFMA and Libor. If they go back to normal where SIFMA is down here below Libor, this transaction will appreciate significantly in value and this is in fact what many districts have done that have used variations of this type of transaction in the past is they look and say well I'm hoping to make a million or two dollars over the next 15 years and two years from now when it's a completely different market and we update this virtually daily and I see that you could terminate the transaction at a positive value of 1.5 million, we bring that to our client's attention and say okay you can terminate, receive the 1.5 million of the value of the contract and everything ends, the exchange of payments ends, the risks go away, obviously if you were cash flow positive the positive payments go away too, but you are kind of taking all of that up front.

Mr. Barrett: I think an interesting thing here too, Lou, just to point out and John's questions is on page 18, when you looked at the comparison charts of the ratio basis versus the fixed spread charts, you had better positive cash flow with the fixed spread basis and you have the worst times in the market in September and October than you could have ever had. I think one thing that's important because it goes, I hate to use the word risk, but risk is a good word to use, in a time where the inflationary issues, which we know are definitely coming, how would that affect those spreads? Would that geometrically increase the positive cash flow? It would have to.

Mr. Verdelli: Again, when you point out that right now page 18 it's more attractive to be on the right side of the page. Again remember we've been in this compressed environment, very low rates, so getting that fixed spread is really over compensating you for the environment that we're in, so in a higher interest rate environment, what you typically would see is those lines pulling apart and under that environment, if you're

taking a full percent of Libor, the more percentage of Libor that you can get, the bigger payment you're going to get, so you would benefit more in a higher rate environment with the left side of the page.

Mr. Barrett: And we know that's coming.

Mr. Verdelli: But again if it doesn't come, you're guaranteed a little bit more with the right side.

Mr. Gräb: Thank you. One additional point if I look on page 20 and the first bullet there where it says counterparty risk which would in essence be you, I just wanted to take this time to thank you for your follow up on Friday, because after the meeting you were kind enough to send us that article that was in the financial news I think it was?

Mr. Verdelli: Financial Times.

Mr. Gräb: Financial Times on Friday and I just wanted to thank you for that because it gave me another opportunity to sit down and read and see where your particular position would be and being one of the better banks in the world, not necessarily in north America, that was comforting, so thank you.

Mr. Verdelli: You're welcome.

Mrs. Sheffey: I had time to think about this over the weekend and as I look this over, this all assumes, all of the projections, assumes that the market returns to normal. It's using historical trends. If that doesn't happen, we would probably expect much lower returns.

Mr. Verdelli: If you go to page 15, because that question has come up and it's a great question to ask because all we can do is use averages in this situation to try and project what we think the benefit is, but we can also say, here today is what the spread is between these two and if you entered it today and the transaction started tomorrow, where would you be and there you can see based on the current pricing where that current spread is that it still would be cash flow positive. To zero in on that number a little bit more if you turn to page 16, the very first line in these boxes says current week, so again you can see SIFMA last week was a 0.66, 92% of 3 month Libor was at 1.15 for the positive spread of 49 basis points. It's currently positive and then as you go down through at the very bottom, you can see the various averages, the average since 1985, the average since 1990. obviously, we're using the average over the longer timeframe, it's the appropriate thing to do, but even currently, it is cash flow positive. On the right side of the page just to emphasize we're in a low rate environment so you can see where picking the fixed spread is a little more beneficial. You're still paying SIFMA at 0.66, but if you take 75% of 3 month Libor, add 54 basis points to it, you're at 148 for a positive spread of 0.82. You have that wider spread that's available. Even if nothing changed and you entered it, you're still cash flow positive.

Mrs. Sheffey: Can the counterparty sell this swap? It would have to stay with you?

Mr. Verdelli: Basically, when you think about how it's set up, the state law that was written says you who have entered this with a bank, you the issuer, at any time can terminate it. So if it's worth 2 million dollars you can call and terminate. If there's something going wrong with the District that you need to terminate the transaction no matter what you always have that ability to do that. We as the partner in the transaction do not have the ability to terminate the contract with only one exception and that is if the school district's credit rating falls below investment grade. Right now you're up in the high AA category, then there is single A and triple B and only after you get below triple B are you in the non investment grade so the rating would have to fall multiple notches to be in that situation where the bank could actually cause you to terminate the contract in any environment. You say, what's the worse case scenario? The worse case scenario would be you do this now and these relationships continue to get worse where the tax exempt rate is higher than the taxable and under that situation the value of the contract would be negative to you, say it's negative 500,000 and something happens a year from now and the District's credit rating drops dramatically and you were triggered to terminate that contract, you would have to terminate it and make the termination payment that goes along with it on the market value and if it's negative 500,000, that's what you would have to pay to end the contract because you created that situation so that is the only way that it can be terminated by the bank. You have that sole right at any time.

Mrs. Sheffey: I just want to make sure. This would not jeopardize our ability to refinance the bonds that it's linked to?

Mr. Verdelli: That's a great point. Again, I had that in a bullet point but skipped over it. When you set this and attach it to some of the debt, you are not encumbering that debt in any way that you can't refinance it as a result of a refunding opportunity when those opportunities come up. We've done that many times when these types of transactions are in place. We do a filing at the state where you tell the state we've refunded those old bonds, we've issued new 2010 bonds to refund those old 2005s and transfer the contract over and so no, it does not impede your ability to do anything with your debt.

Mrs. Sheffey: The last thing, when we talk about will this jeopardize our bond rating, what if we have reoccurrence of September and October and that just happens to be at the time that we're looking to do our middle school expansion, would that harm our bond rating in that situation?

Mr. Verdelli: I think the only way it would is, because when we talk about the rating process and Steve has been through this many times, what do they look at? They look at first the overall financials of the District, what are your fund balances, do you budget conservatively, what's the trend, expenses being managed well, budgeting being done well. That's kind of the first component that goes into your credit rating. Second is the economy, the real estate, the people that live there, what's happening there, is it a strong economy, are the wealth levels above average, are the real estate values strong

and improving and not decreasing, that's the next component in the credit rating. The third is how much debt do you have. Is it a lot of debt, is it a little bit of debt? Is it all variable rate debt that's more risky than fixed rate debt? Is it all paid off quickly, so you have the debt component. The fourth category now since these types of products have been available, is what exposure do you have to these types of transactions. They look at was it used in moderation, is it with a counterparty that has a very good credit rating, how much is the transaction and the formulas and things that go into it. I think what you're asking is would it automatically mean if you had 6 bad months, that you would get a credit rating downgrade. I don't think so. I have definitely seen districts where they've had a bad year or two and they drew down the fund balance dramatically but they were AA rated districts, everything else was good. The economy was still good, the debt was manageable and they maintained their credit rating. I think it would have to be everything going wrong all at once to jeopardize your credit rating.

Mr. Chabal: Steve, do you have any questions?

Mr. Rineer: This is the second time I've been through this including the time two years ago that we looked at it as well. I've talked to some of my colleagues, they found favor with it. I think what we have is, if we're going to authorize the transaction going through on the first Board meeting in March, we still have 2 weeks to review the data and satisfy ourselves that this makes sense to move forward with.

Mr. Barrett: We did ask Steve to make sure that he had a comfort level with it, but just a one final thing to ask you. One thing to think about in the short term is we are going to see higher interest rates and inflation, at least in the short term, I can't see how that's not going to happen. When we select which way we want to go, it's probably something we should think about in the term of the transaction.

Mr. Stover: Lou, when we looked at this two years ago, I know personally I was not in favor of it because it was risk averse, that was using different ball game. How would you compare the risk of that transaction with the risk of this transaction?

Mr. Verdelli: That transaction was definitely when we look at the categories. A basis swap is simply where you're exchanging variable rate payments. It means nothing more than exchanging two indexes that are moving. That one was the same thing except we were using one index that was a long term index indicative of 10 year rates and the other was a short term index 1 month Libor. So, the Libor part is pretty much the same here, but I think a lot of people on the constant maturity swaps were a little bit uncomfortable because it felt like you were mismatching assets and liabilities in a way. But, essentially you were looking at what's the normal relationship between short term rates and long term rates and normally long term rates are higher and short term rates are lower and those transactions have all worked out very favorably for people. Steve made a good observation on Friday in that when you looked at the potential benefit of that transaction two years ago and the pricing that was available to do that, versus the pricing that's available on this type today, it's a much stronger argument, because also two years ago on this page that has the averages, you may remember there was 5 or 6

red years that I said you have to be prepared for that. The argument because the pricing being so much stronger really helps to reduce some of that risk, but you're exactly right, you zeroed in on, we were looking at a 10 year rate versus a 1 year an exchange. Here, you're simply looking two short term, you're using basically the same index, a Libor index and the weekly rate SIFMA index, so short term rates that are more prone to be moving together whereas you picked up the additional risk and people would say, okay that's yield curve risk, what are all the factors that go into the shape of the yield curve? We all know there's tons of economic factors that change short term rates and long term rates and how they react to one another. Here, when we look back at what impacts the short term rates, there are not as many variables. Also in the pricing of those constant maturity swaps, there was more that went into it because there was also a little bit of the relationship of taxable and tax exempt debt kind of woven into that. In the category of which one was more complicated, the constant maturity swap was more complicated and had more risk. This one you've heard me talk mostly about tax risk, that's really the main risk of this in terms of what could really go wrong is if taxes were dramatically decreased or eliminated. Again, just like when I tell you on a refunding, we usually have some idea when rates are coming lower and rates are going higher and we'll call you up and say we better get moving or if you're thinking about that project, maybe we ought to think about it now because rates look like they're going higher, you start to have indications that if we're getting signs that maybe tax rates are going to be dramatically reduced you have time to terminate this and walk away from it, that hopefully you're not caught just one day that you walk in and all the sudden, tax rates are at zero and your transaction doesn't look too good.

Mr. Rineer: I have one question that came to mind. Besides the obvious different in rate risk between the two, what kind of fees can we expect to have to pay on this. We're going to have a fee for a financial advisor, we're going to have a fee for bond counsel. How typically are those fees paid and are they recurring from year to year?

Mr. Verdelli: Good question. Those fees are typically paid up front one time that you the District would have to pay the advisor and pay the bond counsel for preparing the documents and the interest rate management plan. They are basically in a round about way, they use somewhat of a benchmark of the size of the transaction, but it's not necessarily correlating dollar for dollar. Those total fees, I'm not sure because I haven't made any estimates of that, they would probably be I would think maybe around 100,000 to put that in, but again that's one time. Ongoing fees, what we do recommend obviously is the ongoing monitoring of this so you would probably in this case, this would be your only transaction like this, so some districts that have four or five of these transactions engage that same advisor that prepares the interest rate management plan, engage them to on an annual basis do evaluations of the transactions and give you a report basically stating that. The only ongoing cost is if you chose to have an advisor on a yearly basis tell you and give you a report, those typically they quote that fee at \$2,500 to do that on an ongoing basis. Some districts will do that basically can call us at any time because it's on our books and we can tell you exactly what it's worth for putting in the audit. Because at the audit at the end of the year when you say we

have this type of transaction, the auditor has to put in the current market value at year end and you can call at any point and time and get that number.

Mr. Malkoff: Lou, I would also like to thank you for your presentation and laying out the material for us. Just an observation, it just seems to me with the disruptions of the markets, we have a really unique opportunity here and when you mentioned the risks of either a lower interest rate or lower marginal tax rates, it just seems that more we're at right now, that that doesn't seem to be a major risk for us at all. In terms of the different municipalities that you work with that have done similar deals recently, have they leaned toward the left or toward the right with the fixed versus toward just the straight percentage of Libor?

Mr. Verdelli: Good question and just on the ones that are here that 2005 Dauphin County, there you can see they took that fixed spread of plus 39 basis points. The transaction that the county just did a few weeks ago they actually did the left side which was just the straight fixed percentage, no ongoing positive spread. The township did the straight fixed percentage, Central Dauphin did 70% of Libor plus they ended up with a fixed spread of around 65 basis points. New Hope Solebury school district last week completed this and they chose the fixed spread. Theirs ended up being about 70% of Libor plus 65 basis points was where we got that one priced. So it's almost been half and half.

Mrs. Chabal: Any further comments? Lou, just from a time management standpoint making sure that I understand and Steve understands, if we are looking to bring this forward for Board approval the 9th of March, I think and John correct me if I'm wrong, were you expressing some concern with our absent 3 members?

Mr. Grab: My concern was where the 3 absent members might lie – more toward the left hand side of the paper or toward the right hand side of the paper. That was my only concern. Right now, the way we discussed it on Friday, we were kind of like 2 and 2.

Mrs. Chabal: Okay. I don't really know quite how to solve that issue. If the Board, as we sit this evening want to recommend that we go forward and start the paperwork, would we need to know at that time what side we might be leaning on or is that something that comes a little bit further down the time management line.

Mr. Verdelli: Good question. We don't need to know that tonight. We can prepare all the documents and leave the formula line blank and we've done that before until we get to the final meeting. At that point and time, once you authorize it, then you have to pick which formula do we want. The transaction the way these transactions work is just the opposite of a bond issue. When I bring you a bond issue, we actually sell the bonds the day before, lock in the interest rates, and I bring the final to you for your consideration. With these transactions, the way the market works is basically you have to authorize it first and if everything's ready to go, we would get on the telephone conference call and the transactions priced the next day where we actually lock in that specific formula. So you really have up until the night that you authorize it to select which version you want.

Mrs. Chabal: Okay. Mr. Finance Chair, how do you plan on handling that part of it?

Mr. Barrett: I think one of the things we would ask everybody here is are they okay with us going ahead with the transaction and then in the interim, we lay out both options for final decision on the 9th. I think as far as rates themselves, but I think we're recommending that we go ahead with the transaction.

Mrs. Chabal: I don't disagree with that, I was just trying to make sure that we didn't get up to the last minute and not have enough consensus to have some feeling for what side to choose.

Mr. Verdelli: I agree with that.

Mr. Barrett: It gives everybody a chance to take a look at it and in two weeks we can answer questions.

Mrs. Chabal: John, are you okay with that?

Mr. Gräb: I am fine with that. Thank you.

Mr. Verdelli: And certainly if somebody would like to see some other option that's again somewhere in between what we've shown here, we're happy to run those and somebody can just let Steve know and we can rerun the numbers and send you pages.

Mr. Stover: The difficult part about this is going to be the three people who aren't here, Steve, are you comfortable with being able to explain this to them?

Mr. Barrett: Steve understands it.

Mr. Stover: We need to have a plan to bring them up to speed.

Mrs. Chabal: That was my comment. That's why I referred over to the Finance Chair to see if he's willing to make sure that happens.

Mr. Barrett: I will. I think between Steve and I we can, but we do have a question. As far as the up front fees, Lou, do they happen with the investment? Once the contracts are signed, is that when the fee is transacted?

Mr. Verdelli: Yes. Basically when you complete it that's when the fees would be due. The money would be sent to Steve to actually make that payment and he would have the invoices and within a couple of weeks typically those fees are paid. I would just because we talked about this on Friday I had certainly volunteered knowing that there were some people that weren't here. If those people are interested in sitting down, obviously I'm available at any time to sit down and review this and try to help them

better understand it. I don't think it would be necessarily fair to come right in two weeks from now and put something like this in front of them.

Mrs. Sheffey: Just a question on the fees. We talked on Friday about setting parameters that we would only move forward if it was at a certain level, do we pay the fees if we choose not to go forward?

Mr. Verdelli: No. It's just like a bond issue unless the transaction's completed, there's no cost. About the only cost would be for running the legal advertisement announcing your intention.

Mr. Barrett: Can you get us a better number on what those fees are, I think that's important.

Mr. Verdelli: Obviously, we haven't talked to the potential professionals that you would need, so once we would do that, Steve could get you that information.

Mr. Barrett: I think it's great that Lou offers that ability to come back in so maybe we'll make that available to the other 3 Board members if they want to schedule it, that's a good idea before that meeting.

Mrs. Chabal: You're in charge of that.

Mr. Barrett: I'll work through Steve with you on that Lou, but thank you for making that offer. I appreciate that.

Mrs. Chabal: What's the proper protocol?

Mr. Rineer: We probably just did it when we told Lou to go ahead and we'll take action March 9.

Mrs. Chabal: So we don't need a vote?

Mr. Rineer: Lou, you're not obligating us to pay anything yet correct?

Mr. Verdelli: No.

Mrs. Chabal: Okay. Well then you have the nod.

Mr. Verdelli: Okay. Well thanks for paying attention. I know it's not something you talk about every night at a school board meeting.

Mr. Barrett: Thanks Lou for your time.

Mrs. Chabal: Thank you very much.

UNFINISHED BUSINESS

4.01 Unfinished Business

None.

NEW BUSINESS

5.01 Approval of Finance Report for January 2009

1.	The Treasurer's Report for the month ending January 31, 2009 was summarized as follows:	
	• General Fund Revenues	\$1,448,962
	• General Fund Expenditures	4,072,163
	• Balance of Cash Plus Investments	25,131,920
2.	The listed schedule of investment transactions for the period beginning January 1, 2009 through January 31, 2009 had total interest earnings of \$58,245 comprised of the following:	
	• General Fund	\$443
	• Money Market	29,398
	• Certificates of Deposit	28,401
	• PA School District Liquid Asset Fund	0
	• PA Local Government Investment Trust	3
	The average interest rate for January 2009 was 2.63%	
3.	The January 2009 expenditures for the paid bills for all funds totaled \$1,651,209 excluding net payroll, retirement contributions, and debt service.	
4.	The February 2009 expenditures for the unpaid bills for all funds totaled \$579,843.	

5.	The estimated expenditures of the General Fund for the month of February 2009 were in the following amounts:	
	• Operating Expenses	\$900,000
	• Utilities	129,000
	• Net Payroll (3 pays)	1,177,000
	• Employer Provided Insurance	309,900
	• Payroll Deductions	590,000
	• Employer Payroll Taxes (FICA/RET)	136,000
	• Debt Service	<u>0</u>
	Total Estimated Expenditures	\$3,241,900

Mr. Barrett moved the Board approve the Finance Report and was seconded by Mr. Malkoff.

Roll Call Vote:

Barrett – Yes

Donahue – Absent

Parrish – Absent

Chabal – Yes

Gräb – Yes

Sheffey – Yes

Cronin – Absent

Malkoff – Yes

Stover - Yes

6 Yes, 3 Absent

MOTION CARRIED

5.02 Budget Transfers

Section 687 (d) of the Public School Code provides: The Board of School Directors shall have the power to authorize the transfer of any unencumbered balance, or any portion thereof, from one class of expenditures or item, to another, but such action shall be taken only during the last nine (9) months of the Fiscal Year."

The Administration recommended the Board authorize the February 2009 budget transfers.

Mr. Barrett moved the Board approve the request and was seconded by Mrs. Sheffey.

Roll Call Vote:

Barrett – Yes

Chabal – Yes

Cronin – Absent

Donahue – Absent

Gräb – Yes

Malkoff – Yes

Parrish – Absent

Sheffey – Yes

Stover - Yes

6 Yes, 3 Absent

MOTION CARRIED

5.03 Requests for Payment - Construction Project

The Administration recommended the approval of the following invoices as reviewed and approved by Mr. Consalo:

	Elementary School HVAC Improvements:	
1.	Trane, Inc. (HVAC Contractor) Application No. 09	\$45,000.00
	Multi-Purpose Practice/Playing Fields:	
2.	Hayes Large Architect LLP Bill No. 0901-028	1,920.00
3.	Hayes Large Architect LLP Bill No. 0902-003	78,480.00

Mr. Malkoff moved the Board approve the request and was seconded by Mrs. Sheffey.

Roll Call Vote:

Barrett – Yes

Chabal – Yes

Cronin – Absent

Donahue – Absent

Gräb – Yes

Malkoff – Yes

Parrish – Absent

Sheffey – Yes

Stover - Yes

6 Yes, 3 Absent

MOTION CARRIED

5.04 Approval of 2009-2010 School Calendar

The Administration recommended the approval of the 2009-2010 School Calendar.

Mr. Stover moved the Board approve the request and was seconded by Mr. Barrett.

Roll Call Vote:

Barrett – Yes

Donahue – Absent

Parrish – Absent

Chabal – Yes

Gräb – Yes

Sheffey – Yes

Cronin – Absent

Malkoff – Yes

Stover - Yes

6 Yes, 3 Absent

MOTION CARRIED

5.05 Approval of Bid 2009-02 - Five 2010 - 77 Passenger School Buses

The Administration recommended bid 2009-02 be awarded to M. A. Brightbill Body Works, Inc. in the amount of \$428,950 for five new 2010, 77 passenger school buses. M.A. Brightbill Body Works, Inc. was the lowest bid that met specifications.

Mr. Malkoff moved the Board approve the request and was seconded by Mr. Barrett.

Mr. Gräb: Just one question. Mr. Yarian, this is the normal replacement of X number of vehicles every year and has nothing to do with the two tiered bus schedule?

Mr. Yarian: That is correct. This sets us up for whatever direction is chosen.

Mr. Gräb: Thank you. I just want to get that out there for the public.

Mr. Yarian: The difference is, if we don't go with the two tiered system over the summer, we'll be selling 5 buses. If we do go with the two tiered system, we won't.

Mr. Gräb: Okay, thank you.

Mrs. Sheffey: These are the buses that are included in our Capital Maintenance Plan?

Mr. Yarian: Correct.

Mrs. Chabal: Thank you.

Roll Call Vote:

Barrett – Yes

Donahue – Absent

Parrish – Absent

Chabal – Yes

Gräb – Yes

Sheffey – Yes

Cronin – Absent

Malkoff – Yes

Stover - Yes

6 Yes, 3 Absent

MOTION CARRIED

5.06 Approval of Bid 2009-01 Middle School Yearbook

The Administration recommended the approval of Lifetouch National School Studios be awarded bid #2009-01 for the three-year contract (July 1, 2009 through June 30, 2012 to publish the Middle School yearbook. Lifetouch was the lowest bidder that met specifications.

Mr. Barrett moved the Board approve the request and was seconded by Mr. Malkoff.

Roll Call Vote:

Barrett – Yes

Donahue – Absent

Parrish – Absent

Chabal – Yes

Gräb – Yes

Sheffey – Yes

Cronin – Absent

Malkoff – Yes

Stover - Yes

6 Yes, 3 Absent

MOTION CARRIED

5.07 Approval of Strength and Conditioning Agreement

The Administration recommended the Board approve and ratify the Strength and Conditioning Agreement with Drayer Physical Therapy Institute, LLC. Under the Agreement, the District will pay Drayer \$50 per hour to provide a Certified Strength and Conditioning Specialist for the remainder of the 2008-2009 school year.

Mr. Malkoff moved the Board approve the request and was seconded by Mrs. Sheffey.

Mr. Gräb : Mr. Rineer, this is a budgeted item?

Mr. Rineer: Yes.

Mr. Gräb: Thank you.

Roll Call Vote:

Barrett – Yes

Donahue – Absent

Parrish – Absent

Chabal – Yes

Gräb – Yes

Sheffey – Yes

Cronin – Absent

Malkoff – Yes

Stover - Yes

6 Yes, 3 Absent

MOTION CARRIED

Mr. Barrett: Madam president, I'd like to make a motion that we combine Items 5.08 and 5.09, because they are substantially the same.

Mrs. Chabal: May I have a motion to combine?

Mrs. Sheffey moved the Board approve the request and was seconded by Mr. Barrett.

Roll Call Vote:

Barrett – Yes

Donahue – Absent

Parrish – Absent

Chabal – Yes

Gräb – Yes

Sheffey – Yes

Cronin – Absent

Malkoff – Yes

Stover - Yes

6 Yes, 3 Absent

MOTION CARRIED

5.08 Approval of Thirty-Day Review of Proposed Policies: 113.2 Positive Behavior Supports, 113.3 IEE, 249 Cyber Bullying

The Administration recommended the approval of a Thirty-day Review of the following proposed Policies: 113.2 Positive Behavior Supports, 113.3 IEE, and 249 Cyber Bullying in the following locations: Hershey Public Library, Derry Township Tax Office, Derry Township Municipal Office, Hershey High School Library, and the District Office.

5.09 Approval of Thirty-Day Review of Revised Policies: 113 Special Education, 209 Health Examinations, 247 Hazing, 248 Unlawful Harassment, 916 Volunteer

The Administration recommended the approval of a Thirty-day Review of the following Revised Policies: 113 Special Education, 209 Health Examinations, 247 Hazing, 248 Unlawful Harassment, and 916 Volunteer in the following locations: Hershey Public Library, Derry Township Tax Office, Derry Township Municipal Office, Hershey High School Library, and the District Office.

Roll Call Vote:

Barrett – Yes

Donahue – Absent

Parrish – Absent

Chabal – Yes

Gräb – Yes

Sheffey – Yes

Cronin – Absent

Malkoff – Yes

Stover - Yes

6 Yes, 3 Absent

MOTION CARRIED

5.10 Approval of Textbook

The Administration recommended the approval of the following textbook for the use in the 2009-2010 school year:

<i>Curricular Area:</i>	Social Studies
<i>Subject/Course:</i>	AP Human Geography
<i>Title:</i>	Human Geography: People, Place, and Culture
<i>Publisher:</i>	John Wiley and Sons
<i>Author:</i>	H. J. DeBlij, Alexander B. Murphy, and Erin H. Fouberg
<i>Copyright:</i>	2007

Mr. Malkoff moved the Board approve the request and was seconded by Mrs. Sheffey.

Mr. Malkoff: Dr. Kepler, how often are textbooks replaced and for what reason typically.

Dr. Kepler: Textbooks, I think, are continually reviewed on a course by course basis. In this case, I want to say this is a relatively new course that is proposed for 2009-2010.

Mrs. Sheffey: It's a new course and it was recommended by the Curriculum Council.

Roll Call Vote:

Barrett – Yes

Donahue – Absent

Parrish – Absent

Chabal – Yes

Gräb – Yes

Sheffey – Yes

Cronin – Absent

Malkoff – Yes

Stover - Yes

6 Yes, 3 Absent

MOTION CARRIED

5.11 Approval of Overnight Field Trip/Excursion - High School Bands - State Band Festival

The Administration recommended the approval of the following overnight field trip/excursion:

<i>Group:</i>	High School Bands
<i>Destination:</i>	East Stroudsburg North High School, Dingman's Ferry, PA
<i>Purpose:</i>	PMEA Region V State Band Festival
<i>From:</i>	March 4, 2009
<i>Until:</i>	March 7, 2009

<i>Trip Leader:</i>	Richard Miller
---------------------	----------------

The District reserves the right to cancel the excursion based on events that could pose a heightened or security risk.

Mrs. Sheffey moved the Board approve the request and was seconded by Mr. Barrett.

Roll Call Vote:

Barrett – Yes

Donahue – Absent

Parrish – Absent

Chabal – Yes

Gräb – Yes

Sheffey – Yes

Cronin – Absent

Malkoff – Yes

Stover - Yes

6 Yes, 3 Absent

MOTION CARRIED

5.12 Approval of Overnight Field Trip/Excursion - Hershey Powerlifting - Albany, NY

<i>Group:</i>	Hershey Powerlifting
<i>Destination:</i>	Albany, NY
<i>Purpose:</i>	Powerlifting Meet to Qualify Kids for Nationals In April
<i>From:</i>	February 27, 2009
<i>Until:</i>	February 28, 2009
<i>Trip Leader:</i>	Dan Hugendubler

The District reserves the right to cancel the excursion based on events that could pose a heightened safety or security risk.

Mr. Malkoff moved the Board approve the request and was seconded by Mr. Stover.

Roll Call Vote:

Barrett – Yes

Donahue – Absent

Parrish – Absent

Chabal – Yes

Gräb – Yes

Sheffey – Yes

Cronin – Absent

Malkoff – Yes

Stover - Yes

6 Yes, 3 Absent

MOTION CARRIED

5.13 Approval of Overnight Field Trip/Excursions - Pennsylvania Music Educators Association (PMEA) and American Choral Directors Association (ACDA) Ensemble Festivals

Event	Date(s)	Destination	Sponsor	Director Registration	Director Lodging	Student Lodging	Student Fee	Related Expenses
PMEA All-State Music Honor Ensemble Festivals	4/22/09 to 4/25/09	Valley Forge, PA	H.S. Music Department	\$110.00 - \$125.00	\$125.00 /night	N/A	\$300.00/student	Meals/tolls
ACDA-PA Jr. High School State Honor Choir	8/2/09 to 8/3/09	Penn State University	H.S. Music Department	\$180.00	\$125.00 /night	N/A	\$125.00/student	Meals
ACDA Eastern Division High School Honor Choir (deadline for application-June 15, 2009)	2/10/2010 to 2/13/2010	Philadelphia, PA	H.S. Music Department	\$200.00	\$125.00 /night	\$75.00/night	\$195/student	Meals/tolls

The District reserves the right to cancel the excursion based on events that could pose a heightened safety or security risk.

Mr. Malkoff moved the Board approve the request and was seconded by Mr. Stover.

Roll Call Vote:

Barrett – Yes

Chabal – Yes

Cronin – Absent

Donahue – Absent

Gräb – Yes

Malkoff – Yes

Parrish – Absent

Sheffey – Yes

Stover - Yes

6 Yes, 3 Absent

MOTION CARRIED

5.14 Requests for the Use of School Facilities

The Administration recommended the approval of the following Requests for the Use of Facilities:

<i>Group:</i>	Hershey Aquatic Club
<i>Date/Time:</i>	March 29, 2009 3:00 - 7:00 p.m.
<i>Requested Facility:</i>	Middle School Cafeteria and Auditorium
<i>Event:</i>	End of Season Event
<i>Fee:</i>	As per Lease Agreement

<i>Group:</i>	Hershey Youth Soccer
<i>Date/Time:</i>	April 26, May 2, 3, 6, 16, 17, 2009 6:00 p.m. - 10:00 p.m.
	August 4, 5, 6, 2009 6:30 p.m. - 8:30 p.m.
<i>Requested Facility:</i>	Middle School LGI
<i>Event:</i>	Soccer Referee Classes for Derry Township Parents and Children
<i>Fee:</i>	As Per Lease Agreement

Mr. Barrett moved the Board approve the request and was seconded by Mrs. Sheffey.

Roll Call Vote:

Barrett – Yes

Donahue – Absent

Parrish – Absent

Chabal – Yes

Gräb – Yes

Sheffey – Yes

Cronin – Absent

Malkoff – Yes

Stover - Yes

6 Yes, 3 Absent

MOTION CARRIED

5.15 Personnel – General

1.	The Administration recommended the approval of the following appointments:
	Classified:
	Sheetz, Thomas S. Substitute Bus Driver District-wide Salary: \$13.60 per hour Effective: 02/24/09 (pending receipt of Act 34, 151, and 114 clearances)
	Limited Service Contracts:
	Dibeler, Ryan * Volunteer Assistant Varsity Boys' Lacrosse Coach High School Effective: 03/02/09
	Kurtz, Matt * Volunteer Assistant Varsity Boys' Volleyball Coach High School Effective: 03/02/09
	Landenberger, Tim Assistant Varsity Boys' Lacrosse Coach High School Level II, Group D, Step 7 Salary: \$2,097 Effective: 03/02/09
	Licata, Amy * Volunteer Assistant Varsity Girls' Softball Coach High School Effective: 03/02/09
	Mack, Kathryn * Mentor to Daniel Cotchen, Grade 6 Middle School Long-term Substitute Salary: \$500 Effective: Retroactive to 01/19/09
2.	The Administration recommended the approval of the following request in accordance with the District Policy 535:
	Whitman, Christine Custodian District Office Paid/Unpaid Family Medical Leave Effective: On or about 04/01/09 for a period of 4 to 6 weeks
3.	The Administration recommended the approval of the following additions to the 2008-2009 Guest Teacher List:
	Hallock, Amy

	Hess, Mary Kreider, Elizabeth
4.	The Administration recommended the Board grant authorization for Mr. Greg Ebert to submit necessary documents in order to obtain E-rate reimbursement.
	* <i>This individual is currently an employee and/or volunteer. Clearances are on file.</i>

Mrs. Sheffey moved the Board approve the personnel recommendations and was seconded by Mr. Stover.

Mr. Gräb : In reviewing the supporting documentation, I noticed the one coaching application was neither signed by the principal nor the athletic director as required. Was that an oversight, an occasional lack of support, or something else?

Dr. Kepler: My understanding is that there was no lack of support. In speaking with Mr. Elias, all coaches on this list are recommended.

Mr. Gräb : It was just an oversight then. Thank you.

Mrs. Chabal: Thank you.

Roll Call Vote:

Barrett – Yes

Donahue – Absent

Parrish – Absent

Chabal – Yes

Gräb – Yes

Sheffey – Yes

Cronin – Absent

Malkoff – Yes

Stover - Yes

6 Yes, 3 Absent

MOTION CARRIED

PRESENTATION

6.01 Presentation

See Section 3.03

DELEGATES REPORTS

7.01 Dauphin County Technical School Report

Mr. Gräb: The Dauphin County Technical School did meet and I had the pleasure of introducing Dr. Hank Donahue as the new representative from the Derry Township School District. Unfortunately, Dr. Donahue was not able to be present. Mr. Barrett, the

Joint Operating Committee does send their regrets that you'll no longer be able to enjoy them.

New Chapter 339 regulations require that any career and technical center not accepting every student who applies must have an admissions policy outlining the student selection process. This has been going on for about a year now and it has representatives from the Joint Operating Committee, the Occupational Advisory Council, a representative of the 6 superintendents, a couple of high school principals, a special education supervisor from Susquehanna Township, etc. A survey was sent out and some of the items that will be considered for admission to the Technical School were attendance, grades, behavior, aptitude, teacher recommendations, course credits, personality surveys, and interest surveys. After review, the group decided to rate the 5 student section criteria as follows: attendance 30%, behavior 25%, grades 20%, student interest 15%, and aptitude 10%. I will be giving you an update as we go further into the process.

There had been some concern from the Occupational Advisory Committee that some of the students did not appear to be well equipped or well prepared in the sense of knowing how to dress when working in one of the trade areas. The Dauphin County Technical School is considering establishing a professional dress policy in cooperation with the Occupational Advisory Council, students, and faculty. Basically, it would involve asking students to wear t-shirts indicating which particular trade they're involved in and either a blue work pant or a pair of khakis. They don't necessarily want to call it a uniform, but they would like the students to present a more professional appearance.

Last, but most important, we received our third draft of the 2009-2010 Dauphin County Technical School budget. Right now it is \$12,348,051, which is only a 1.5 increase over last year's budget. Pertaining to Derry Township, this is based on the average daily membership from the District. Next year, due to the 5 year weighted average, it is going to cost us approximately \$6,000 less than it had the year before, which is both a good note and a negative note. It's a good note because it's going to cost us less money as a District. It's a negative note because we find that Derry Township is sending less students to the Technical School. In Mr. Verdelli's review of our bond indebtedness, we pay in Derry Township approximately 16% of the capital cost of the Dauphin County Technical School. Right now, we're only sending approximately less than 4% of the students that attend the Technical School. I would encourage those who work with the students in Derry Township to stress the advantages of the Technical School and perhaps we can increase the amount of students who attend. Unfortunately, if we decide to withdraw from our participation in the Dauphin County Technical School, we are still obligated to pay the 4 million dollars we're presently paying for the next number of years until that debt is retired.

Mr. Rineer: Mr. Gräb is correct. The capital contribution that we have to make is a portion of the debt service and Derry Township School District represents about 16% of the market value within Dauphin County. Therefore, our obligation is to pay debt service based on that 16% and then we pay operating costs based on the weighted

average of the number of students that we send to the Technical School versus the total. That fixed portion of the debt service will remain unchanged according to the debt service payments for the 2007 Technical School construction project.

Mr. Gräb: I would just make an attempt to encourage more students to make available use of the Technical School.

7.02 Derry Township Tax Collection Association Report

Mr. Malkoff: The next meeting of the Tax Collection Association will be on March 4, 2009.

7.03 Harrisburg Area Community College Report

Not present.

7.04 Capital Area Intermediate Unit Report

No report.

SPECIAL REPORTS

8.01 Announcement of Staff Development Conference

Joan Bechtel AP Chemistry Summer Institute St. Johnsbury Academy Johnsbury, VT July 12-19, 2009 Expenses: \$1,695.00
--

8.02 Student Representatives' Report

Miss Collier: On February 28, the high school student council is having a 3 on 3 basketball tournament to raise money for the American Heart Association and you're more than welcome to come. If you're feeling festive, you can form a team and compete.

Mr. Rogers: We would also like to remind you that the next week will be the high school musical and we invite you all to come out and check out the Sound of Music.

I'm happy to report that this Friday the high school hockey team will be playing for the Bears cup and we also have a number of swimmers who are poised to do quite well at Districts and in the state swimming.

8.03 School and Community Information Report

Mr. Tredinnick: This is the time of month when I bring to you the students of the month. I am pleased to announce that Alexander Metz and Meghan Pennock are the February students of the month.

Pennock is an active member of the Key Club, Quiz Bowl, National Honor Society, Orchestra, and French National Honor Society. She is also involved in a number of community service activities, including playing the harp at Columbia Cottage Nursing Home and volunteering at the dance marathon. She is a distinguished honor roll student and a National Merit Scholarship Semi Finalist. She will be attending Columbia University where she will be majoring in Arabic.

Mr. Metz is a set construction chief for the musical which Mr. Rogers mentioned. He is a member of both the indoor and outdoor track teams, and the history and technology club. He is also a National Honor Society member and the Spanish National Honor Society and this past summer he volunteered as a Habitat for Humanity project in Mobile, Alabama. He plans to attend college in the fall and study mechanical engineering.

Mr. Rogers was kind enough to point out some of the athletic accomplishments, and I'm happy to note that Hershey High School's Memory Team, which gained regional and national prominence last year, continues to perform exceptionally. They captured the State High School Memory Team Championship over the weekend and in the process had two outstanding individual achievements. One student became the first high school student ever to memorize completely the order of a randomly shuffled deck of cards and the other memorized 143 names and faces in 15 minutes, which set, not just high school record, but the national record.

8.04 Board Members' Report

Mr. Malkoff: I would personally like to thank the Hershey High School German Club and Mrs. Collins for including me in the Valentines for Veterans program. The German Club decided to have a special program to recognize veterans during the Valentine holiday season, and the fact that they decided to include me is something that I very much appreciate. I think it's a very important lesson to teach students regarding the sacrifices and the accomplishments of many of the veterans in this country and I just wanted to make that a public comment.

Mr. Stover: I just wanted to bring to your attention, if you didn't notice in the Sunday Patriot. There was an article about reducing the number of school districts from 501 to 100. I strongly urge that you read it. I found it very troubling. I'm all for reducing expenses, but there was just about nil explanation of how this was going to improve education. In fact, there was only one and I'll quote it: "Dramatically reducing the number of school districts could improve the management of public education and potentially lead to gains in student achievement." I think they need to do a lot more research before they start expanding our school districts and taking the chance, especially in Derry Township. I just don't see this as being a win-win for us, but again, I'm all for reducing expenses. I think there's a lot of places that the state can reduce expenses, but I hope they take their time with this. I think, at this point, it's off base.

8.05 Board President's Report

No Report.

RECOGNITION OF CITIZENS (Non-agenda Items)

9.01 Recognition of Citizens

John Dunn: I am a 35 year resident of Hershey and I am speaking on behalf of the retiree segment of our society, which I think is around 30% of the population and probably one of the primary taxpayers of this area. I was intrigued with the conversations about the Technical School and, if I heard you right, we are investing 4 million dollars into the Technical School or is it 2.4 million?

Mr. Gräb: The debt for the addition to the Technical School was approximately 25.4 million dollars. Of that amount, I think Derry Township is responsible for 4.5/4.6 million dollars as per the Articles of Agreement.

Mr. Dunn: And our level of participation, number of children attending the school?

Mr. Gräb: Is about 4 %. I think this particular year, we're sending 36 students.

Mr. Dunn: So, that's gone down about 20 kids

Mr. Gräb: That is correct sir.

Mr. Dunn: I suggest, knowing that we have a fixed obligation, is there some creative way that we could embrace Milton Hershey School children that have lost a lot of vocational opportunities? Since we're paying, it would seem to me that we should offer that opportunity to the school and take advantage of our investment in the Technical School. I would recommend that we look at some creative way to marry the two schools together to take advantage of our fair share of the costs of that operation.

Mr. Gräb: That is an outstanding idea and I will just challenge that on to our sitting Madam President and perhaps she can talk to Dr. Brewer and Dr. Brewer could talk to Mr. O'Brien and the people who need to talk to each other could talk to each other, but that is an outstanding idea, John.

Mr. Dunn: It's a wonderful way of marrying our populations. The other thing is that I fully embrace the basis swap concept and one thing I like about Lou Verdelli is the fact that I know he's vested in this interest because he is a taxpayer of our community, so he has a vested interest in making this work for us. The other thing that I looked at and I was trying to figure out the value of every \$100,000 that we could garner from the swap operation. From my estimate and forgive me, I came in at the middle of his presentation, but if we're able to garner about \$200,000 a year from this concept, that is adequate enough to at least fund the cost of the artificial field program that we're going to be obviously initiating, which is another cost saving measure. Every \$100,000 dollars you can save actually helps us out as taxpayers.

Dr. Kepler, I see that you all were working off the documents that Lou presented and I don't know if it's on the website now, but I know it wasn't on earlier. I would really appreciate it if you would put that on the site. I think it would be important to get it out there for transparency.

Mr. Barrett: Absolutely.

Mr. Dunn: And to show your due diligence of trying to save our taxpayer monies. I think that's a document that would worthwhile to review.

Mr. Barrett: Lou needs to give us the costs too, because we're going to have to look at the costs versus the savings and the upfront fees.

10.01 Adjournment

Mrs. Chabal announced the next Board meeting would be held Monday, March 9, 2009 starting at 7:00 p.m. in the District Board Room.

Mrs. Sheffey moved to adjourn, with a second by Mr. Malkoff and, approved by unanimous voice vote by all members. The meeting was adjourned at 8:51 p.m.

Respectfully submitted,

Stephen E. Rineer
Secretary to the Board
Approved at the March 9, 2009 meeting

Beulah Chabal
President of the Board

LDM