



REQUEST FOR PROPOSALS

for Provide Bond Underwriting Services to

SUSQUEHANNA AREA REGIONAL AIRPORT AUTHORITY

**Due Date: June 30, 2017
Due Time: 2:00 P.M. EST**

SUSQUEHANNA AREA REGIONAL AIRPORT AUTHORITY

***REQUEST FOR PROPOSALS
TO PROVIDE BOND UNDERWRITING SERVICES***

I. INTRODUCTION

A. Objectives

Susquehanna Area Regional Airport Authority (“SARAA” or the “Authority”) hereby invites qualified underwriting businesses (“Respondents”) to submit responses to serve as underwriter for the sale of airport revenue bonds and related services for the Authority.

In late 2017, the Authority may issue general airport revenue bonds (GARBs) to currently refund approximately \$43.5 million of its Airport System Revenue Bonds, Series 2008A (the “2008A Bonds”). Through the issuance of this Request for Proposals (the “RFP”), the Authority is seeking to select one or more underwriters to participate in this anticipated transaction.

B. The Susquehanna Area Regional Airport Authority

The Authority is a joint municipality created in 1997 under the Pennsylvania Municipality Authorities Act. The Authority owns and operates the following four airports (“the Airport System”):

- 1. Harrisburg International Airport (“HIA”) -** primarily located in Lower Swatara Township, Dauphin County, Pennsylvania
- 2. Capital City Airport –** located in Fairview Township, York County, Pennsylvania
- 3. Franklin County Regional Airport -** located near Chambersburg, Pennsylvania
- 4. Gettysburg Regional Airport –** located near Gettysburg, Pennsylvania

HIA is the primary commercial service airport serving South Central Pennsylvania and the City of Harrisburg, Pennsylvania, the State Capital of Pennsylvania. HIA is located on 800 acres approximately 12 miles southeast of downtown Harrisburg. HIA’s primary air trade area includes the eight counties of Adams, Cumberland, Dauphin, Franklin, Lancaster, Lebanon, Perry, and York and has a total population of 1.9 million. The primary air trade area includes the cities of Lancaster and York, as well as the tourist destinations of Hershey and Gettysburg.

A total of 607,324 passengers were enplaned at HIA in 2016. Scheduled commercial airline service is currently provided by American, Delta, United, Allegiant, and Air Canada. In 2016, American accounted for approximately 40 percent of total enplanements at HIA, followed by Delta and United with 2016 market shares of approximately 27 percent and 21 percent, respectively. Additional passenger service is provided by a number of charter operators. Cargo activity at HIA includes daily operations by FedEx and UPS.

Capital City Airport, Franklin County Regional Airport, and Gettysburg Regional Airport primarily serve general aviation activity.

Additional information on HIA and the Authority, including SARAA's financial statements for the period ending December 31, 2016 and 2015, is available on the Authority's website www.flyhia.com. The Authority's continuing disclosure filings are available at www.emma.msrb.org.

The Authority is currently rated by Moody's Investors Service (Moody's), Fitch Ratings (Fitch), and Kroll Bond Rating Agency (Kroll). The Authority's most recent rating report, issued by Kroll on April 6, 2017, is provided with this RFP. The most recently released Moody's rating report for the Authority was issued on December 13, 2016 and Fitch's most recent report was issued on August 3, 2016.

C. Overview of the Authority's Outstanding Debt

The Authority currently has \$147,710,000 of senior lien GARBs outstanding. The Authority's previously outstanding 2012C subordinate bonds were paid off upon final maturity on January 1, 2017; therefore, the Authority has no subordinate bonds outstanding. The key terms of the Authority's outstanding bonds are summarized in the table below:

Summary of the Authority's Outstanding Debt

<u>Series</u>	<u>Tax Status</u>	<u>Final Maturity</u>	<u>Amount Outstanding as of 5/1/2017</u>	<u>Source of Repayment</u>
2008A	AMT	1/1/2038	\$43,535,000	Airport System Net Revenues and PFCs
2008B	Taxable	1/1/2034	\$1,280,000	Airport System Net Revenues and PFCs
2012A	AMT	1/1/2027	\$53,375,000	Airport System Net Revenues and PFCs
2012B	Non-AMT	1/1/2033	\$49,520,000	Airport System Net Revenues and PFCs

D. Refunding of 2008A Bonds

The Authority's 2008A Bonds are outstanding in the par amount of \$43,535,000, with annual maturities from January 1, 2034 to January 1, 2038. The 2008A Bonds are callable on or after January 1, 2018. Under tax law provisions, because the 2008A Bonds are private activity bonds (and thus subject to the AMT), they cannot be "advance" refunded on a tax-exempt basis. Rather, they may only be refunded on a tax-exempt basis not more than 90 days prior to their initial call date. To that end, the Authority is seeking to close on the refunding bonds on or after October 3, 2017.

E. Amortization Schedule of the 2008A Bonds

The principal and interest payments on the 2008A Bonds to be refunded are shown in the table below.

Debt Service Schedule –2008A Bonds

Year (ending 1/1)	Principal	Interest	Total Debt Service
2018		\$2,829,775	\$2,829,775
2019		\$2,829,775	\$2,829,775
2020		\$2,829,775	\$2,829,775
2021		\$2,829,775	\$2,829,775
2022		\$2,829,775	\$2,829,775
2023		\$2,829,775	\$2,829,775
2024		\$2,829,775	\$2,829,775
2025		\$2,829,775	\$2,829,775
2026		\$2,829,775	\$2,829,775
2027		\$2,829,775	\$2,829,775
2028		\$2,829,775	\$2,829,775
2029		\$2,829,775	\$2,829,775
2030		\$2,829,775	\$2,829,775
2031		\$2,829,775	\$2,829,775
2032		\$2,829,775	\$2,829,775
2033		\$2,829,775	\$2,829,775
2034	\$6,560,000	\$2,829,775	\$9,389,775
2035	\$8,390,000	\$2,403,375	\$10,793,375
2036	\$8,935,000	\$1,858,025	\$10,793,025
2037	\$9,515,000	\$1,277,250	\$10,792,250
2038	\$10,135,000	\$658,775	\$10,793,775
Total	\$43,535,000	\$54,303,600	\$97,838,600

The Authority anticipates that the principal repayment schedule for the refunding bonds will be structured to produce approximately level annual savings compared to the total annual debt service on the 2008A Bonds shown in the table above.

F. Security and Source of Repayment for the Refunding Bonds

The refunding bonds will be payable from and secured by a pledge of and lien on Net Revenues of the Airport System and certain funds and accounts held or set aside under the Master Trust Indenture.

The refunding bonds will be issued on a parity basis with the Authority’s outstanding senior lien bonds which are summarized in Part C above (collectively, the “Bonds”) that will remain outstanding after the issuance of the refunding bonds, in accordance with

the terms of the Master Trust Indenture pursuant to which the outstanding Bonds were issued. The refunding bonds will constitute "Additional Bonds" under the Master Trust Indenture. The Master Trust Indenture is included with this RFP. The Authority has covenanted in the Master Trust Indenture not to issue any Additional Bonds or other obligations with a pledge of or lien on Net Revenues prior or superior to the Bonds.

SARAA has received approval from the Federal Aviation Administration (FAA) to impose and use a Passenger Facility Charge (PFC) of \$4.50 per eligible enplaned passenger up to approximately \$129 million in total collections. Although PFC revenues are not included in the definition of Revenues and are not pledged to the payment of debt service, debt service on the Authority's 2008A Bonds, 2008B Bonds, 2012A Bonds, and 2012B Bonds is "PFC-eligible."

In its Fourth Supplemental Trust Indenture related to the 2012A Bonds and 2012B Bonds, the Authority irrevocably committed to transfer all PFC revenues associated with the first \$4.50 per eligible enplaned passenger to pay debt service on the 2008A Bonds, 2008B Bonds, 2012A Bonds, and 2012B Bonds, on a pro-rata basis, during the period extending through December 31, 2018. The Authority expects to continue to apply PFCs to pay a pro-rata share of debt service on the refunding bonds used to refund the 2008A Bonds, but does not intend to pledge, covenant, or irrevocably commit to do so.

II. REQUESTS FOR INTERPRETATION OR CLARIFICATION RELATED TO THIS RFP

No oral interpretation or clarification of this RFP will be made to any Respondent. If discrepancies or omissions are found by any Respondent, or there is doubt as to the true meaning of any part of the RFP, a written request for a clarification or interpretation must be submitted by email to the persons listed below:

Thomas C. Peiffer
Deputy Director, Finance and Administration
Phone: (717) 948-3900
Email: tomp@saraa.org

AND

Kevin McPeck
Financial Advisor
Phone: (727) 266-9966
Email: mcpeekk@pfm.com

It is the responsibility of the Respondent to verify that the Authority received the request. All interpretations and any supplemental instructions and information will be in the form of a written addendum or clarification via e-mail. The Authority will make a

diligent attempt to review and respond to written requests as quickly as possible after they are received. To be given consideration, final requests must be received by 2:00 p.m. (Eastern Time) on June 19, 2017. No addendum will be distributed less than 72 hours prior to the deadline for submitting proposals presented below.

Underwriting businesses intending to respond to this RFP are encouraged to send an email to Tom Peiffer at the address above confirming their intent to submit a proposal, and providing the contact information for the person preparing the response. That will assure that the Authority sends any additional information related to this RFP to the correct person and address within your organization.

III. INSTRUCTIONS FOR SUBMITTING PROPOSALS

One electronic “PDF” copy of your proposal must be submitted to the Authority via email by 2:00 p.m. (Eastern Time) on June 30, 2017. In addition, one printed copy of your proposal must also be sent for delivery to the Authority at the address below by the end of the business day on July 3, 2017. All costs associated with preparing and delivering a response to the RFP shall be borne by the Respondent. The Authority will not compensate Respondents for any expenses incurred as a result of this RFP process.

The Authority prefers that the respondents keep the proposal to less than fifteen double sided 8½ x 11 pages (total of 30 printed pages), not including résumés or appendices. The electronic “PDF” copy of your proposal should be emailed and one printed copy of your proposal should be delivered to the following person and address:

Thomas C. Peiffer
Deputy Director, Finance and Administration
Susquehanna Area Regional Airport Authority
Harrisburg International Airport
One Terminal Drive, Suite 300
Middletown, PA 17057
Phone: (717) 948-3900
Email: tomp@saraa.org

All proposals shall be in sealed packages, labeled as follows:

SEALED PROPOSAL
Bond Underwriting Services
Attention: Tom Peiffer

Proposals will be given a time/date receipt by the Authority’s staff. The Authority’s offices are open from 8:30 a.m. until 4:30 p.m. (Eastern Time), Monday through Friday, excluding major holidays.

The delivery of the proposal to the Authority prior to the deadline is solely and strictly the responsibility of the Respondent. Proposals must be delivered to the physical location listed above. The Authority will in no way be responsible for delays caused by delivery services or for delays caused by any other occurrence. If you have any questions concerning the delivery of your proposal, please call Tom Peiffer at (717) 948-3900.

THE AUTHORITY RESERVES THE RIGHT TO REJECT ANY AND ALL PROPOSALS, TO WAIVE ANY INFORMALITIES OR IRREGULARITIES IN ANY PROPOSALS RECEIVED, OR TAKE ANY OTHER SUCH ACTIONS THAT MAY BE DEEMED TO BE IN THE BEST INTEREST OF THE AUTHORITY.

IV. SCOPE

The underwriter(s) selected to service as book-running senior manager will be expected to work closely with representatives of the Authority, and other members of the financing team (in particular, bond counsel and financial advisor). The underwriting firm or firms selected will be expected to provide all of the services typically provided by the book-running senior manager on the negotiated sale of airport revenue bonds, including, but not limited to:

1. Assisting in the preparation of documents related to the financings;
2. Participating in meetings with rating agencies related to the financings;
3. Developing and implementing a marketing plan to encourage a strong investor response to the financings;
4. Leading the bond sales, including ensuring compliance with any federal, state, or local laws, or regulations;
5. Assisting in various matters related to the closing of the bond sales, and providing any certificates or other documents that may be required for the closing of the bond issues;
6. Providing post-sale reports to the Authority; and
7. Completing all services to the satisfaction of the Authority, its staff, financial advisor, and bond counsel.

Firms selected to serve as co-manager will be expected to assist the book-running senior manager with the marketing and sale of bonds.

V. SUBMITTAL CRITERIA

Firms submitting proposals to serve as an underwriter for the Authority shall provide the following items in the following order. Firms should completely and concisely address the specific questions and provide the information requested by the Authority in the submittal criteria listed below:

A. Qualification of the Respondent

1. State the name of your firm, address, telephone and the name and title of the person who will serve as the key contact for your firm with respect to your proposal on behalf of the firm. **State whether you wish to be considered as book-running senior manager or co-managing underwriter.** If your firm is not selected as book-running senior manager, state if you are willing to serve as a co-manager.
2. Please provide a brief introduction to your firm. Describe any relevant municipal finance presence your firm has in Pennsylvania since January 1, 2014 and specify what role your firm played for related transactions (i.e., book-running senior manager or co-manager).
3. Disclose any conflicts of interest your firm may have associated with underwriting this transaction. This includes but is not limited to: i) pending investigations or completed investigations within the past five years by the SEC or any other regulatory body regarding the conduct of your firm or the firm's management, ii) any relationship, contractual or otherwise, that your firm has with any individual, organization or firm that may be a party to the Authority financing, iii) any litigation between your firm and the Commonwealth of Pennsylvania or any of its political subdivisions, including the Authority.
4. If your firm is proposing as a **book-running senior managing underwriter**, identify two possible firms that you would propose to retain as underwriter's counsel, and provide an estimate of the fees that either firm would charge for a GARB refunding transaction. The Authority reserves the right to approve any firm employed to serve as underwriter's counsel. Payment of fees and expenses of underwriter's counsel will be made from the expense component of the underwriting spread. Please note that Ballard Spahr currently serves as the Authority's bond counsel. The Authority would view it as a conflict of interest if Ballard Spahr were also to serve as underwriter's counsel; hence, Ballard Spahr may not serve as underwriter's counsel. If requested by Ballard Spahr and/or the Authority, any firm selected as either a book-running senior managing underwriter or co-managing underwriter will sign a legal representation conflict-waiver letter relating to Ballard Spar's representation of the Authority.

5. Using the format shown below, please provide a tabular summary of your firm’s experience as an underwriter on negotiated airport GARB transactions since January 1, 2014.

**Experience as Underwriter on Negotiated
General Airport Revenue Bond (“GARB”) Financings**

<u>Year</u>	<u>Book-Running Senior Managed Issues</u>		<u>Non Book-Running Co-Senior Managed Issues</u>		<u>Co-Managed Issues</u>	
	<u>Number of Issues</u>	<u>Total Dollar Amount</u>	<u>Number of Issues</u>	<u>Total Dollar Amount</u>	<u>Number of Issues</u>	<u>Total Dollar Amount</u>
2014						
2015						
2016						
2017						
Totals						

Please provide a list of the financings which are summarized in the table above as an appendix to your proposal.

B. Qualifications of Individuals Assigned to the Engagement

1. Provide a summary of the personnel in your Municipal Finance Department and, separately, your Municipal Sales and Trading Department. Compare the number of people in those departments on January 1, 2014 and as of the date of this proposal. Describe any major organization changes (additions or deletions) which have occurred in either such department since January 1, 2014.
2. Please identify the individual who will be the lead day-to-day representative of your firm on this financing. Provide a brief description of that person’s experience serving in a similar lead role on other financings for airport clients. Identify not more than two other people who will also be part of your day-to-day team on this financing. Explain the roles each would play and provide a brief description of their experience with airport financings and the percentage of their time devoted to serving airport clients.

As an appendix to your proposal, please include résumés for each of the persons identified.

3. Please provide three references, preferably from airport clients, for the person identified in the question above as your lead day-to-day representative on this financing.

C. Understanding of Key Financing Issues Related to the Authority

1. Describe at least three issues that you feel may create challenges for the Authority in the process of obtaining ratings for the refunding bonds. What issues would you recommend be addressed, and what points should be emphasized in order to receive the highest possible ratings for these bonds. Please try to describe issues that you feel are specific to the Authority, as opposed to being generally applicable to all airports.

Note: In preparing your response to this question, firms are specifically advised not to contact the rating agencies about the Authority or otherwise discuss the Authority with representatives of the rating agencies. If the Authority learns that any firm has made such contacts or engaged in such discussions, that firm will be disqualified from further consideration in this selection process.

2. Describe the marketing strategies you would propose, the strength of your institutional and retail network, and any other actions you would want the Authority to undertake in order to achieve the best possible investor response to the bond sale. Please describe the specific steps in your marketing plan, and when such steps would occur in the bond sale process. As part of your response, please provide your thoughts on the use of bond insurance and the need for funding a debt service reserve.
3. Given current market conditions and the Authority's current ratings, please provide an estimate of the spread to MMD, by maturity, at which you'd expect the Authority's AMT GARB refunding bonds to price and sell. Please also indicate the assumed AMT penalty reflected in estimated spreads on a maturity-by-maturity basis.
4. The Authority is very cognizant of interest rates. Describe your methodology in pricing this issue. What assurances can you provide in advance of pricing that the Authority will receive the most competitive interest rate in the marketplace on the sale date?

D. Fees

Please present the fees you would propose to charge if your firm were selected to serve as the Authority's **book-running senior managing underwriter** on the financing scenario described below:

A current refunding of the Authority's approximately \$43.5 million of 2008A Bonds maturing on or after January 1, 2018. The refunding bonds should be structured to achieve approximately level annual debt service savings as compared to the 2008A Bonds with an assumed final maturity of January 1, 2038, the final maturity of the 2008A Bonds.

For this financing scenario, please describe any and all proposed fees including average takedown, management fee (if any) and underwriter's expenses (including fees and expenses of Underwriter's counsel). Please provide the following specific information:

- a) The takedowns you would propose by maturity from 2019 through 2038
- b) If you propose a management fee, please present only the amount you would propose to receive as book-running senior manager.
- c) Provide a breakdown of the types of expenses on the transactions for which your firm would expect to be reimbursed, and provide an estimate for each (including underwriter's counsel).

VI. EVALUATION CRITERIA

Proposals will be evaluated by the Authority which will be seeking to distinguish which Respondent has, through the appropriate combination of several criteria, the abilities to best perform the required services in a cost effective manner to the satisfaction of the Authority. While some criteria may be ranked differently than others in the selection process, the proposal that achieves the highest overall ranking will be considered top-ranked by the Authority. The proposals will be evaluated using the following criteria:

1. Completeness and Responsiveness of Proposal
2. Qualifications of the Respondent
3. Qualifications of Individuals Assigned to the Engagement
4. Understanding of Key Financing Issues Related to the Authority
5. Fees

Consideration will also be given to firms with a local Pennsylvania presence.

VII. SHORTLISTING

The Authority may shortlist the Respondents based upon responses to the above items. If necessary, the Authority anticipates that interviews will be conducted on July 17, 2017. The Authority will notify each Respondent on the shortlist, if such presentation is required. These presentations will provide an opportunity for the Respondents to respond to questions posed by the Authority and to clarify their responses through exhibition and discussion. The Authority will not reimburse oral presentation or any other costs of any Respondent.

VIII. SELECTION OF UNDERWRITER OR UNDERWRITING TEAM

The Authority intends to select one or more underwriting firms to serve as the book-running senior manager and co-manager(s), if applicable, on the Authority’s refunding bond issue anticipated for late 2017.

IX. ANTICIPATED SCHEDULE

The table below contains the Authority’s overall anticipated schedule for this RFP and selection process:

<u>Scheduled Item</u>	<u>Scheduled Date</u>
Request for Proposals (RFP) distributed	June 5th
Deadline for submitting questions related to RFP	2:00 p.m. (Eastern time) June 19th
Responses to questions related to RFP to be distributed to Respondents	June 23rd
Deadline for submission of “PDF” versions of proposals via email to SARAA	2:00 p.m. (Eastern time) June 30th
Deadline for delivery of printed copy of proposals to SARAA	4:30 p.m. (Eastern time) July 3rd
Technical evaluation; identification of shortlisted firms based on terms of proposal	Ending July 7 th
Shortlist interviews, if necessary	July 17th
Identification of recommended underwriter/underwriting team	July 20th
Board approval of underwriter/underwriting team	July 26th

X. RESERVATION OF RIGHTS

SARAA reserves the right, in its sole discretion, to reject at any time any or all proposals and to withdraw this RFP without notice. SARAA reserves the right to waive compliance with and/or change any of the items of this request. SARAA reserves and may exercise the following rights and options with respect to this selection process: to request some or all of the respondent firms to provide additional material, clarification, confirmation, or modification of any information in the submission; to supplement, amend, substitute, or otherwise modify this RFP any time prior to the selection of one or more firms for negotiation, and to cancel this RFP with or without issuing another RFP; to request that some or all of the respondent firms modify proposals based on the review of all proposals; to terminate any negotiations at any time; to accept or reject at any time prior to the execution of a professional services contractual agreement all submissions and/or to withdraw the RFP without notice; to expressly waive any defect or technicality in any proposal; and to solicit new proposals.

SARAA is not responsible for any internal or external delivery delays which may cause any proposal to arrive beyond the stated deadline. To be considered, proposals must arrive at the place specified herein and be time stamped prior to the deadline.

Each firm or other respondent agrees to bear all costs of its response and participation in the process described in this RFP; there shall be no reimbursement for any costs relating to the preparation of responses or proposals in connection with this process.

XI. INFORMATION PROVIDED BY PROPOSER

The relevant provisions of the Pennsylvania Right to Know Act shall govern public access to material submitted by firms in response to this RFP. If any firm submits information that it believes to be a trade secret or otherwise exempt from disclosure under the Pennsylvania Right to Know Act, it must specifically identify such information and state in writing the reasons why the information should be exempt from disclosure. It is not the policy of SARAA to disclose any information from material submitted by firms in response to the RFP until the selection process has been completed.

In the event that SARAA becomes aware of any material misrepresentation in the information supplied by a firm, SARAA shall have the right to reject at any time the proposal of the firm, to refuse to negotiate or continue negotiations with the firm, and to take any other action, including retaining any deposit made by the firm, as shall be deemed appropriate by SARAA, in its sole discretion.

SARAA reserves the right to request, at any time in the selection process, such additional information or materials as it may deem useful or appropriate to evaluate

each firm's qualifications and past experience. Submission of a proposal shall constitute the firm's permission to SARAA to make such inquiries concerning the firm and members of the team as SARAA, in its sole discretion, deems useful or appropriate.

- END OF RFP -