

**CITY OF ERIE
ERIE COUNTY, PENNSYLVANIA**

REQUEST FOR PROPOSALS FOR UNDERWRITING SERVICES

I. INTRODUCTION

The City of Erie, Erie County, Pennsylvania (the "City"), is seeking proposals (RFP) from qualified underwriting businesses to serve as senior managing underwriter or co-managing underwriter for the sale of General Obligation Bonds (GOB) and related services for the City. In early 2019 the City may issue GOB totaling approximately \$16 million to finance new capital, refunding of existing debt and financing expenditures. The City will consider a number of options as to the timing and structure of the bonds necessary to complete the transaction. The City is seeking to select one or more underwriters to participate in this transaction. Firms may submit a proposal as joint managers with one being selected as senior manager.

The City serves as the population, economic and financial center of Erie County located in the Commonwealth of Pennsylvania. The City is located on the shores of Lake Erie and covers 19 square miles with an approximate population of 98,000. Financial and Budgetary documents are available at:

<http://www.erie.pa.us/Departments/Finance.aspx>.

ABOUT THIS DOCUMENT

This document is a Request for Proposal. It is not an invitation to bid in that the City is seeking a solution, not a quotation in compliance with firm specifications for the lowest price. As such, the lowest price proposal does not guarantee an award recommendation. Instead, proposals will be evaluated based upon criteria set forth in this document and factors such as experience in the field, availability and capability. The City has the right to reject any and all proposals; to disqualify any proposals not following the RFP procedures as defined; and to disqualify any proposals not responsive to the criteria specified for evaluation. The City has the right to take into consideration the conceptual ideas set out and the content of the proposal. Prior to making a final decision the City reserves the right to negotiate with the recommended firm(s) any terms and conditions which may be different from those originally proposed or required by this RFP. The City will not be liable for any costs incurred by the proposers in the preparation or production of the proposal. All proposals and materials submitted in conjunction with the proposals will become the property of the City.

Any Bond Purchase Contracts which may result from these proposals will be reviewed and approved, in writing, by the City of Erie Clerk, Controller, Risk Manager, Director of Finance, Mayor and City Council.

II. PROPOSAL SUBMISSION

- i. Five (5) copies of the sealed proposal must be submitted no later than **February 12, 2019 at 2:00 PM** to:

City of Erie
Sid Goldstein
Purchasing Manager
626 State Street, Room 309
Erie, PA 16501
sgoldstein@erie.pa.us

- ii. The envelope(s) must be marked prominently on the outside **“CITY OF ERIE BOND UNDERWRITING PROPOSAL.”**
- iii. Proposal must be mailed or hand delivered. No electronic nor faxed proposals will be accepted.
- iv. The City will handle proposals during the pre-award process but does not view the information contained in the proposal to be confidential or proprietary.
- v. All proposals should be signed by an individual authorized to bind the respondent and execute contracts on its behalf.

QUESTIONS

Proposer's requesting additional information and/or clarifications to the specifications shall submit the inquiries in writing, not less than five (5) working days prior to the February 12, 2019. Inquiries received less than five (5) working days prior to February 12, 2019 will not receive responses. No oral interpretation or clarification of this RFP information will be made to any proposer. Any proposer who has questions or doubt as to the meaning of any part of this RFP should submit a written request for clarification to Paul Lichtenwalter at plichtenwalter@erie.pa.us.

III. GENERAL CONDITIONS

- a. No verbal instructions or verbal information to proposers will be binding on the City. The written specifications will be considered clear and complete unless written attention is called to any apparent discrepancies or incompleteness before the opening of the proposals. Should any alterations to the specifications be made, proposers will be mailed and/or emailed or faxed addenda updates and shall then be considered to be part of these specifications.
- b. Submission of a proposal will be considered as conclusive evidence of the proposer's complete examination and understanding of the specifications.
- c. The City reserves the right to reject any or all proposals; the right to request additional information from any proposer; the right in its sole discretion, to accept the proposal considered most favorable; and the right to waive minor irregularities in the procedures or proposals if it is deemed in the best interest of the City.
- d. The City reserves the right to negotiate with proposers to establish variations from the original proposal(s), including proposed cost, which may be in the interest of the City.
- e. The award will be made to that responsive and responsible proposer whose proposal, conforming to specifications, will be most advantageous to the City, price and other factors considered, such

as delivery time, quality, service, etc. The award may or may not be made to the proposer with the lowest cost.

- f. The City shall have the right, without invalidating the proposal, to make additions to or deductions from the items or work covered by the specifications.
- g. The proposer will not discriminate on the basis of race, color, religion, sex, age, national origin or disability in employment or the provision of services.
- h. Should the City fail enact appropriate bond ordinance or approve a Bond Purchase Contract to enable the City to issue the GOB being proposed under the terms and conditions of said Bond Purchase Contract, the proposer shall not assess any termination charges against the City for said termination.
- i. The City reserves the right to sell its debt through competitive, negotiated or any other means. By responding to this RFP, the proposers recognize that the City may decide to pursue financing by means other than a negotiated underwriter. Nothing in this RFP, the evaluation or selection process of the City shall be construed to obligate, in any way, the City to utilize any underwriting firm or firms.
- j. INDEMNIFICATION

The proposer shall assume the defense of and indemnify and hold harmless the City, its officers, agents and employees from and against all claims, demands, actions, suits and proceeding by others and against all liability, both negligent and non-negligent, arising directly or indirectly out of the actions of the proposer in their submittal of the proposal.

IV. SCOPE OF WORK

The underwriter selected to serve as the senior manager will be expected to work closely with representatives of the City and other members of the financing team including all bond counsel. The underwriting firm or firms selected will be expected to provide all of the services typically provided by the senior manager on the negotiated sale of the GOB, but not limited to:

1. Assisting and review in the preparation of documents related to the financings;
2. Participate in planning, structuring and executing the issuance of the Bonds for Capital Projects, refunding of existing debt and payment of financing costs described in the Introduction and the Engagement Objectives of this RFP;
3. Participating in meetings with rating agencies related to the financings;

4. Developing and implementing a marketing plan to encourage strong investor response to the financings;
5. Leading the bond sales, including ensuring compliance with any federal, state, or local laws and regulations;
6. 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;
7. Providing post-sale reports to the City;
8. Completing all services to the satisfaction of the City, its staff and bond counsel;
9. Assist the City in developing the optimal plan of finance, including the analysis needed to support this effort; and
10. Assist in obtaining credit rating including preparing presentation and attending and participating in rating agency meetings.

If a firm is selected to serve as co-manager it will be expected to assist the senior manager with the marketing and sale of the bonds.

V. ENGAGEMENT OBJECTIVES

Attached is a copy of the City Debt Summary. This includes the use of the bond fund principal and interest amount still owed and the call dates for any refunding.

The City will be issuing \$16 Million of new bond debt to pay for street paving, equipment and vehicles, refunding of existing debt and financing expenditures.

The City also plans on refunding amounts that will restructure the Debt Summary so that the following future years will carry a total annual principal and interest payment of approximately:

2019 - \$4.2 Million

2020 - \$4.5 Million

2021 - \$5.5 Million

2022 - \$6.0 Million

This restructuring may be accomplished through the use of bonds or notes.

Once this restructuring is complete the City Debt Summary should return to the level debt amount of \$9.4 Million per year.

VI. PROPOSAL

Proposals are to be submitted in two (2) parts with each sealed in a separate envelope. The first part of the proposal (marked "Technical Proposal") shall cover the technical aspects as thereafter explained, but shall not include any mention of

fees or out-of-pocket expenses to be billed to the City. The second part of the proposal (marked "Price Proposal") shall include details as to fees charged and out-of-pocket expenses to be billed.

A. Technical Proposals should include the following information in the order detailed:

1. Profile of Proposer – Describe your firm’s relevant experience including a brief introduction to your firm and any relevant municipal finance presence in Pennsylvania. State whether you wish to be considered as senior manage or co-managing underwriter. Describe your firm’s sales and distribution capabilities.
2. Summary of the Proposer’s Qualifications – Describe your understanding of the City’s financial situation with regard to this bond issue. Provide a summary of your firm’s experience as a senior manager for clients similar to the City, together with your firm’s approach to providing financing solutions for similar clients. Provide a summary of your firm’s quantitative and debt structuring capabilities and how these resources would be applied to the City’s financing.
3. References – List the last five (5) senior management issues with the dollar amount and bonds issued.
4. Personnel – Provide the names for the lead banker, quantitative analyst, underwriter, sales manager and any other members of the team. Provide a list of any securities SEC violations directed at your organization within the last five (5) years. Provide a listing or the firm’s ability to provide market information about bond pricing before, during and after the sale.
5. Finance Schedules – Please prepare a schedule which will enable the City to accomplish the Engagement Objectives while costing the City the least amount of money in bond principal, interest and issuance fees. Also in written summary form discuss your firm’s recommended plan of finance to meet the City’s Engagement Objectives.
6. Marketing and Distribution Plan – Provide your firm’s marketing and distribution capabilities and a brief marketing plan.
7. Timeline – Proposer’s timeline for financing (Please see example on page 7).

B. Price Proposal should include the following information in the order detailed:

1. Fee Structure – Provide a fee on a per bond basis for underwriting the transaction, including management fee, average takedown, underwriting fees (risk) and expenses (excluding underwriter’s counsel and gross spread. Include an estimate of any expenses which your firm would expect to be reimbursed.
2. Available Capital – Does the respondent have an amount of uncommitted capital available and the ability and willingness of the firm to purchase the entire offering of the issuer in the case of a firm underwriting.

VII. EVALUATION OF THE PROPOSALS

Proposals will be evaluated primarily based on the evaluation criteria state below and such other factors as the City might deem appropriate. The general criteria to be used by the City in evaluating responses are:

- i. Total net costs of the transaction, including all fees and expenses.
- ii. Qualifications and experience of the firm, including past performance on similar undertakings, experience with the City and its Authorities, qualifications of the firm’s personnel and resources committed to the City.
- iii. General quality of submission including an understanding of the City’s requirements under this RFP.
- iv. A demonstrated ability to meet the City’s time schedule.

The City reserves the right to request additional information from any and all respondents to assist in its evaluation and selection process. The City reserves the right to negotiate the terms and conditions of any subsequent Bond Purchase Contract with the selected respondent(s).

Proposals will be review by the City Finance Department and any others deemed qualified to review the proposals. Such review will consider cost, financial and legal matters and the review will focus on the respondent’s ability to arrange, structure, implement and provide the services with a high degree of professional competence. The City is not required to furnish a statement of the reason why a particular proposal was not deemed to be the most advantageous. The City specifically may choose other than the lowest cost proposal in order to provide the requisite services under terms and conditions which are deemed to be in the best interest of the City.

The City may cancel this RFP or reject any or all proposals at any time prior to an award.

VIII. Timeline of Financing (example)

Week of

January 21, 2019	RFP Initiated
February 12, 2019	RFP Deadline for Response
February 15, 2019	Underwriter(s) Chosen
February 20, 2019	Underwriter Approved by Erie City Council

Week of

February 25, 2019	POS Information Request
March 4, 2019	Draft POS Circulated
March 11, 2019	Documents Prepared S & P Rating Call Insurer Packages Sent
March 18, 2019	Rating Received/Insurance Quotes
March 6, 2019	First Reading City Council – Parameter Bond Sale
March 20, 2019	Second Reading City Council – Parameter Bond Sale POS Posted
March 27, 2019	Bond Pricing
April 3, 2019	Closing
May 15, 2019	Restructured Bond Payment Date

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