

SYRACUSE REGIONAL AIRPORT AUTHORITY

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Minutes of the Special Meeting of the Syracuse Regional Airport Authority

Friday, September 17, 2021

Pursuant to notice duly given and posted, the Special Meeting of the Syracuse Regional Airport Authority was called to order on Friday, September 17, 2021, at 11:01 a.m. in the Syracuse Regional Airport Authority Board Room by Chair, Ms. JoAnne Gagliano.

Members Present:

Ms. Jo Anne Gagliano – Chair
Ms. Latoya Allen
Dr. Shiu-Kai Chin
Dr. Donna DeSiato (joined after roll call)
Mr. Kenneth Kinsey
Mr. Michael Lazar
Mr. William Meyer
Mr. Michael Quill (via conference phone)
Mr. Robert Simpson (joined after role call)

Members Absent:

Mr. William Fisher – Vice Chair
Mr. Michael Frame

Also Present:

Staff

Mr. H. Jason Terreri
Ms. Robin Watkins
Mr. Jason Mehl
Ms. Joanne Clancy
Ms. Cheryl Herzog

Guests

Ken Cushine – Frasca & Associates, LLC.
Rob Poyer – Hancock Estabrook, LLP
Ira Smelkinson – Morgan Stanley
Andriy Troyanovych – Hancock Estabrook, LLP

Roll Call

As noted above, all board members were present, with the exception of Mr. Fisher and Mr. Frame. Chair Gagliano began by welcoming everyone to the special meeting of the SRAA Board at 11:01 a.m.

Board Discussion with Frasca & Associates, LLC

CFO Watkins explained that the meeting today is being held to provide a thorough overview of the bond issuance that the SRAA would like to implement. The bonds issuance will include paying off the bonds that are currently held by the City of Syracuse on behalf of the Authority and additionally would refinance an outstanding loan with Key Bank. This transaction would bring the airport into alignment with FAA guidelines and free up the entitlement grants that focus on the airfield and terminal improvements as they were designed to be used. CFO Watkins introduced the attendees that addressed the Board: Ken Cushine with Frasca & Associates, LLC; Rob Poyer and Andriy Troyanovych from Hancock Estabrook, LLP; and Ira Smelkinson from Morgan Stanley. CFO Watkins turned the presentation over to those speakers to explain the process to the board so they had a clear understanding of what the SRAA would be undertaking.

Mr. Cushine thanked the board and invited them to ask questions during the presentation. Mr. Cushine introduced the guests in attendance and defined their roles. Mr. Poyer is representing bond counsel and is responsible for preparing the bond documents along with Mr. Troyanovych they drafted the documents including the resolution and preliminary official statement and serve as disclosure council. Mr. Cushine stated that Frasca & Associates, LLC serves as the municipal and financial advisor to structure the debt to work with the authority to prepare for the issues dealing with the rating agencies and assisting with pricing. Mr. Smelkinson is the senior manager, at Morgan Stanley, and the underwriter of the debt, who will offer the bonds to the public including both individual and institutional investors for purchase. Morgan Stanley also brought aboard their counsel, Barclay Damon, who represents the underwriters and are also the trustee for the bonds. Wilmington Trust was selected via an RFP process earlier this summer and will represent the bondholder's interest while the bonds are outstanding. Mr. Cushine reviewed the documents, defined the master resolution and defined the overall parameters for the issuance of not only the bonds but any additional debt that may be issued in the future for the needs of the airport. Discussion continued that the preliminary official statement is the longest document in the package is the offering document that is used to market bonds to bondholders. There is a lot of required information that has to be disclosed to gain the full financial picture of the authority. A discussion ensued on the bonds themselves, as well as a discussion of risk factors which are some key areas of this document. The bond purchase agreement process was explained to be the agreement between the authority and Morgan Stanley for the actual sale of the bonds to be executed at the time, right after pricing. Next could come a continuing disclosure agreement under the regulatory structure for municipal bonds with an obligation to provide information on a regular basis to the bondholders. With municipal debt, these documents would require certain information including the annual audit provided each year. The bondholders will have access to this information so that they can monitor the financial health of their investment.

Mr. Poyer reviewed the Master Resolution Grant Clause from their packet. He explained that in order to do this there needs to be a structure in place and the SRAA is currently in a good place financially, to do this. These transactions will also help the City of Syracuse and allow the city to do more projects. The Master Resolution is a lengthy document which would allow the authority to issue these bonds and any other bonds that may need to be issued in the future including those to do big building projects. Once the authority completes this bond issue then if the authority needed to do a subsequent issue of bonds at a later date, those bonds would be of equal priority. For added flexibility, the authority can issue bonds that are subordinate to these bonds and the authority would be able to do that through a separate, supplemental indenture that provides that flexibility. Mr. Poyer reviewed the revenue

component of the Master Resolution.

Mr. Cushine explained the basic concept of paying all obligations and then leaving a little cushion which bond holders like to see for extra risk protection just in case there is a downturn in the industry. Dr. Chin inquired if this cushion is required every year. This requirement is met yearly as part of the audit process when the authority pulls together their fiscal year numbers. There is a calculation done to demonstrate that the authority meets this threshold. Those calculations would be provided to the bondholders, and they would see the math in terms of the authority's revenues and operating expenses, along with net revenues so that the bondholders will be able to see that the authority maintains at least 125% of the aggregate annual debt service. Mr. Simpson asked about a penalty for failure to maintain the threshold on the audit date. It was stated that any violation of the Rate Covenant requires the Authority to hire a consultant to determine what changes to operations can be made to meet the requirements of that covenant before a default may be called. It was indicated that investors find airport revenue bonds an attractive investment since in their history there has never been a default. There have been rate covenant violations that airports have had to address. There are at least 70 or 80 airports that issue general airport revenue bonds. There is a perception in the market that the aviation industry is viewed as being financially well managed and an essential service.

There was further review of the slides with the Board regarding, Pledged Revenue, Coverage Deposit account, Rate Covenant, Additional Bonds Test, Reserve Requirement, Maintenance and Operations Reserve Fund and the Flow of Funds.

The 2021 Bonds Financing Schedule was discussed. Mr. Lazar questioned how it works during the 30-day period for the money without investment during that time period. It was explained that there are two options: the monies can sit in the bank as cash or they can be invested, but realistically, the earnings for only a 30 day period would be very minimal, a basis point or two, less fees. Otherwise, they would be deposited in cash with the trustee. These options would be reviewed for best results.

The next discussion was the Rating Agency Meetings. The meeting with the analysts was held with Executive Director Terreri and Ms. Watkins. This was the first time the authority had spoken with any of the rating agencies. There are four agencies who rate municipal debt in the United States and two were chosen: Moody's Investor Service and Fitch Ratings. There was an analysis done on both agencies to determine which would be the most favorable to use in terms of understanding the authority's credit to get the best results. Those results will be provided next week.

The Current Debt Overview slide was reviewed. The plan would be to issue enough bonds to pay off any debts to minimize the amount of debt being issued.

Mr. Meyer asked what the costs are going to be for the bond issuance process. It was explained that the consultant fees are already included in the numbers. This not only includes the professionals working on the project, but also includes the rating agencies fees. There are a variety of different items that would need to be paid, and every dollar associated with any of the costs of this transaction were included in the packet.

Mr. Terreri mentioned to the board that CFO Watkins started with the SRAA in March, 2020. CFO Watkins and her team brought the authority up to a level financially, to be rated at an

investment grade, which is a true testament of what she has brought to the authority in her short tenure. On behalf of the authority, he thanked her for everything she has done over the past year.

Chair Gagliano stated that the presentation is a great document to read through and it is clear and concise for people who do not understand bond financing.

After the meeting, the public hearing will be posted on the SRAA website. This will be scheduled for 9/24/2021 at 8:30a.m. The process of the hearing was reviewed.

RESOLUTION AUTHORIZING A PUBLIC HEARING IN CONNECTION WITH THE ISSUANE OF TAX EXEMPT OBLIGATIONS AND DECLARING PROJECT A TYPE II ACTION UNDER SEOR

Mr. Poyer reviewed the resolution with the board. Having no further discussion regarding this resolution a motion was made by Dr. DeSiato and seconded by Mr. Lazar.

The resolution was adopted: 8 ayes, 0 nays, 0 abstain

Adjournment

A motion was made by Mr. Lazar and seconded by Mr. Simpson to adjourn the meeting. The meeting was adjourned at 12:03 p.m.