




APPROVED
BY ORANGE COUNTY BOARD
OF COUNTY COMMISSIONERS

October 16, 2015

NOV 03 2015 NP/bs

TO: Mayor Teresa Jacobs
-AND-
Board of County Commissioners

FROM: Stephanie Taub, Assistant Manager, Fiscal & Business Services 

CONTACT PERSON: Stephanie Taub, Assistant Manager, Fiscal & Business Services
PHONE NUMBER: (407) 836-5915

SUBJECT: Resolution of the Orange County Board of County Commissioners regarding authorization for Sales Tax Revenue Refunding Bond, Series 2015A (the "2015A Bond").

Background

Favorable low interest rate levels exist which provide the County an opportunity to reduce Sales Tax debt service expenses. The attached resolution provides the authority to refund the existing 2006 Sales Tax debt to achieve annual debt service savings over time of at least \$1.3 million in current dollars.

From time to time, when interest rates become favorable, there are opportunities to refund outstanding bonds with new bonds that carry a lower interest cost which reduces the annual debt service cost. In simple terms, such a refunding transaction is like a homeowner using a lower interest rate mortgage to pay off a higher interest rate mortgage to reduce the monthly house payment. Such an opportunity exists to issue the 2015A Bond to reduce the Sales Tax debt service by refunding outstanding Sales Tax Revenue Refunding Bonds, Series 2006 (the "2006 Bonds"). Orange County currently has very strong Sales Tax underlying credit ratings of AA+ from FitchRatings, AA+ from Kroll Bond Ratings, AA from S&P, and Aa2 from Moodys.

2015A Current Refunding of the 2006 Bonds

There is currently an outstanding amount of approximately \$32 million from the 2006 Bonds that refunded 1998 Sales Tax bonds. The 2006 Bonds mature between 2016 and 2028, and these bonds can be called and retired on January 1, 2016. In addition, funds from the debt service accounts and an additional amount of Sales Tax on hand will be used to complete the current 2016 payment of the 2006 Sales Tax bonds to further reduce the debt outstanding.

The County is preparing this refunding effort with the minimum savings target of 4% used on all recent County current refunding efforts when the bonds are currently available for prepayment as will be the case when the 2015A Bond closes on or after December 10, 2015. The savings target must be reached with the expenses for interest and costs of issuance related to the 2015A Bond taken into account. At the minimum savings level, the refunding of the 2006 Bonds would result in combined debt service savings in the years until 2028 of approximately \$1.3 million in current dollars or 4% present value savings. However, current market levels would produce savings well in excess of the minimum.

Since the 2015A Bonds will only be issued until 2028, the 2015A Bonds will not have an optional redemption prior to their maturity. The exact amount of 2015A Bonds needed for

the refunding, the amount of 2006 Bonds to be refunded, and the savings amount will depend on market conditions at the time of sale, which may be more or less favorable than current market conditions. The market conditions on the sale date must allow the County to reach or exceed that 4% savings target, or the refunding may be limited to only those maturities that produce aggregate savings in excess of the 4% savings target.

2015A Bond

The 2015A Bond will be a privately placed single bond issued to the financial firm offering the lowest interest cost bid to provide funds to refund approximately \$32 million of 2006 Sales Tax debt. The County has successfully used this approach in the past. Pursuant to Administrative Regulation 6.02.04 approved by the Board of County Commissioners on February 22, 1994, the resolution will authorize the 2015A Bond to be sold via the competitive bid process. The County's co-financial advisors and the Orange County Comptroller recommend the competitive method of sale. Section 12 of the resolution delegates to the Mayor or County Administrator the authorization to award the 2015A Bond to the lowest cost bidder (the "Successful Bidder", as defined in the Notice of Sale) after certain benchmarks have been achieved. For example, the resolution requires a true interest cost of 4% or less for the 2015A Bond which is required to mature no later than January 1, 2028.

Resolution and Recommended Action

The attached "Resolution of the Orange County Board of County Commissioners regarding authorization for Sales Tax Revenue Refunding Bond, Series 2015A" was prepared by Nabors, Giblin & Nickerson as Sales and Utility Tax Bond Counsel. The co-financial advisors, Public Financial Management and M2 Management, along with County staff recommend approval of the Resolution to create the refunding savings. Individual briefings will be offered to each Commissioner to answer any questions they may have prior to this being presented on the consent agenda for the November 3, 2015 Board meeting.

The following documents are provided for Board consideration:

Authorizing Resolution - Authorizes the issuance of the Bond and execution of all documents related to the 2015A Bond. The resolution also authorizes the Mayor or a designee to award the sale to the financial firm providing the lowest true interest cost within certain parameters required to award the sale. The resolution also includes the form of the 2015A Bond to be provided to the winning bidder at the closing.

Official Notice of Bond Sale - Official document that provides information to bidders for the 2015A Bond (i.e., date and time of the competitive sale, estimated par amount, bond counsel, financial advisors and bid requirements) and invites bids from prospective financial firms.

Form of Escrow Deposit Agreement - The agreement between Orange County and the Escrow Agent to establish and administer the Escrow Fund, which will retire the refunded bonds.

ACTION REQUESTED:

Approval of Resolution of the Orange County Board of County Commissioners regarding authorization for Sales Tax Revenue Refunding Bond, Series 2015A.

CC: Eric Gassman, Deputy County Administrator