



October 12, 2020

TO: Mayor Jerry L. Demings
-AND-
Board of County Commissioners

FROM: Fred Winterkamp, Manager, Fiscal and Business Services *FMW*

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SUBJECT: Resolution of the Orange County Board of County Commissioners (the "2020 Bond Resolution") regarding authorization for Water and Wastewater Utility Revenue Bonds, Series 2020 (the "2020 Bonds").

Background

A Water and Wastewater Master Resolution was previously adopted by the Board to govern the flow of funds and all aspects of the issuance of bonds from time to time for the Orange County Water and Wastewater Utility (OCU). The 2020 Bond Resolution supplements the Master Resolution to set forth the specific details and issuance parameters of up to \$190,000,000 of "series" 2020 Bonds (each financing requires a separate supplemental series resolution to authorize each series of bonds issued under the Master Resolution). Together, these resolutions provide for authorization of the 2020 Bonds to complete the process to finance the acquisition and construction of previously approved water and wastewater projects. Approval and execution of the 2020 Bond Resolution is the requested action.

Reimbursement for the 2020 OCU projects

The funding process began with OCU including various system improvement and expansion projects in the current and prior OCU budgets, and also including the proceeds from the 2020 Bonds as revenues in their current budget for FY 2020-2021. Also, on April 21, 2020, the Board approved a reimbursement resolution to retain the ability under the Internal Revenue Code to fund the OCU projects with the proceeds of a future tax-exempt financing which will now be authorized by this 2020 Bond Resolution.

OCU has been using system revenues to fund the projects during the construction and/or acquisition phase, but now it is time to issue the 2020 Bonds to lock-in the long-term financing of the projects in the current favorable low interest rate environment. System revenues have been funding work on the projects and that continues today, with about \$70 million of work now completed. The proceeds of the 2020 Bonds will reimburse the County for funds already spent in order to restore the system fund balances, which will be needed for future budgeted OCU projects, and the proceeds will also fund the remaining projects contemplated to be financed with proceeds from the 2020 Bonds in the existing OCU budget. Using a reimbursement resolution to allow initial cash funding for projects, and then a bond issue to reimburse the cash outlays and finish the projects, is an optimal approach that avoids the expense of borrowing too soon and the uncertainty of estimating how much to borrow. The process is somewhat like a homeowner using cash or a short-term financing during construction of a home, and then locking-in the long term financing for the completed home as construction is being completed and the project costs are better known.

2020 Bonds

The 2020 Bonds will pledge OCU water and wastewater revenues for repayment over the next 20 years. Orange County's previous 2016 OCU water and wastewater bonds had the highest AAA-level credit ratings. The 2020 Bond Resolution provides the authorization to seek credit ratings for the 2020 Bonds. OCU has utilized engineering and financial consultants to prepare an Engineer's Report of the OCU system and a Financial Feasibility Report and both reports are provided to the rating agencies and investors to help achieve the best credit ratings possible and the lowest interest cost for the 2020 Bonds.

Pursuant to Administrative Regulation 6.02.04 approved by the Board of County Commissioners on February 22, 1994, the 2020 Bond Resolution will authorize the 2020 Bonds to be sold via the competitive bid process. The County's financial advisor, PFM Financial Advisors LLC, and the Orange County Comptroller recommend the competitive method of sale. Section Eight of the 2020 Bond Resolution delegates to the Mayor or County Administrator the authorization to award the 2020 Bonds to the lowest cost bidder (the "Successful Bidder", as defined in the Notice of Sale) after certain benchmarks have been achieved. For example, the 2020 Bond Resolution requires a true interest cost of 4% or less for up to \$190,000,000 of 2020 Bonds which are required to mature no later than October 1, 2041.

Resolution and Recommended Action

The 2020 Bond Resolution was prepared by Nabors, Giblin & Nickerson as Sales Tax and Utility Revenue Bond Counsel. The County's financial advisor and County staff recommend approval of the resolution to provide the funds for the OCU projects. The following documents are provided for Board consideration:

2020 Bond Resolution - Authorizes the issuance of the 2020 Bonds pursuant to the previously adopted Master Resolution and the execution of all documents related to the 2020 Bonds. The 2020 Bond Resolution also authorizes the Mayor or County Administrator to award the sale to the bidder providing the lowest true interest cost within certain parameters required to award the sale. The 2020 Bond Resolution authorizes the Mayor or County Administrator to finalize the related transaction documents, award the sale to the lowest cost responsive bidder, and execute the documents at closing. The 2020 Bond Resolution has exhibits with the 2020 Project Descriptions, and substantially completed "form of" versions of the Notice of Sale, Preliminary Official Statement, Continuing Disclosure Undertaking and insurance provisions. These related documents are all further described as follows:

Official Notice of Bond Sale - Official document that provides information to bidders for the 2020 Bonds (i.e., date and time of the competitive sale, estimated par amount of bonds, and bid requirements) and invites bids from prospective financial firms and their investors.

Form of Preliminary Official Statement (POS) - Preliminary version of the official statement which describes the proposed issue prior to final determination of the interest rates and offering prices. This document is used to disclose the details of the transaction and OCU and the pledged system revenues to investors. The document is used to market the bonds and provide the required disclosure to allow an investor to make an informed decision about purchasing the 2020 Bonds. The Securities and Exchange Commission cautions all public officials to carefully review the POS to be sure that no misstatements or omissions are made that would be material to investors. To ensure a thorough and professional review, the working

group includes a Disclosure Counsel firm that reviews the information and prepares the POS, and the POS is also reviewed by Bond Counsel, the County Attorney's Office, Comptroller staff, OCU staff, and County fiscal staff.

Form of Continuing Disclosure Undertaking - Preliminary version of the agreement governing the ongoing distribution by the County and OCU of subsequent financial and operating data about the pledged revenues to the marketplace. This document sets forth requirements to make special disclosures of extraordinary events such as rating changes, various potential financial problems, and debt service payment problems.

Bond Insurance Provisions – Exhibits E and F contain industry standard insurance provisions for bond insurance providers in the event any bidders choose to insure the bonds as part of their bid. Any costs related to bond insurance in a bid proposal will be paid by the proposer and included in the True Interest Cost calculation of their bid in the comparison to select the lowest cost bid.

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 October 27, 2020 Board meeting.

ACTION REQUESTED:

Approval and execution of Resolution of the Orange County Board of County Commissioners regarding authorization for Water and Wastewater Utility Revenue Bonds, Series 2020.

CC: Byron W. Brooks, AICP, County Administrator
Ray Hanson, P.E., Utilities Director
Glenn Kramer, Manager, OCU Fiscal and Operational Support