

## **2025 TDT Refunding Revenue Bonds Overview**

### **Background**

The County has the opportunity to achieve debt service savings by refunding the existing Tourist Development Tax (TDT) Refunding Revenue Bonds, Series 2015 (the "2015 TDT Bonds"). This refunding transaction aims solely to reduce future annual debt service costs by replacing the current bonds with new ones at lower interest rates, akin to refinancing a mortgage to lower monthly payments. No additional funds are being raised, nor are the bonds intended for new projects. The 2015 TDT Bonds financed the construction of the North-South Building at the Orange County Convention Center.

### **Current Refunding of the 2015 TDT Bonds**

The County currently has \$69,185,000 in outstanding 2015 TDT Bonds (the "2015 TDT Bond Par Amount") which mature between 2026 and 2031. These bonds are callable and can be redeemed at any time on or after October 1, 2025, following proper notice to bondholders.

The debt working group, made up of financial consultants and staff from the County and Comptroller, has been tracking this savings opportunity. The County is preparing this refunding transaction targeting a minimum savings of 4% of the refunded 2015 TDT Bond Par Amount, after accounting for the interest expenses and costs of issuance related to the 2025 TDT Bonds. This 4% savings target aligns with benchmarks established in recent similar County refunding transactions. Refunding the outstanding 2015 TDT Bonds is estimated to yield approximately \$3.6 million in net present value savings through 2031 based on current market conditions.

This worthwhile transaction offers significant savings. However, success will depend on the interest rate market at the time of sale and the credit view of investors. Our current TDT ratings are at AA, Aa2, and AA-, respectively by FitchRatings, Moodys, and S&P Global Ratings. Given the short duration of the 2025 TDT Bonds, the debt working group concluded that it would be financially prudent to seek credit ratings only with FitchRatings and Moodys in connection with the 2025 TDT Bond transaction. The Board is requested to approve and execute the resolution authorizing the issuance of the 2025 TDT Bonds enabling the working group to act swiftly while favorable market conditions persist. This approval will empower the working group to finalize issuance documents and prepare for a sale that meets the established savings target. Both PFM and County staff recommend adopting the resolution to facilitate the refunding and achieve the anticipated savings.

### **2025 TDT Refunding Resolution**

The 2025 TDT Bond Resolution sets parameters for the refunding transaction, including a true interest cost not exceeding 4% and a net present value savings of at least 4% after accounting for issuance costs. It allows the issuance of up to \$75 million in bonds, providing flexibility to accurately size the issuance to meet the refunding requirements at pricing. The Resolution further authorizes the Mayor and staff to issue the 2025 TDT Bonds and refund the 2015 TDT Bonds once all sale parameters are met.

The 2025 TDT Bond Resolution also authorizes Greenberg Traurig, P.A., as Bond Counsel, to file a validation complaint in the Circuit Court of the Ninth Judicial Circuit of Florida, in and for Orange County, Florida, in accordance with Chapter 75, Florida Statutes. Recent legislative

changes to the TDT statute have introduced uncertainty with respect to the pledge of certain TDT revenues. Generally speaking, the purpose of the validation is to obtain a judicial determination that the bonds have been validly authorized and issued. A final validation judgment protects the bonds from future challenges, ensuring that they are marketable and secure for investors

## **2025 Bond Documents**

Pursuant to Administrative Regulation 6.02.04, the resolution will authorize the 2025 TDT Bonds to be sold via the competitive bid process. The County's Financial Advisor and the Comptroller are aware of this method of sale choice.

The following documents are provided for Board consideration:

**2025 TDT Bond Authorizing Resolution** - Authorizes the issuance of the 2025 TDT Bonds and delegates to the Mayor, or the Mayor's designee, the execution of all documents related to the 2025 TDT Bonds, distribution of the Preliminary Official Statement, and delivery of the Official Statement. The resolution also provides the limited delegation and certain parameters required to award the sale by the Mayor or the Mayor's designee.

**Form of Escrow Deposit Agreement** - The agreement between the County and the Escrow Agent to establish and administer the Escrow Fund, which is a portfolio of securities and cash that will be used to pay interest on the refunded bonds for the short period until the call date in October and to retire the refunded bonds on the call date.

**Form of Sixteenth Supplemental Indenture of Trust to Second Amended and Restated Indenture of Trust** - A master agreement providing the terms and conditions pursuant to which the 2025 TDT Bonds can be issued and secured by the Pledged Funds (consisting principally of the 4% Tourist Development Tax Revenues and the 5th Cent Tax Revenues) and to which all monies, funds and accounts related thereto are administered. It also sets forth a continuing disclosure undertaking requiring informational notices to the markets throughout the time the 2025 TDT Bonds are outstanding.

**Form of Official Notice of Bond Sale** - A public announcement issued by the County to inform potential underwriters about the upcoming bond offering. This notice provides essential details such as the sale date, time, place, bond descriptions, maturity schedules, and bidding procedures, enabling underwriters to prepare competitive bids for the bond purchase.

**Form of Preliminary Official Statement (POS)** - A disclosure document provided to potential investors before a municipal bond sale, detailing the bond's terms, purpose, and financial information to aid investment decisions. 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, OCCC staff, and County fiscal staff.