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Refunding Analysis Opportunity

City of Weslaco, Texas

October 19, 2010

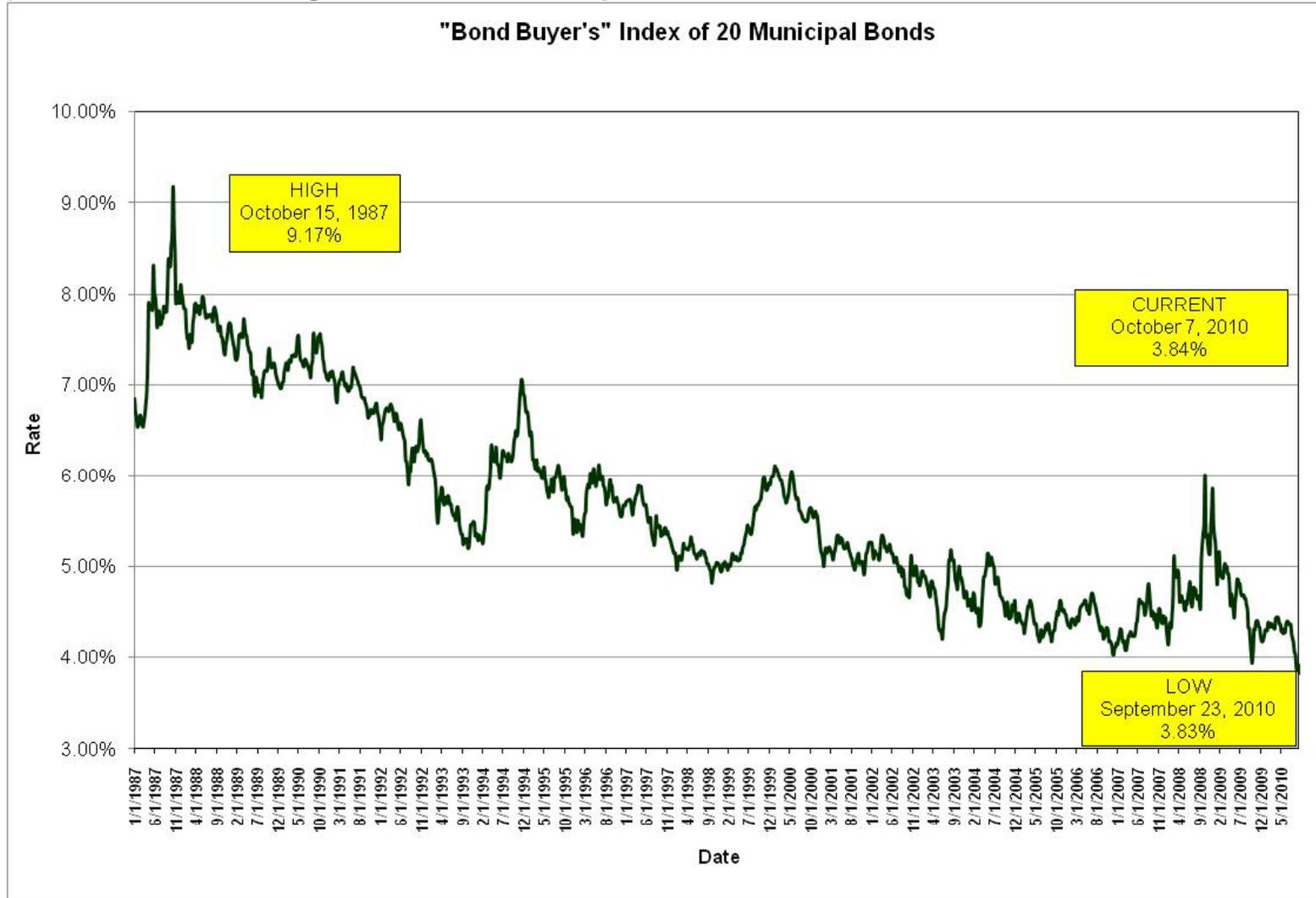
MARKET UPDATE
AS OF OCTOBER 8, 2010





Market Update

As of October 7th, the BBI of 20 Municipal Bonds, was 3.84%, which is 1 basis point or 0.01% higher than the 23 year low

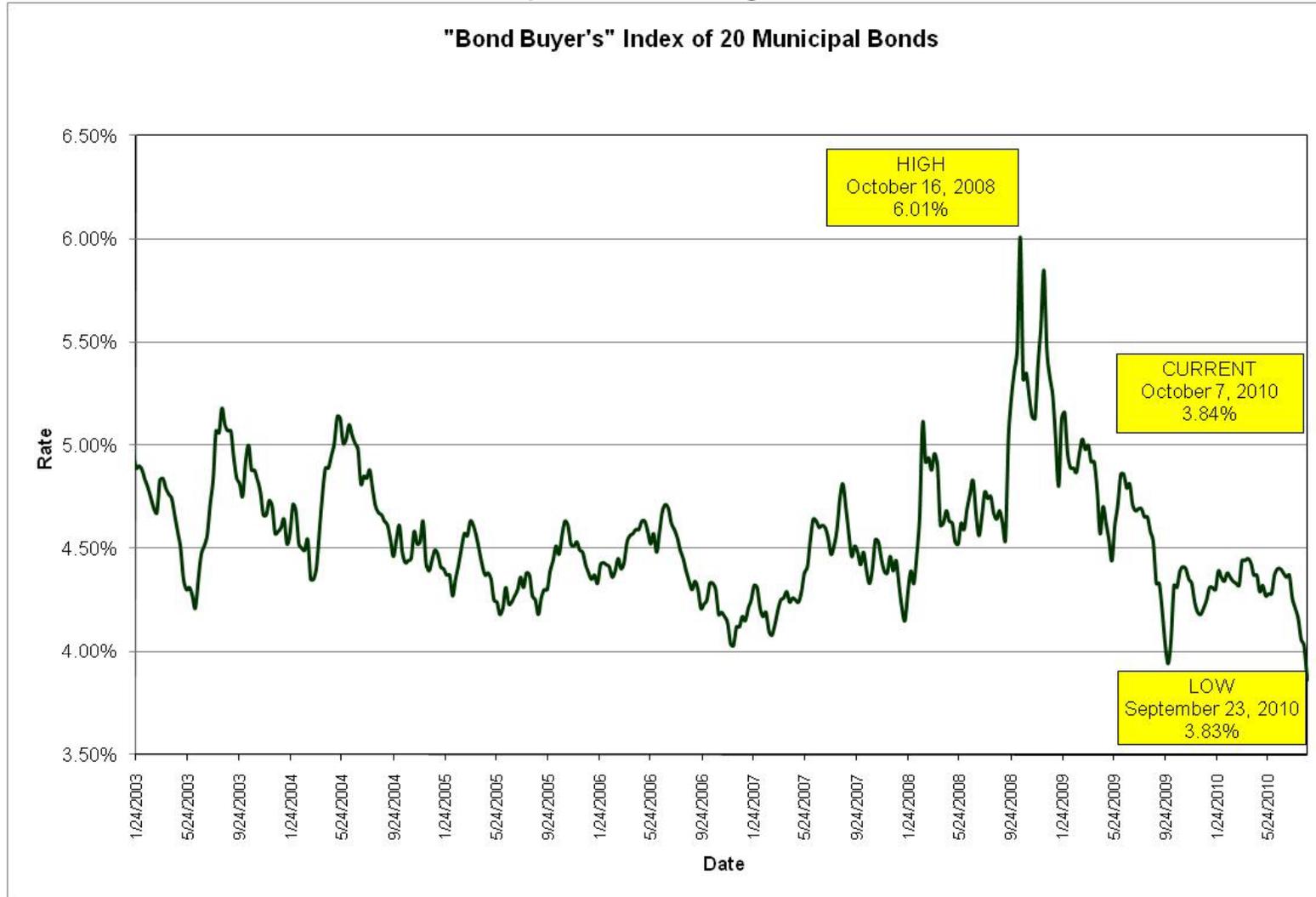


CITY OF WESLACO, TEXAS



Market Update

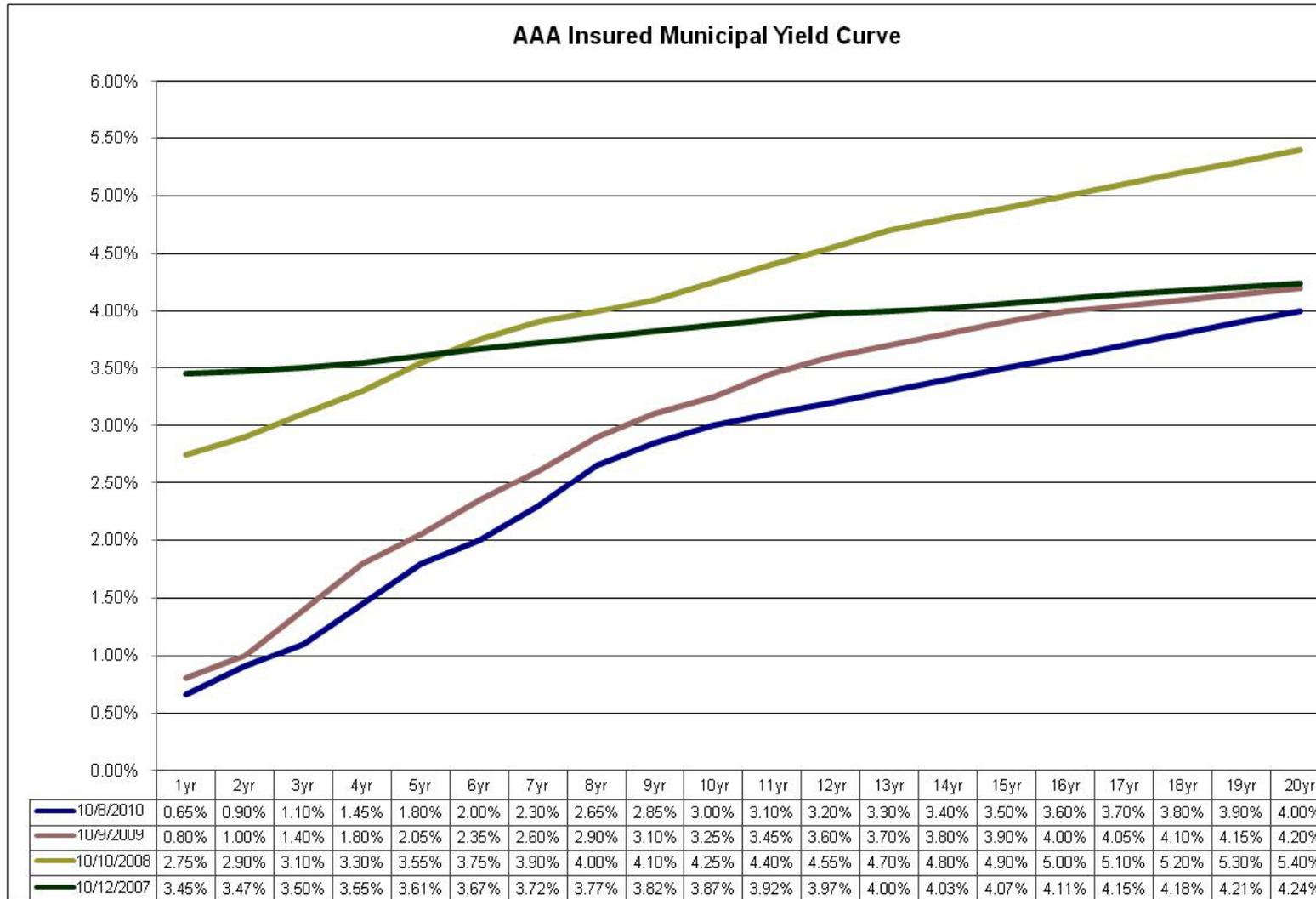
Since January 1, 2003, interest rates have been very volatile, especially in 2008 when the financial markets experienced significant stress





Market Update

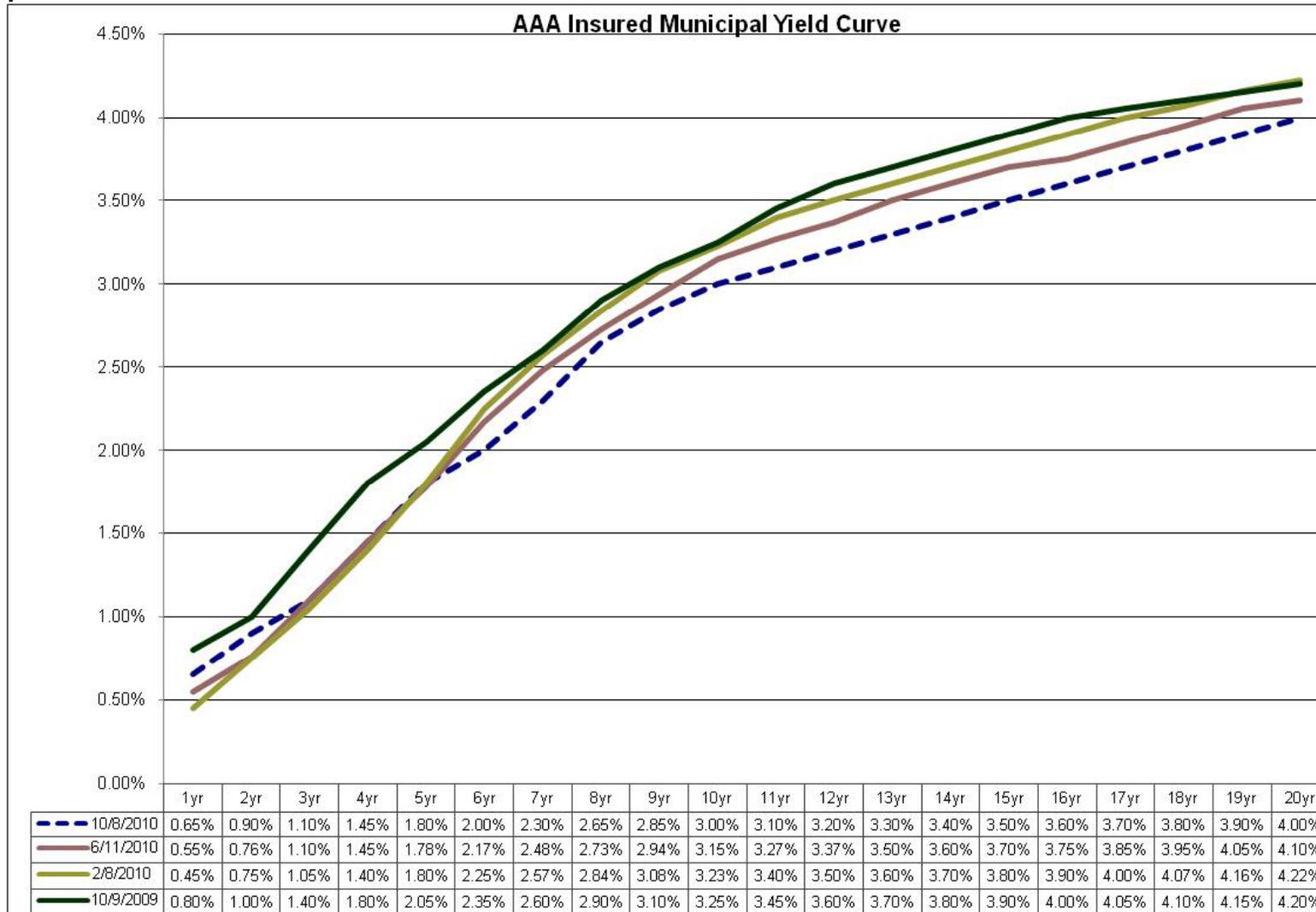
Over the past 3 years, the yield curve has become more steep, benefiting shorter term bond issues





Market Update

Over the last year, there has been downward movement in the market that has produced low interest rates



CITY OF WESLACO, TEXAS

PRELIMINARY TAX RATE ANALYSIS





Refunding Opportunity – TARGET Savings

<u>The Proposed Refunded Bonds</u>	Debt Service Comparison			
<ul style="list-style-type: none"> - Tax & Waterworks & Sewer System (Limited Pledge) Revenue Certificates of Obligation, Series 1999 - Original Principal Amount \$8,290,000 - Proposed Principal Refunded \$4,955,000 - Proposed Refunded Maturities 2011 – 2019 - Projected Interest Rate – 3.17% - Currently Callable 	Date	Net New D/S	Old Net D/S	Savings
	09/30/2011	670,010.66	673,006.25	2,995.59
	09/30/2012	602,023.25	672,660.00	70,636.75
	09/30/2013	606,965.75	675,960.00	68,994.25
	09/30/2014	601,432.75	672,880.00	71,447.25
	09/30/2015	669,394.00	673,515.00	4,121.00
	09/30/2016	670,691.00	672,727.50	2,036.50
	09/30/2017	671,354.00	675,375.00	4,021.00
	09/30/2018	676,303.75	676,312.50	8.75
	09/30/2019	675,540.25	675,675.00	134.75
	Total	\$5,843,715.41	\$6,068,111.25	\$224,395.84
	PV Analysis Summary (Net to Net)			
	Gross PV Debt Service Savings			210,180.57
	Net PV Cashflow Savings @ 3.510%(AIC)			210,180.57
	Contingency or Rounding Amount			1,371.25
	Net Present Value Benefit			\$211,551.82
	Net PV Benefit / \$4,955,000 Refunded Principal			4.269%

CITY OF WESLACO, TEXAS



Preliminary Tax Rate Analysis – TARGET Savings

FYE 9/30	Assessed Valuation	Est. AV Growth	Net Tax-Supp. D/S	Projected I&S	Projected \$5,115,000			Less: Refunded D/S	Est. Total Net D/S	Projected I&S	Change
				Tax Rate on Existing	General Obligation Refunding Bonds Series 2010 - Dated 11/18/2010					Tax Rate after	
				Net D/S	Principal	Interest	Total			REFUNDING	
2010	\$ 1,242,405,371		\$ -	\$ 0.1815	\$ -	\$ -	\$ -	\$ -	\$ 0.1815	(0.0103)	
2011	1,256,005,008	1.09%	2,408,188	0.1918	560,000	111,382	671,382	673,006	2,406,563	0.1918	(0.0050)
2012	1,256,005,008	0.00%	2,505,429	0.2025	465,000	137,023	602,023	672,660	2,434,792	0.1968	(0.0055)
2013	1,256,005,008	0.00%	2,576,965	0.2083	480,000	122,045	602,045	675,960	2,503,050	0.2023	0.0000
2014	1,256,005,008	0.00%	2,569,059	0.2077	500,000	106,512	606,512	672,880	2,502,691	0.2023	-
2015	1,256,005,008	0.00%	2,570,608	0.2078	580,000	89,394	669,394	673,515	2,566,487	0.2074	-
2016	1,256,005,008	0.00%	2,572,381	0.2079	600,000	70,691	670,691	672,728	2,570,344	0.2078	-
2017	1,256,005,008	0.00%	2,568,505	0.2076	620,000	51,354	671,354	675,375	2,564,484	0.2073	-
2018	1,256,005,008	0.00%	2,577,519	0.2083	645,000	31,304	676,304	676,313	2,577,510	0.2083	-
2019	1,256,005,008	0.00%	2,573,793	0.2080	665,000	10,540	675,540	675,675	2,573,658	0.2080	-
2020	1,256,005,008	0.00%	2,041,855	0.1650	-	-	-	-	2,041,855	0.1650	-
2021	1,256,005,008	0.00%	2,035,165	0.1645	-	-	-	-	2,035,165	0.1645	-
2022	1,256,005,008	0.00%	2,038,000	0.1647	-	-	-	-	2,038,000	0.1647	-
2023	1,256,005,008	0.00%	2,035,750	0.1645	-	-	-	-	2,035,750	0.1645	-
2024	1,256,005,008	0.00%	542,125	0.0438	-	-	-	-	542,125	0.0438	-
2025	1,256,005,008	0.00%	543,750	0.0440	-	-	-	-	543,750	0.0440	-
2026	1,256,005,008	0.00%	544,125	0.0440	-	-	-	-	544,125	0.0440	-
2027	1,256,005,008	0.00%	543,250	0.0439	-	-	-	-	543,250	0.0439	-
2028	1,256,005,008	0.00%	-	-	-	-	-	-	-	-	-
2029	1,256,005,008	0.00%	-	-	-	-	-	-	-	-	-
2030	1,256,005,008	0.00%	-	-	-	-	-	-	-	-	-
2031	1,256,005,008	0.00%	-	-	-	-	-	-	-	-	-
2032	1,256,005,008	0.00%	-	-	-	-	-	-	-	-	-
2033	1,256,005,008	0.00%	-	-	-	-	-	-	-	-	-
			\$ 33,246,466		\$ 5,115,000	\$ 730,245	\$ 5,845,245	\$ 6,068,111	\$ 33,023,600		\$ 0.0000

Assumptions:

- (1) Assessed Valuation as reported by the Hidalgo County Appraisal District. Net AV after the freeze value. FY 2011 certified as of 7/23/2010. Future assessed valuation growth rates assume no growth for purposes of illustration.
- (2) Rates as of 8/30/2010 (BBB+) Proposed Private Placement Scale. Estimated interest rate of 3.17%. Preliminary; subject to change.
- (3) Est. tax collections rate: **98.50%**
- (4) All financing assumptions are preliminary and are purposes of illustration only.

CITY OF WESLACO, TEXAS



Delegation Authority Order for GO Refunding

- Should City Commission want to proceed with Refunding :
 1. Consider Delegation (“Parameters”) Authority Order which allows to move forward with the refunding as long as we accomplish all four parameters:
 - a. Par amount does not exceed \$5,250,000
 - b. Final maturity does not exceed 2/1/2019
 - c. Interest rate is not more than 3.50%
 - d. Debt service savings are not less than 2.50% Net Present Value Benefit
 2. If we meet these parameters :
 - a. We execute the Refunding Bond Sale
 - b. We come back to brief City Commission

PRELIMINARY UTILITY REFUNDING ANALYSIS





Refunding Opportunity – UNIFORM Savings

<u>The Proposed Refunded Bonds</u>	
-	<i>Waterworks and Sewer System Revenue Bonds, Series 1998</i>
-	Original Principal Amount \$5,930,000
-	Proposed Principal Refunded \$2,795,000
-	Proposed Refunded Maturities <i>2011 – 2017</i>
-	Projected Interest Rate – 3.00%
-	Currently Callable

Debt Service Comparison					
Date	Total P+I	Existing D/S	Net New D/S	Old Net D/S	Savings
09/30/2011	45,757.08	347,140.00	392,897.08	392,897.08	-
09/30/2012	454,725.00	-	454,725.00	471,097.50	16,372.50
09/30/2013	453,325.00	-	453,325.00	465,526.25	12,201.25
09/30/2014	451,625.00	-	451,625.00	464,227.50	12,602.50
09/30/2015	454,550.00	-	454,550.00	466,967.50	12,417.50
09/30/2016	447,175.00	-	447,175.00	463,833.75	16,658.75
09/30/2017	444,575.00	-	444,575.00	459,925.00	15,350.00
09/30/2018	446,600.00	-	446,600.00	460,125.00	13,525.00
Total	\$3,198,332.08	\$347,140.00	\$3,545,472.08	\$3,644,599.58	\$99,127.50
PV Analysis Summary (Net to Net)					
Gross PV Debt Service Savings					162,866.39
Net PV Cashflow Savings @ 3.514%(AIC)					162,866.39
Transfers from Prior Issue Debt Service Fund					(77,972.92)
Contingency or Rounding Amount					4,234.03
Net Present Value Benefit					\$89,127.50
Net PV Benefit / \$2,795,000 Refunded Principal					3.189%

CITY OF WESLACO, TEXAS



Utility Fund Refunding Analysis – UNIFORM Savings

FYE 9/30	Net Available Revenues	Plus: CIP Fees	Net Available Revenues plus CIP Fees ⁽⁴⁾	Existing Utility Total D/S	Projected \$3,270,000			Less: Refunded D/S	Est. Total Net D/S	Projected Debt Service Coverage
					Waterworks and Sewer System Revenue Refunding Bonds, Series 2010 - Dated 11/18/2010					
					Principal	Interest	Total			
2010	\$ 2,101,639	\$ 645,067	\$ 2,746,706	\$ -	\$ -	\$ -	\$ -	\$ -	-	
2011	2,101,639	645,067	2,746,706	2,326,626	410,000	46,443	456,443	470,870	2,312,199	1.19x
2012	2,101,639	645,067	2,746,706	2,325,776	380,000	80,100	460,100	471,098	2,314,778	1.19x
2013	2,101,639	645,067	2,746,706	2,324,497	385,000	68,625	453,625	465,526	2,312,595	1.19x
2014	2,101,639	645,067	2,746,706	2,324,570	395,000	56,925	451,925	464,228	2,312,268	1.19x
2015	2,101,639	645,067	2,746,706	2,327,371	410,000	44,850	454,850	466,968	2,315,254	1.19x
2016	2,101,639	645,067	2,746,706	2,327,001	420,000	32,400	452,400	463,834	2,315,567	1.19x
2017	2,101,639	645,067	2,746,706	2,324,611	430,000	19,650	449,650	459,925	2,314,336	1.19x
2018	2,101,639	645,067	2,746,706	2,324,532	440,000	6,600	446,600	460,125	2,311,007	1.19x
2019	2,101,639	645,067	2,746,706	2,324,948	-	-	-	-	2,324,948	1.18x
2020	2,101,639	645,067	2,746,706	2,324,663	-	-	-	-	2,324,663	1.18x
2021	2,101,639	645,067	2,746,706	2,327,348	-	-	-	-	2,327,348	1.18x
2022	2,101,639	645,067	2,746,706	2,323,625	-	-	-	-	2,323,625	1.18x
2023	2,101,639	645,067	2,746,706	2,323,125	-	-	-	-	2,323,125	1.18x
2024	2,101,639	645,067	2,746,706	2,323,000	-	-	-	-	2,323,000	1.18x
2025	2,101,639	645,067	2,746,706	2,327,875	-	-	-	-	2,327,875	1.18x
2026	2,101,639	645,067	2,746,706	2,327,500	-	-	-	-	2,327,500	1.18x
2027	2,101,639	645,067	2,746,706	2,326,750	-	-	-	-	2,326,750	1.18x
2028	2,101,639	645,067	2,746,706	-	-	-	-	-	-	-
2029	2,101,639	645,067	2,746,706	-	-	-	-	-	-	-
2030	2,101,639	645,067	2,746,706	-	-	-	-	-	-	-
2031	2,101,639	645,067	2,746,706	-	-	-	-	-	-	-
2032	2,101,639	645,067	2,746,706	-	-	-	-	-	-	-
2033	2,101,639	645,067	2,746,706	-	-	-	-	-	-	-
				\$ 39,533,817	\$ 3,270,000	\$ 355,593	\$ 3,625,593	\$ 3,722,573	\$ 39,436,837	

Assumptions:

- (1) FY 2009 audited figures used for purposes of illustration.
- (2) Assumes no growth for purposes of illustration.
- (3) Operating Revenues minus operating expenses plus Investment income. Excludes capital grants.
- (4) Analysis excludes transfer to general fund.
- (5) Rates as of 8/30/2010 (BBB+) Uninsured Scale Private Placement Scale. Estimated rate of 3.00%. Preliminary; subject to change.



Delegation Authority Order – WW&SS Rev Refunding Bonds

- Should City Commission want to proceed with Refunding :
 1. Consider Delegation (“Parameters”) Authority Order which allows to move forward with the refunding as long as we accomplish all four parameters:
 - a. Par amount does not exceed \$3,405,000
 - b. Final maturity does not exceed 12/1/2017
 - c. Interest rate is not more than 3.50%
 - d. Debt service savings are not less than 2.50% Net Present Value Benefit
 2. If we meet these parameters :
 - a. We execute the Refunding Bond Sale
 - b. We come back to brief City Commission



Proposed Method of Sale

- ✓ The proposed method of sale is private placement
- ✓ Through this method interest rates are determined through negotiation with one or several local banks
- ✓ Costs of Issuance are less compared to an open market sale
- ✓ Allows for a faster process, typically one month