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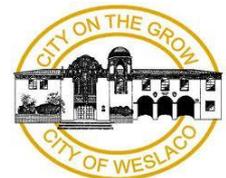
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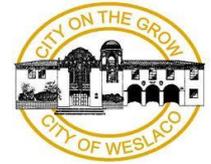
Financial Overview

July 2, 2013

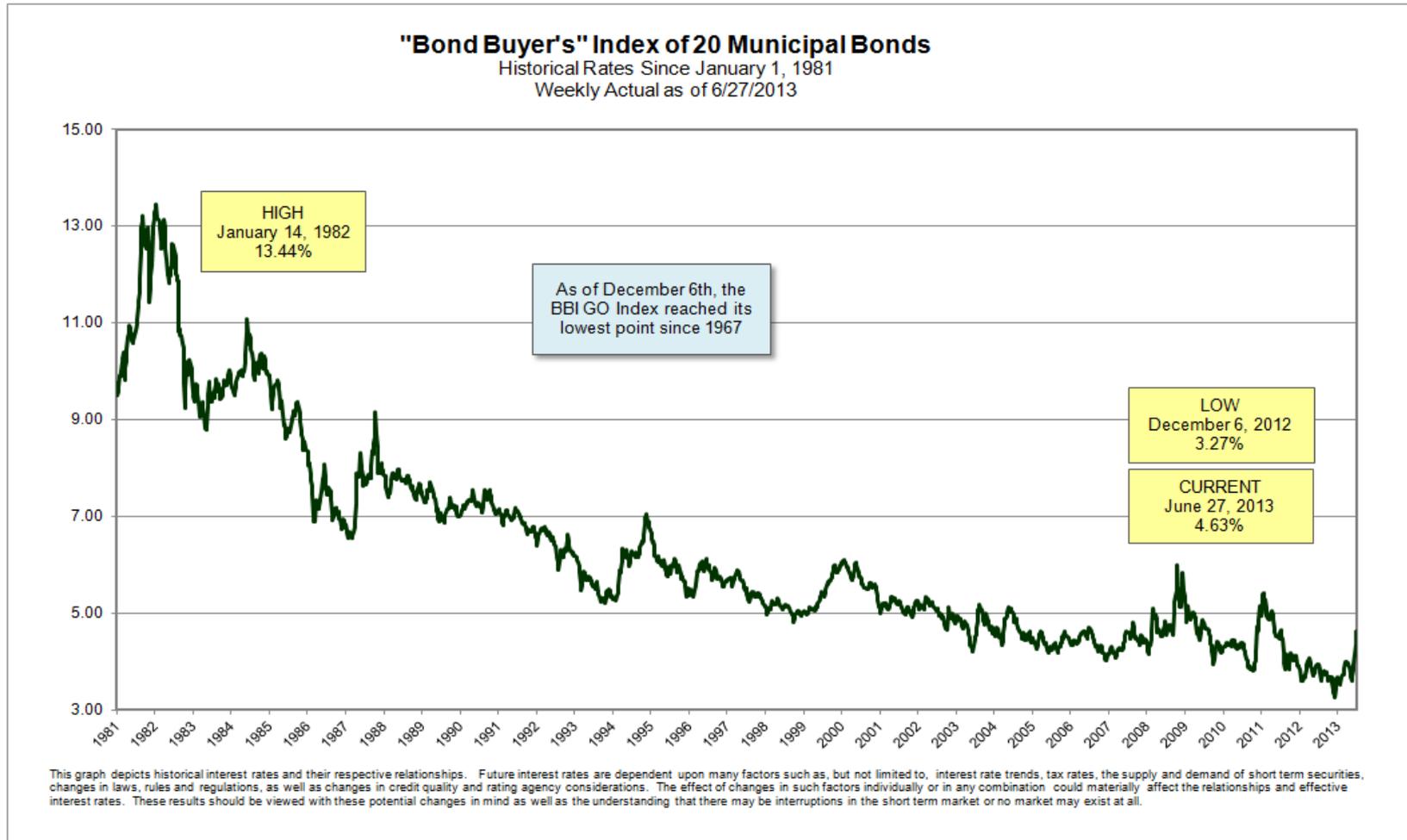
City of Weslaco, Texas

# Market Update

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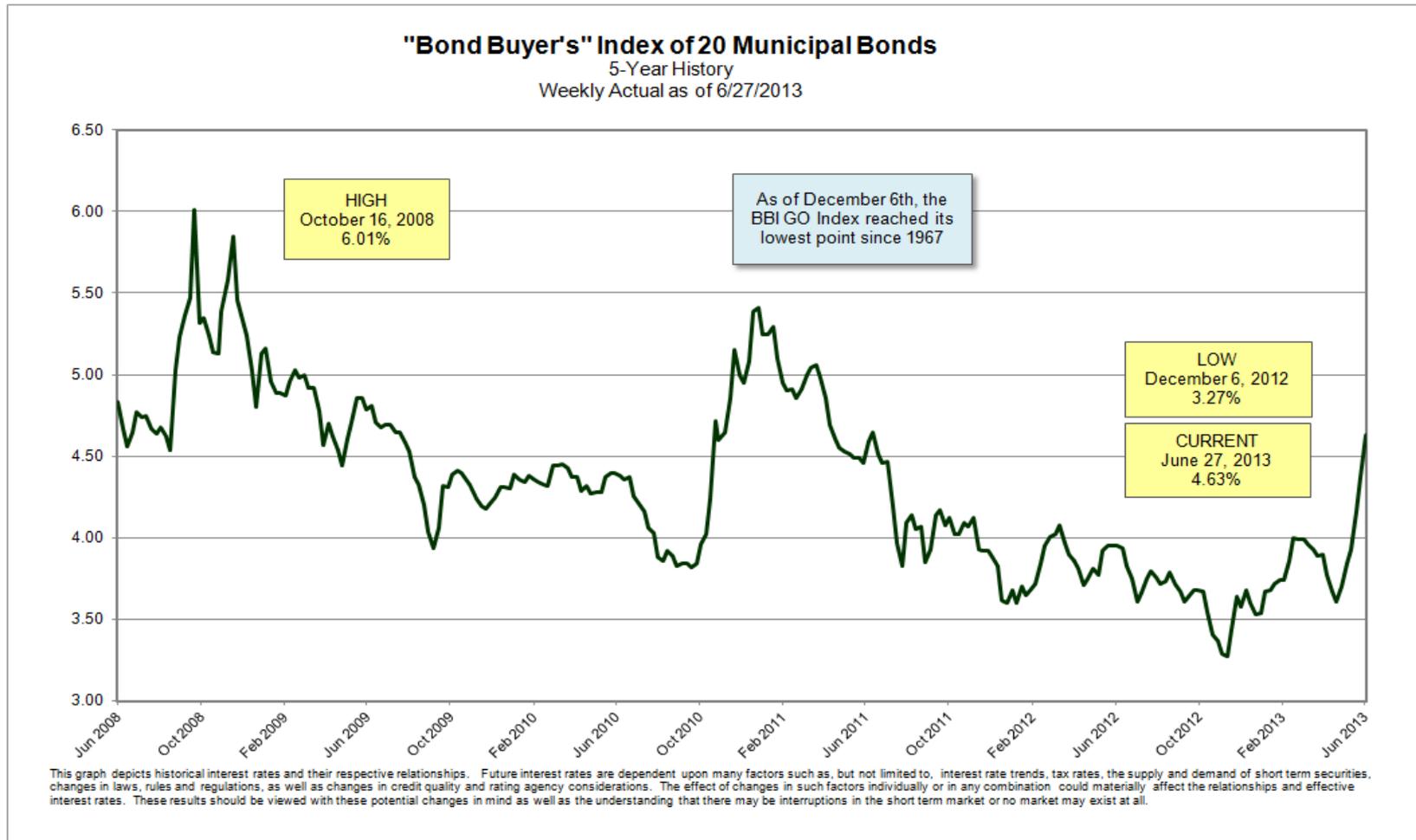


# Bond Buyer's Index of 20 Municipal Bonds



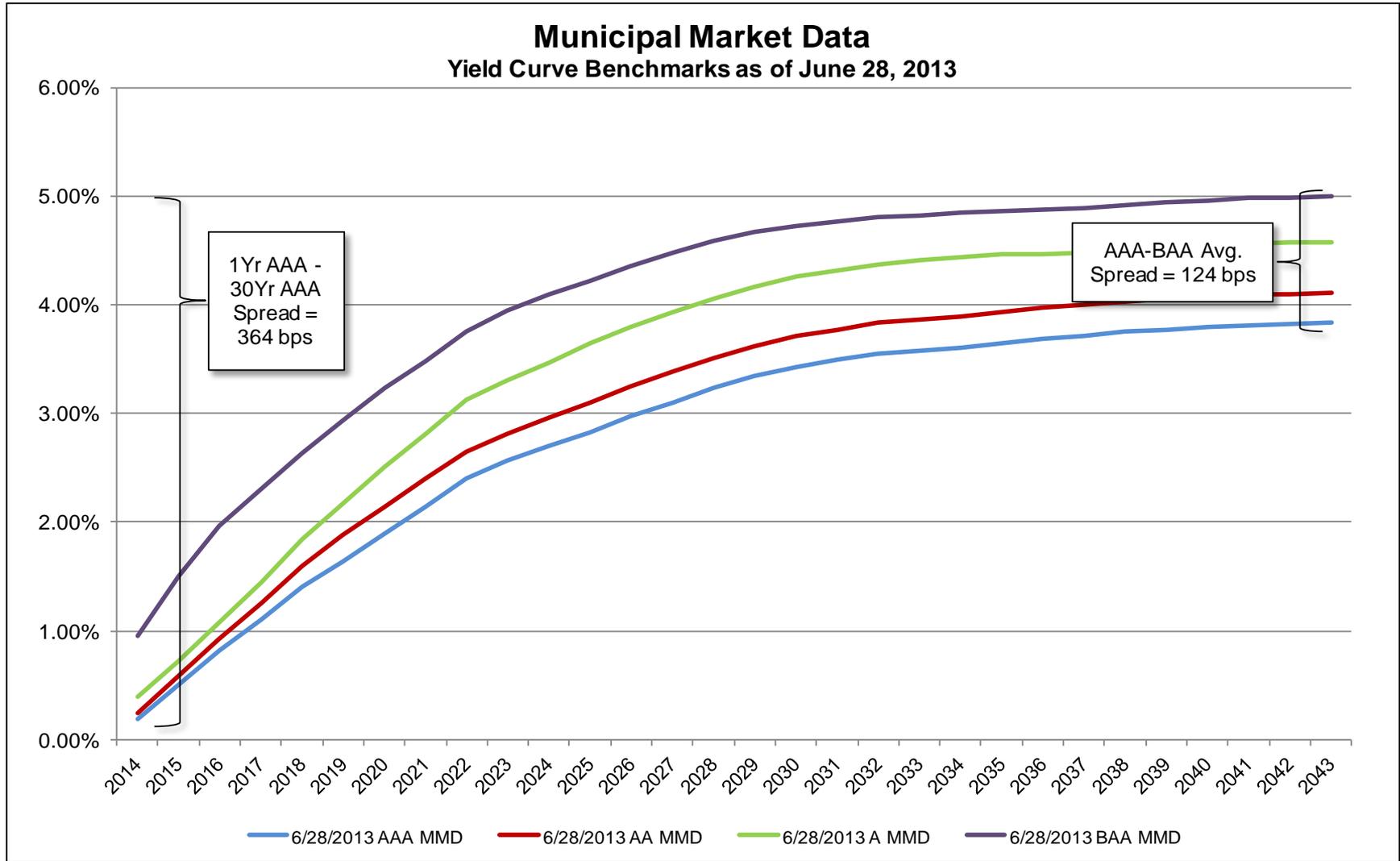
- This index tracks general obligation bonds maturing in 20 years.
- The average ratings are Aa2/AA.
- The lowest point during this 20-year period was 3.27%, which occurred on 12/6/2012.

# Bond Buyer's Index of 20 Municipal Bonds

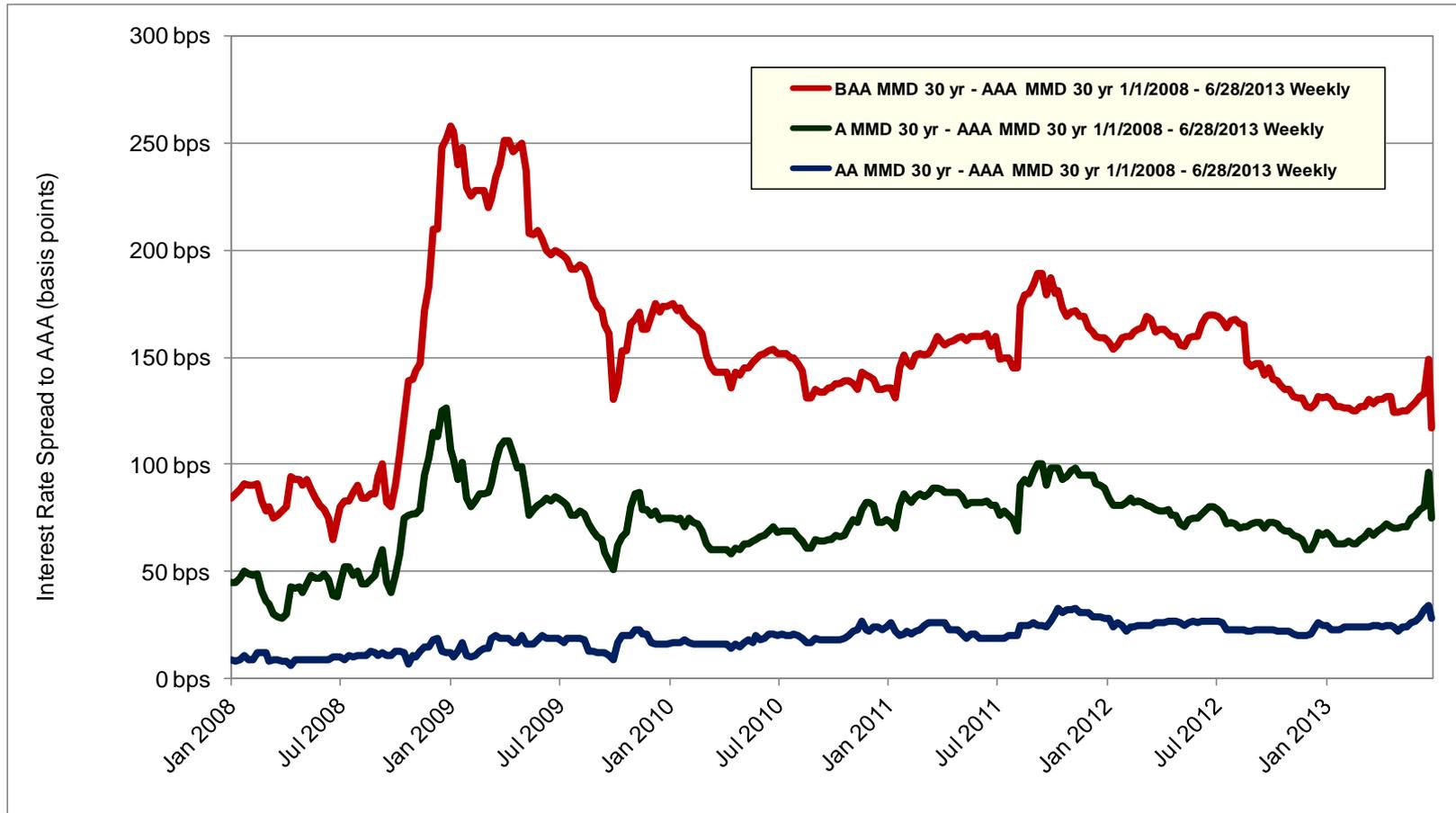


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- The lowest point during this 20-year period was 3.27%, which occurred on 12/6/2012.

# MMD Yield Curve



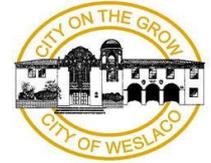
# Historical Credit Rating Spreads to AAA MMD



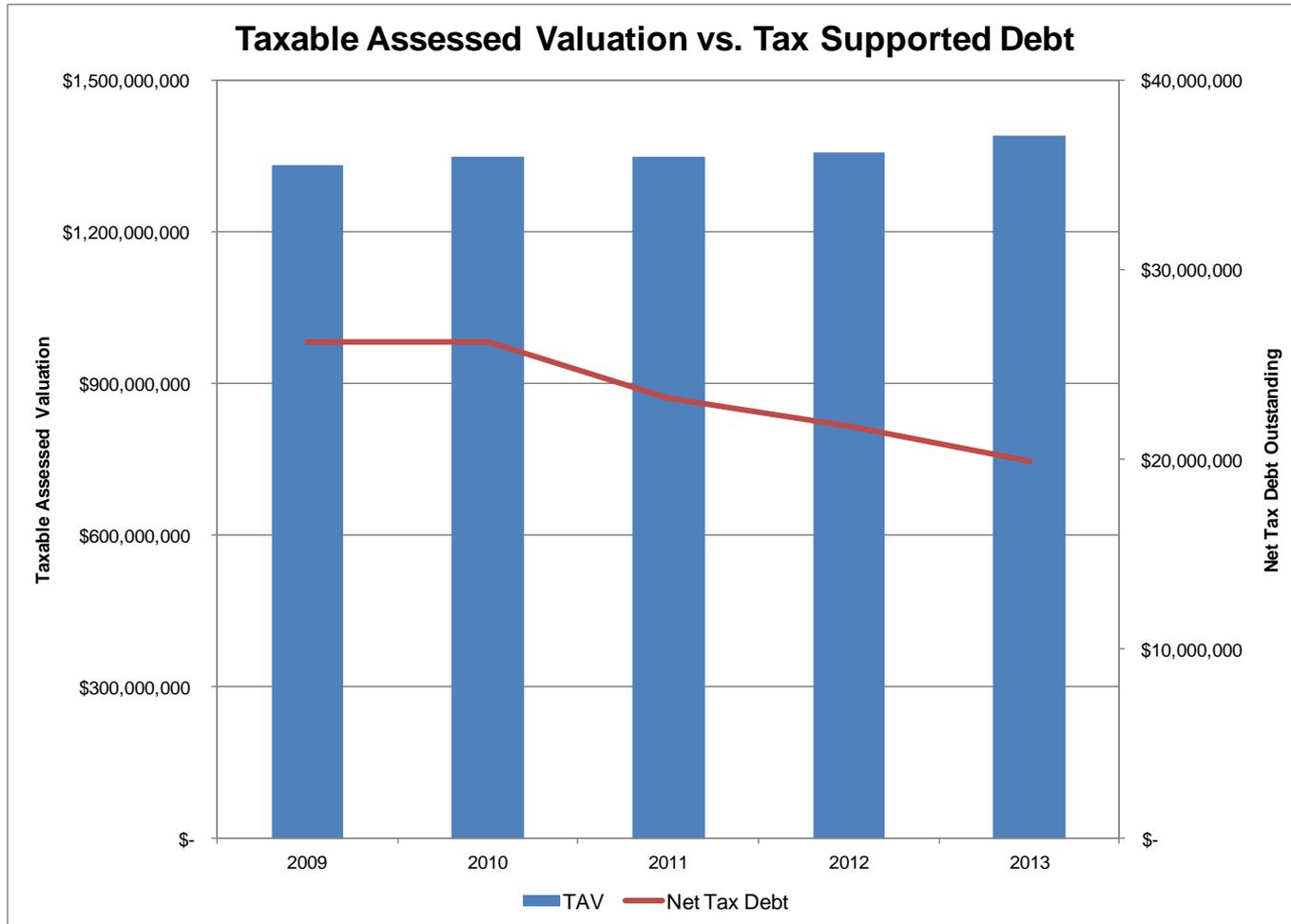
- “AAA” MMD is the benchmark yield curve for all tax-exempt muni bonds.
- Under the current environment, the “spreads” or differential between “AAA” bonds and lower rated bonds, “AA” or lower, have compressed since 2008, but are significantly wider than past years.
- The City’s bonds would now price around the “A” curve (green curve), versus the prior “BAA” category (red curve).

# Financial Overview

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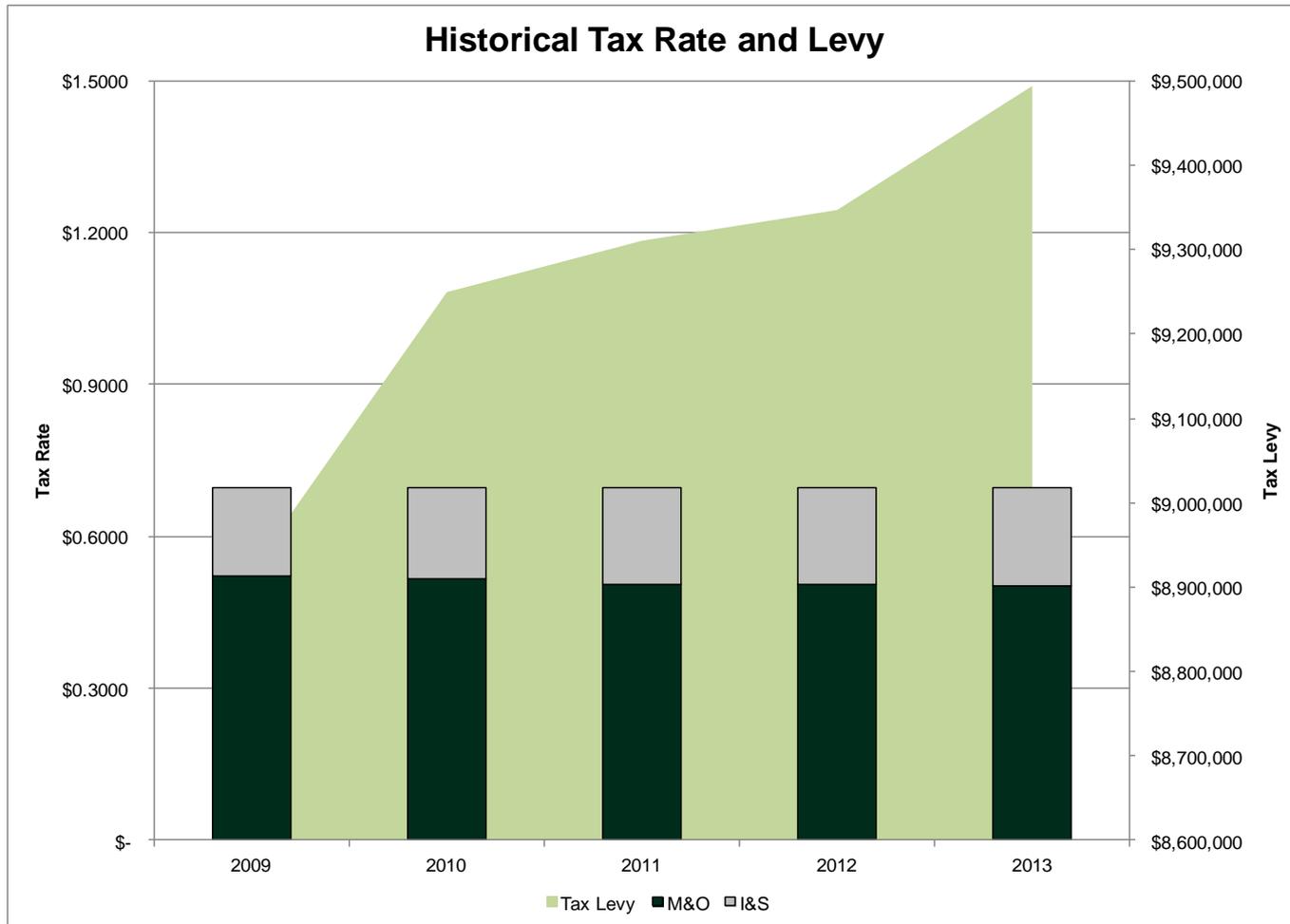


# Taxable Assessed Valuation and Tax Supported Debt



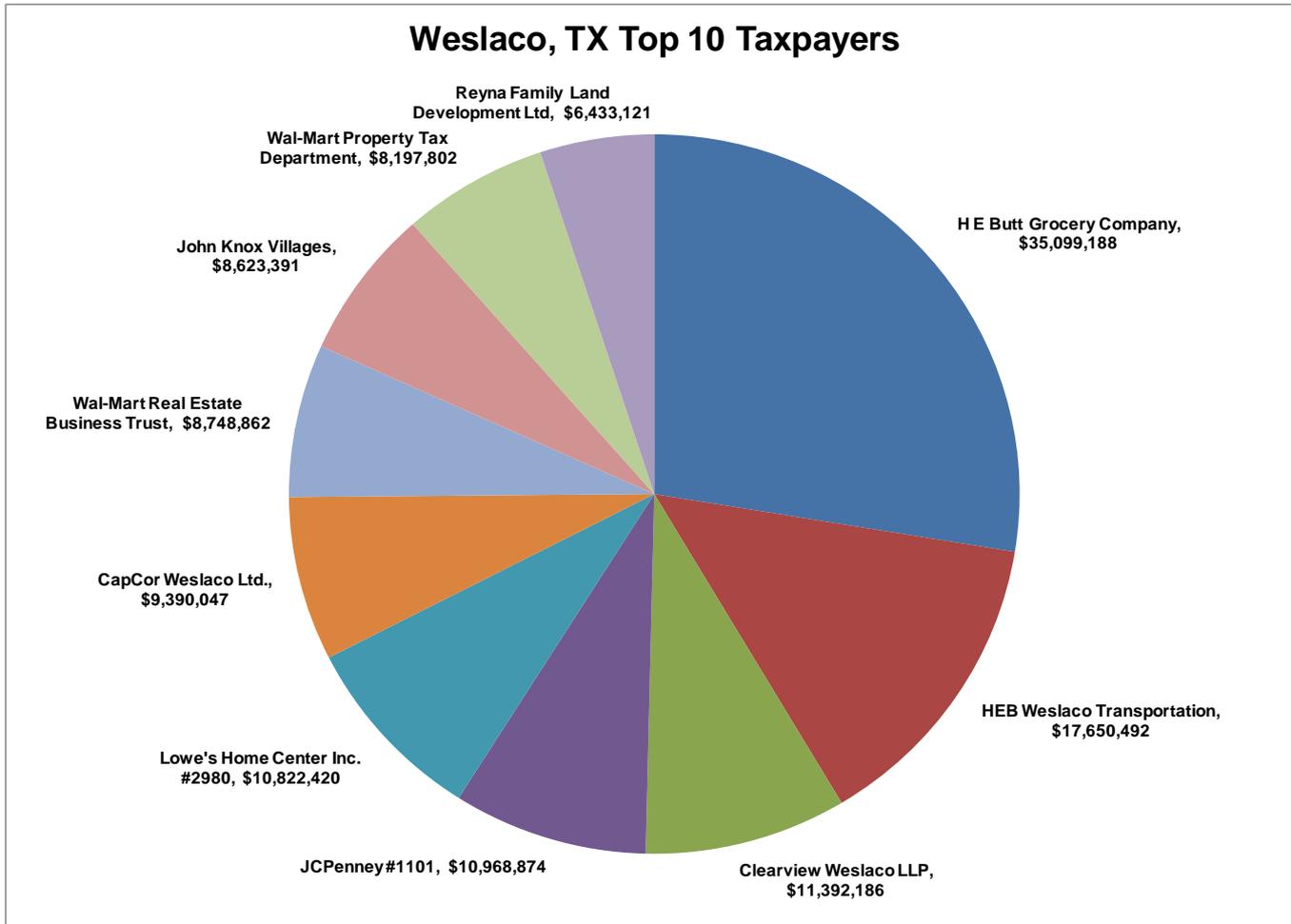
- The City's Taxable Assessed Value has grown by approximately 4.4% since 2009, while Tax Supported Debt has decreased by more than 23.9%.

# Tax Rate and Tax Levy



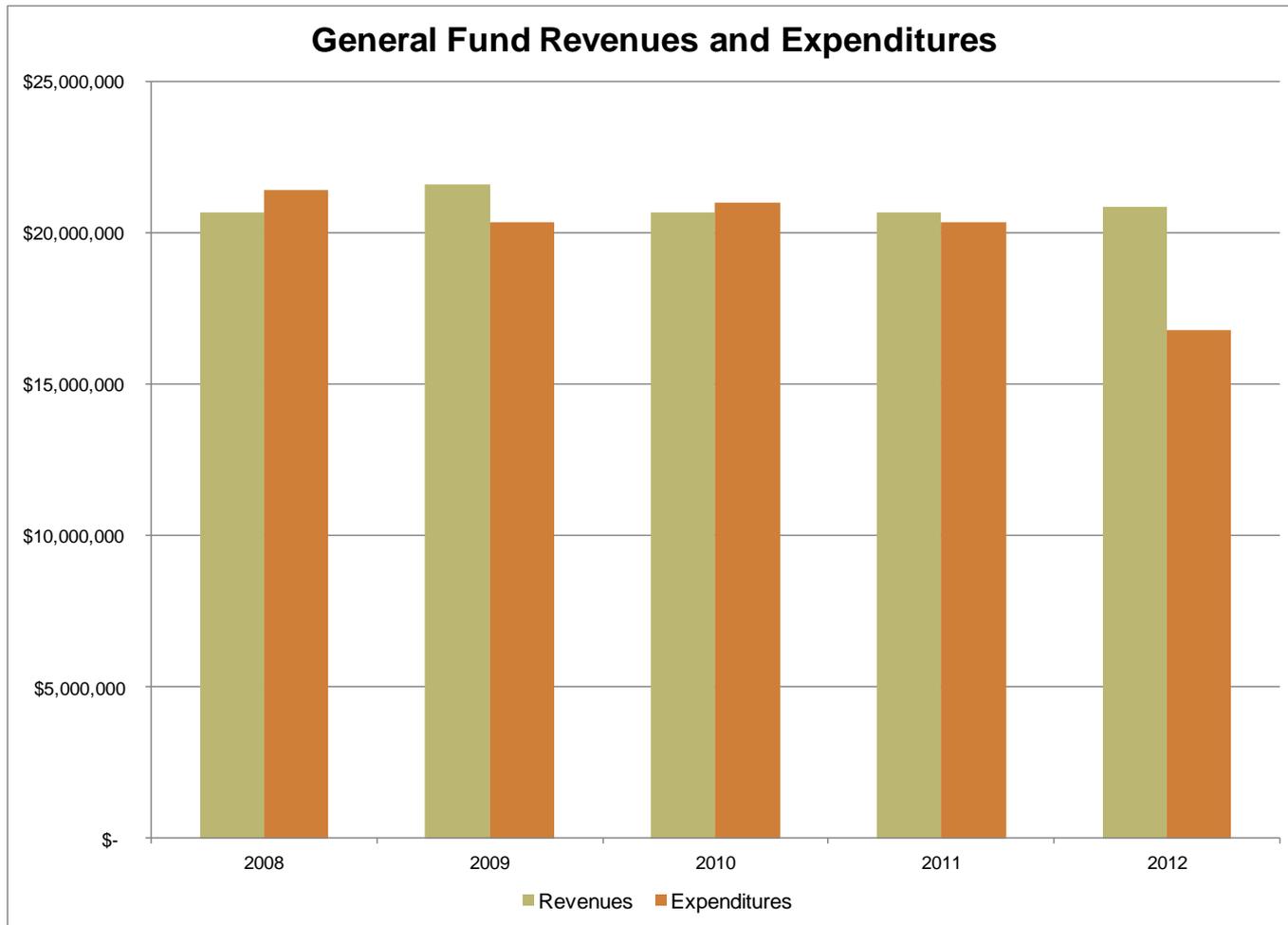
- The growth in Taxable Assessed Value has led to an increase in the City's Tax Levy despite no change to the combined ad valorem tax rate, increasing from \$8,920,936 in 2009 to 9,493,959 in 2013.

# Top Ten Taxpayers



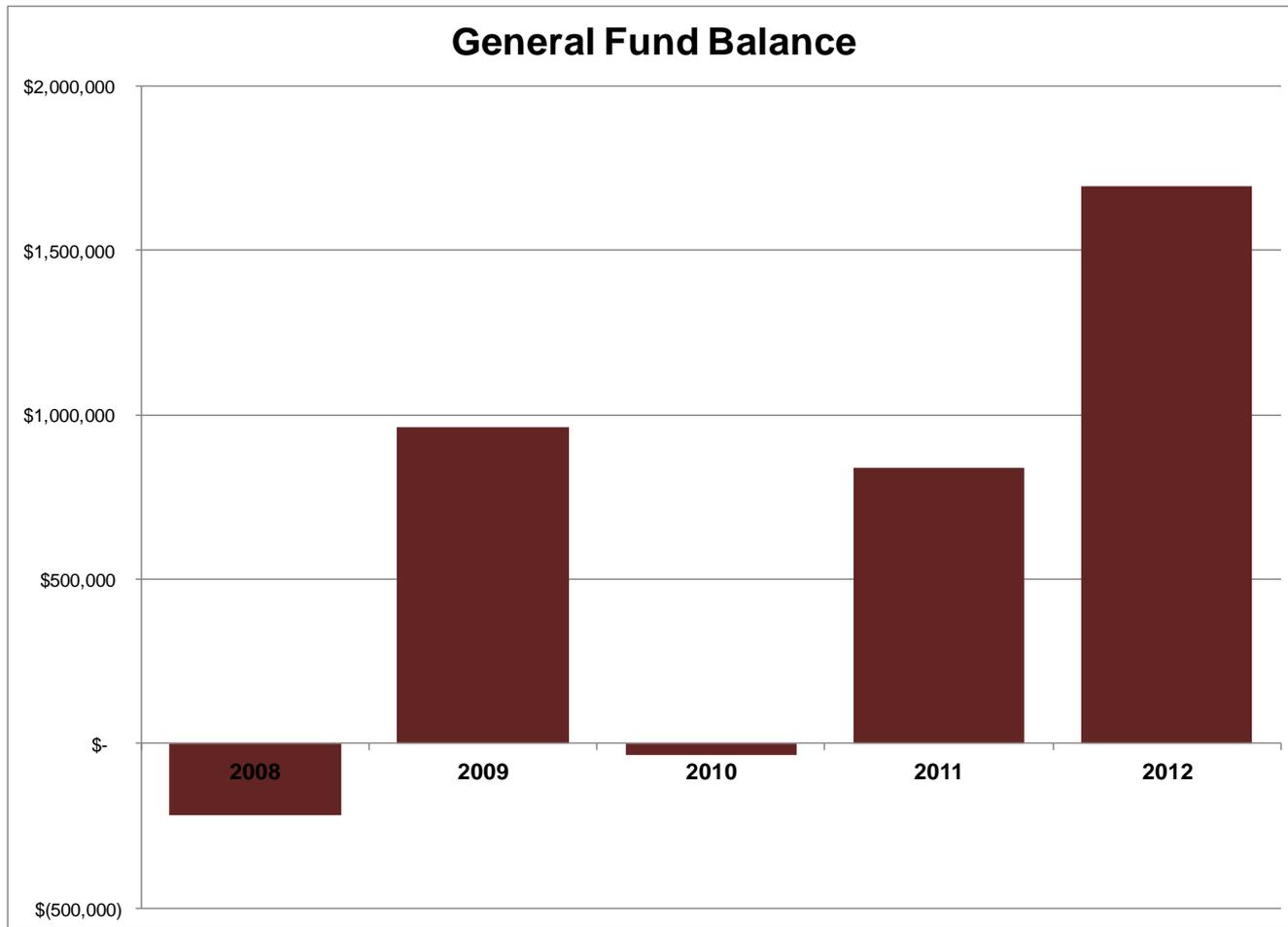
- The Top 10 Taxpayers comprise approximately 9.16% of the City's TAV.

# General Fund Revenues and Expenditures



- General Fund Revenues have increased approximately \$182,670 since 2008, while Expenditures Net of Capital Outlay have decreased \$4,621,114.

# General Fund – Fund Balance



- General Fund fund balance is approximately \$1.69 million after negative fund balances in 2008 and 2010.
- ***Standard & Poor's Rating upgrade from BBB+ to A- occurred in November of 2012.***

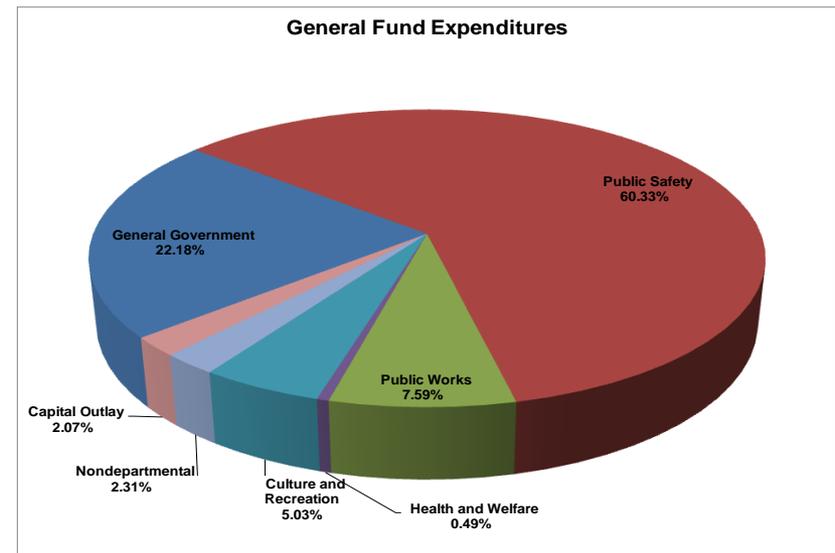
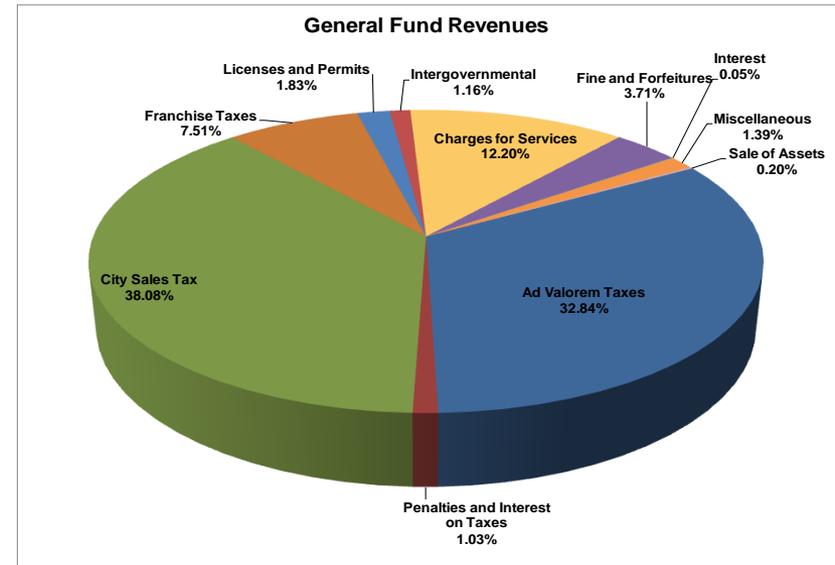
## General Fund – Fund Balance Projection

Fiscal Year	Annual Savings	Sales Tax Refunds	Other*	Projected Total	Cumulative Total	Actual Fund Balance
2010 - 11	\$0	\$0	\$0	\$649,926	\$649,926	\$836,818
2011 - 12	\$500,000	\$0	\$0	\$500,000	\$1,149,926	\$1,692,898
2012 – 13	\$500,000	\$335,000	\$448,358	\$1,283,358	\$2,433,284	
2013 – 14	\$500,000	\$335,000	\$448,358	\$1,283,358	\$3,716,642	
2014- 15	\$500,000	\$335,000	\$448,358	\$1,283,358	\$5,000,000	
Total	\$2,000,000	\$1,340,000	\$1,793,432	\$5,000,000		

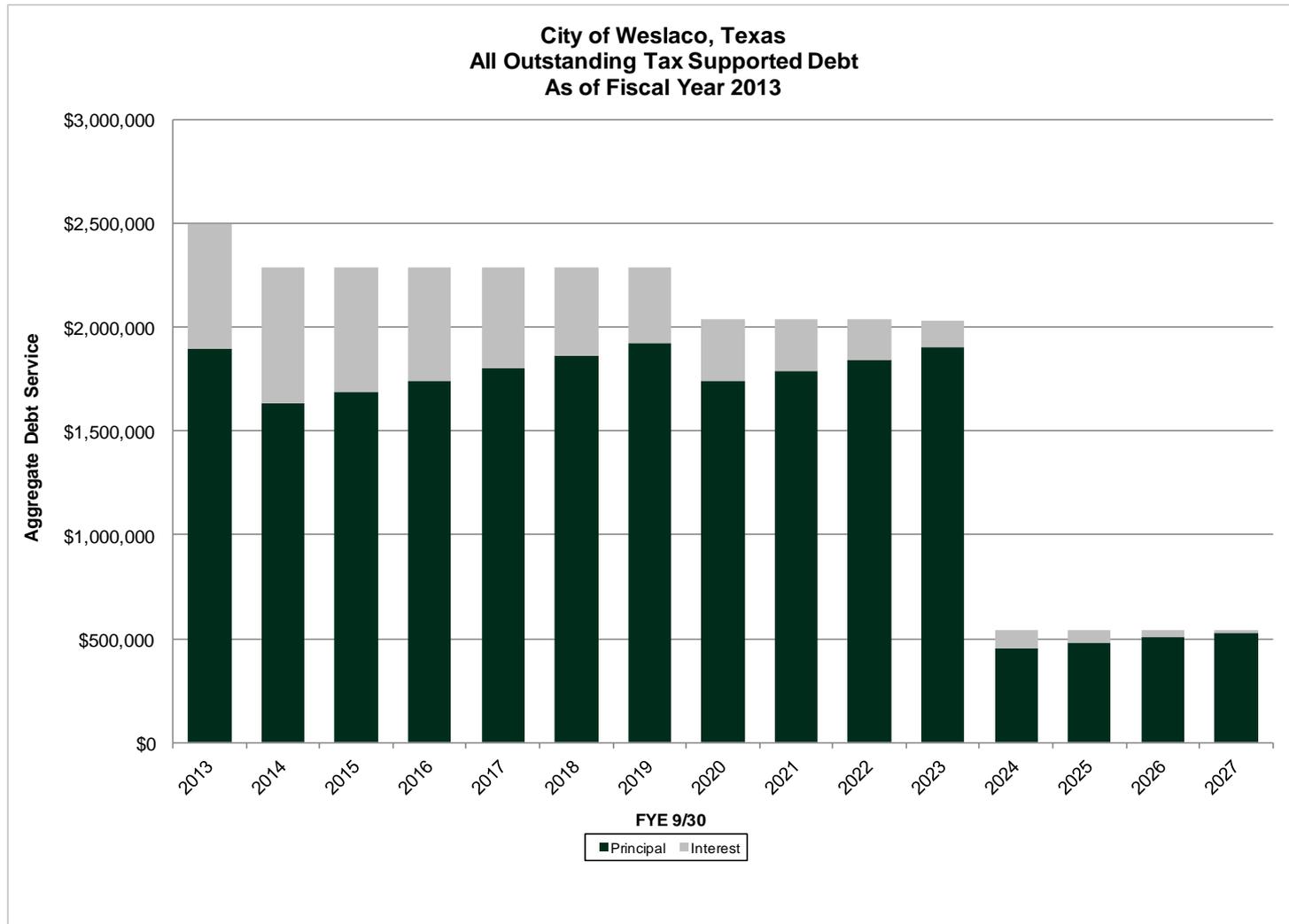
- City has discussed targeting 25% Fund Balance, with the goal of building the General Fund balance up to \$5,000,000 by fiscal year 2014-2015

# General Fund Revenues and Expenditures

- In Fiscal Year 2012, the primary sources of revenues for the General Fund were as follows:
  - 38% Sales Taxes
  - 33% Ad Valorem Taxes
  - 12% Charges for Services
  - 8% Franchise Taxes
  
- In Fiscal Year 2012, the primary expenditures for the General Fund were as follows:
  - 60% Public Safety
  - 22% General Government



# Existing Tax Supported Debt



# Preliminary Tax Supported Debt Capacity Analysis

*Preliminary, subject to change based on Certified Taxable Assessed Valuation and Interest Rates at the time of Pricing*

FYE 9/30	Assessed Valuation <sup>(1)</sup>	Existing Tax	Est. I&S Tax Rate <sup>(3)</sup>	- TAX SUPPORTED -			Total Debt Service	Est. I&S Tax	FYE 9/30
		Supported Debt Service		Proposed: \$6,750,000 Certificates of Obligation, Series 2013 <sup>(2)</sup>				Rate After Refunding <sup>(3)</sup>	
2013	\$ 1,293,313,564	\$ 2,498,823	\$ 0.19510				\$ 2,498,823	\$ 0.19510	2013
2014	1,389,004,772	2,288,841	0.16988	\$ 130,000	\$ 208,151	\$ 338,151	2,626,992	0.19498	2014
2015	1,389,004,772	2,286,612	0.16971	130,000	207,241	337,241	2,623,853	0.19474	2015
2016	1,389,004,772	2,287,581	0.16979	130,000	205,928	335,928	2,623,509	0.19472	2016
2017	1,389,004,772	2,285,672	0.16964	135,000	204,189	339,189	2,624,861	0.19482	2017
2018	1,389,004,772	2,285,141	0.16960	140,000	201,985	341,985	2,627,126	0.19499	2018
2019	1,389,004,772	2,285,900	0.16966	140,000	199,360	339,360	2,625,260	0.19485	2019
2020	1,389,004,772	2,037,393	0.15122	395,000	193,516	588,516	2,625,909	0.19490	2020
2021	1,389,004,772	2,034,940	0.15103	405,000	183,808	588,808	2,623,748	0.19474	2021
2022	1,389,004,772	2,035,438	0.15107	420,000	172,873	592,873	2,628,311	0.19507	2022
2023	1,389,004,772	2,033,800	0.15095	430,000	160,968	590,968	2,624,768	0.19481	2023
2024	1,389,004,772	542,125	0.04024	390,000	148,785	538,785	1,080,910	0.08023	2024
2025	1,389,004,772	543,750	0.04036	400,000	136,438	536,438	1,080,188	0.08017	2025
2026	1,389,004,772	544,125	0.04039	405,000	123,254	528,254	1,072,379	0.07959	2026
2027	1,389,004,772	543,250	0.04032	415,000	109,311	524,311	1,067,561	0.07924	2027
2028	1,389,004,772	-	-	425,000	94,503	519,503	519,503	0.03856	2028
2029	1,389,004,772	-	-	430,000	78,898	508,898	508,898	0.03777	2029
2030	1,389,004,772	-	-	440,000	62,583	502,583	502,583	0.03730	2030
2031	1,389,004,772	-	-	450,000	45,560	495,560	495,560	0.03678	2031
2032	1,389,004,772	-	-	465,000	27,830	492,830	492,830	0.03658	2032
2033	1,389,004,772	-	-	475,000	9,381	484,381	484,381	0.03595	2033
		<u>\$ 26,533,390</u>		<u>\$ 6,750,000</u>	<u>\$ 2,774,562</u>	<u>\$ 9,524,562</u>	<u>\$ 36,057,952</u>		
		- Average -	\$ 0.09424					\$ 0.12790	
		- Max -	\$ 0.19510					\$ 0.19510	

(1) FY 2014 preliminary assessed valuation provided by the Hidalgo County Appraisal District as of 4/25/13; assumes 0% annual growth.

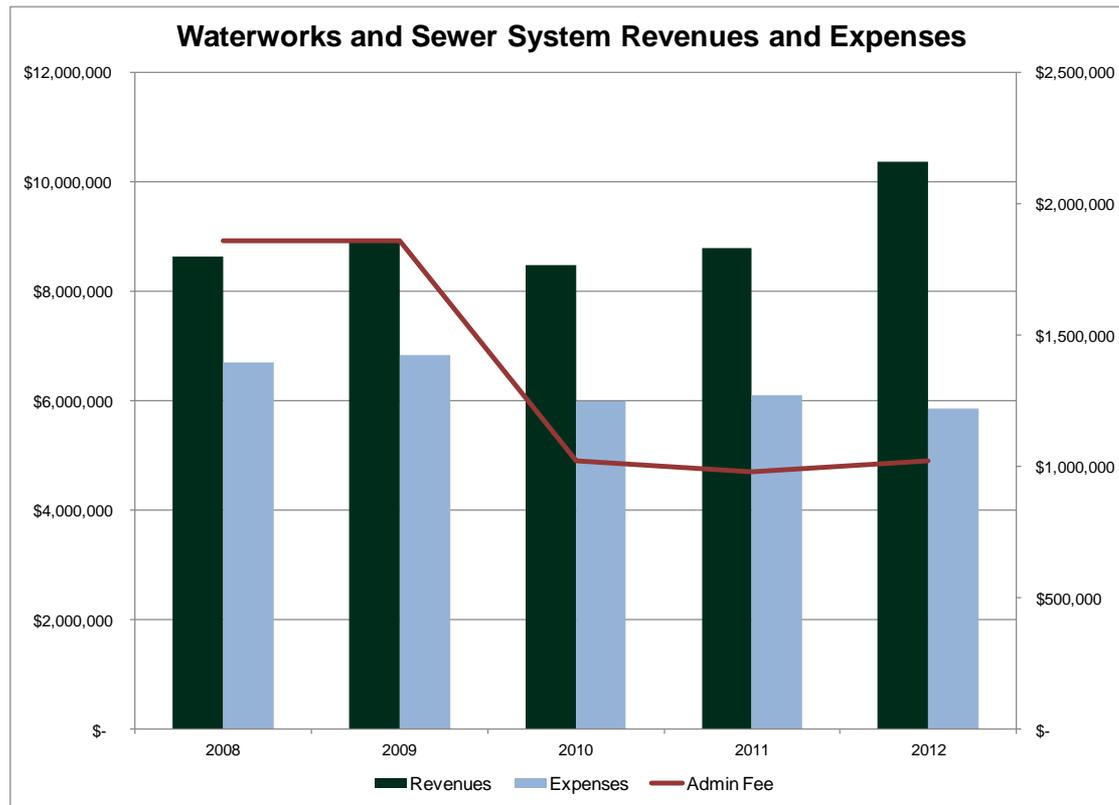
Freeze adjusted value of \$1,296,681,012 plus debt service tax rate pro rata allocation of Actual Tax.

(2) Assumes 8/15/2013 dated and delivery date with first interest payment in February 15, 2014 and first principal payment August 15, 2014.

Interest rates as of June 28, 2013 plus 35 basis points.

(3) Est. tax collections rate **97.00%**

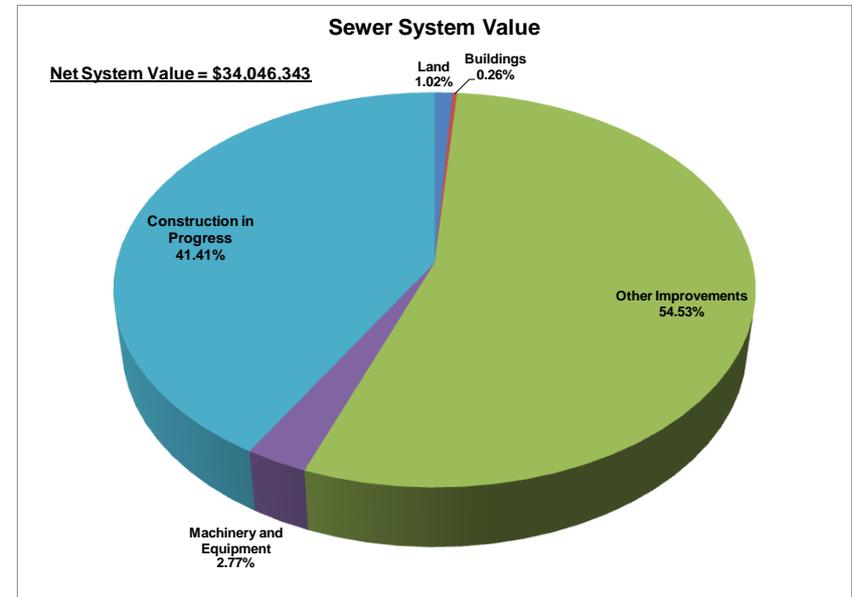
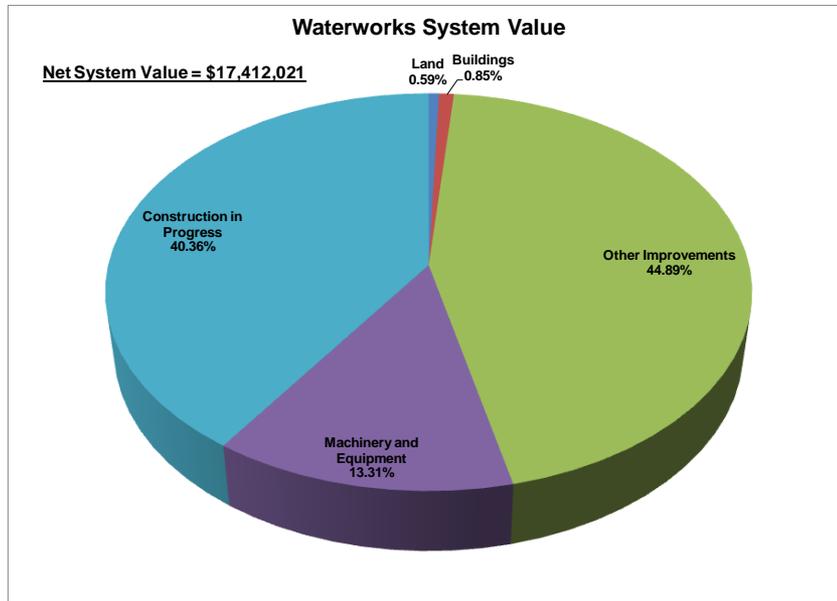
# Waterworks and Sewer System Operations



- System Revenues have increased approximately \$1.72 million over 2008 revenues, while Expenses decreased \$849,888
  - 45% Decrease in Administrative Contractual Services, from \$1.859 million in 2008 to \$1,020,390 in 2012
- Net Available for Debt Service increased from \$2.6 million to \$5.2 million (100.6% increase)

# Waterworks and Sewer System Operations

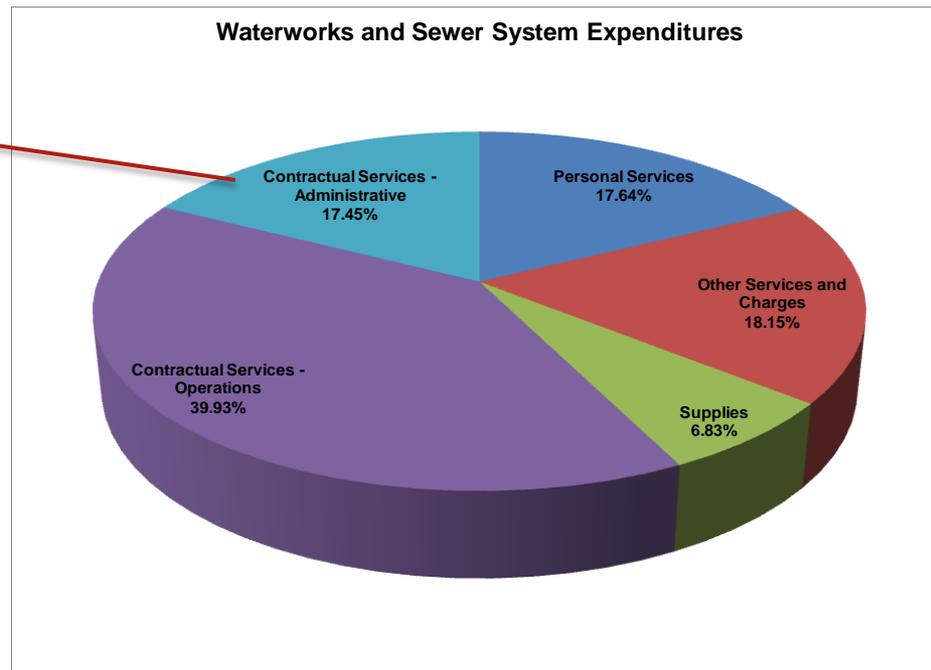
- Total Net System Value has increased from \$31,094,669 in 2008 to \$52,458,364 in 2012
- Construction in progress accounts for over 38% of Sewer System Value and Waterworks System Values



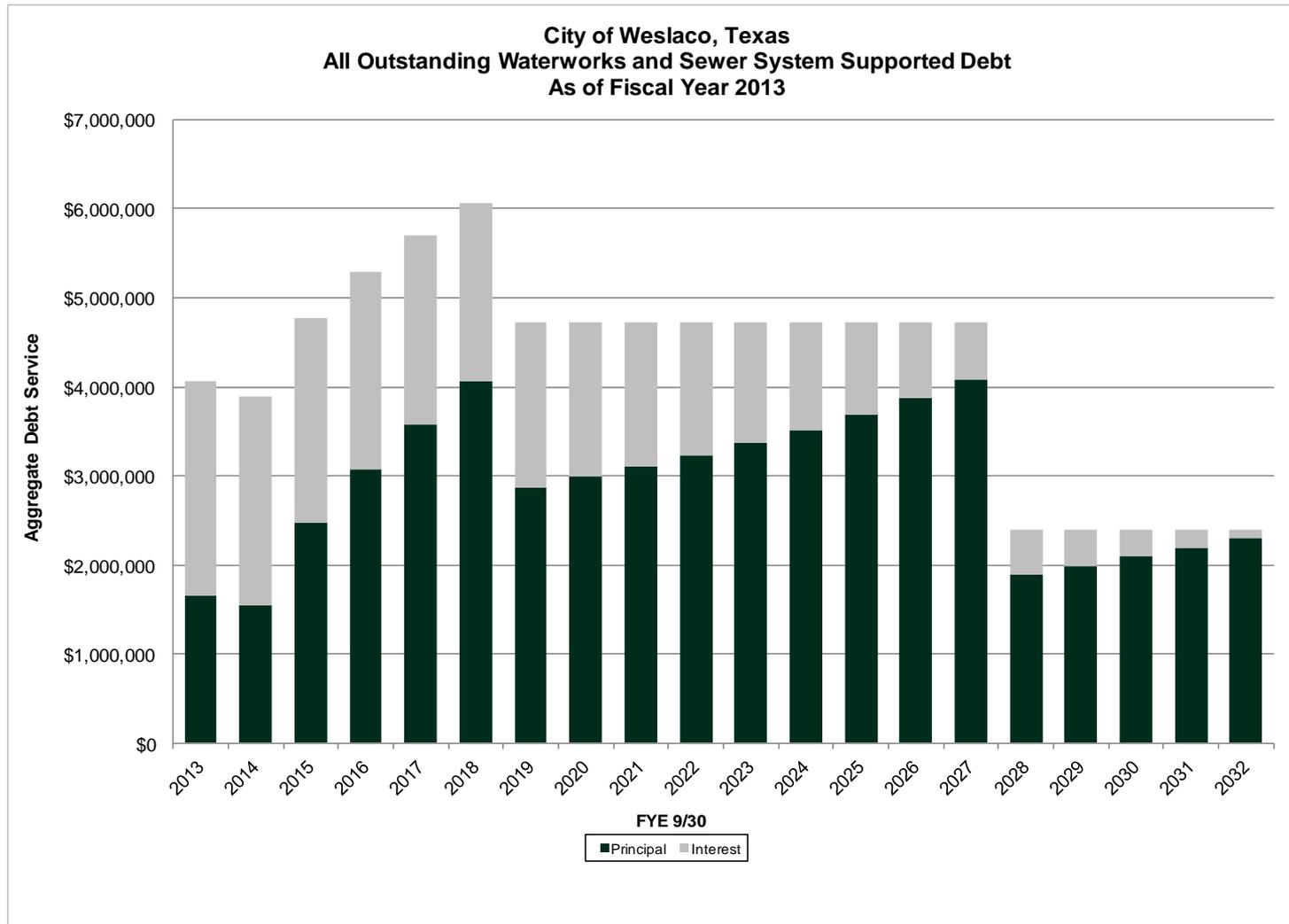
# Waterworks and Sewer System Revenues and Expenditures

- In Fiscal Year 2012, the primary expenditures for the Waterworks and Sewer System were as follows:
  - 40% Operations Contractual Services
  - 18% Personal Services
  - 18% Other Services and Charges
  - 17% Administrative Contractual Services

*In 2008, Administrative Contractual Services accounted for approximately 28% of Expenses*



# Existing Waterworks and Sewer System Supported Debt



# Preliminary Waterworks & Sewer System Revenue Supported Debt Capacity Analysis

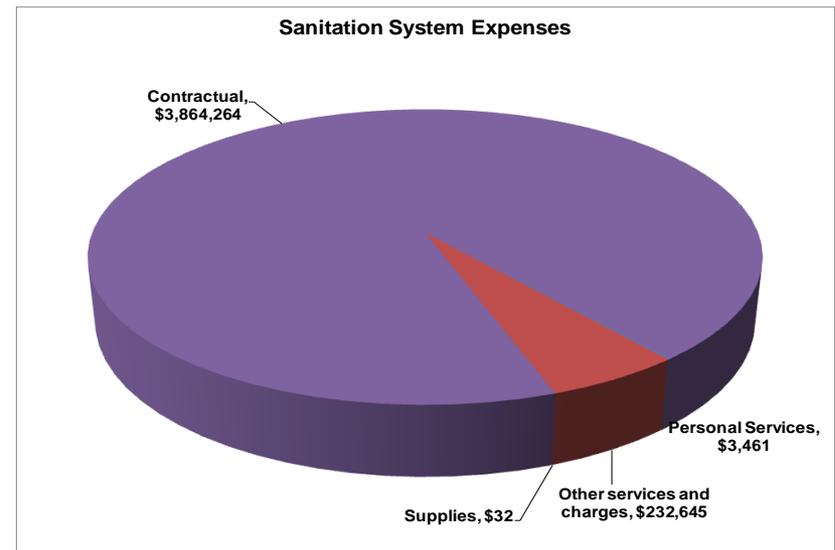
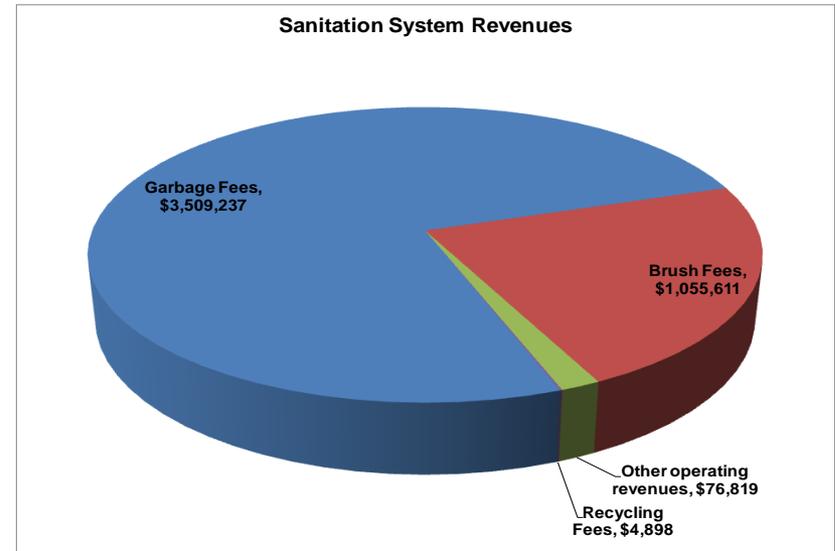
FYE 9/30	Net Revenue	Est.	Existing	Net	- WATER/SEWER REV. SUPPORTED -			Total Debt Service	Debt Service Coverage	FYE 9/30
	Available for Debt Service <sup>(1)</sup>	Revenue Growth	Revenue Supported Debt Service		Capacity	Proposed: \$9,000,000 Certificates of Obligation, Series 2013 <sup>(2)</sup>				
2013	\$ 5,202,071		\$ 4,059,234	\$ 1,142,837				\$ 4,059,234	1.28x	2013
2014	5,202,071	0.00%	3,890,675	1,311,396	\$ 950,000	\$ 342,244	\$ 1,292,244	5,182,919	1.00x	2014
2015	5,202,071	0.00%	4,774,588	427,483	80,000	323,244	403,244	5,177,832	1.00x	2015
2016	5,202,071	0.00%	5,286,388	(84,317)	-	321,644	321,644	5,608,032	0.93x	2016
2017	5,202,071	0.00%	5,691,637	(489,566)	-	321,644	321,644	6,013,280	0.87x	2017
2018	5,202,071	0.00%	6,057,256	(855,185)	-	321,644	321,644	6,378,900	0.82x	2018
2019	5,202,071	0.00%	4,723,730	478,341	135,000	321,644	456,644	5,180,373	1.00x	2019
2020	5,202,071	0.00%	4,723,094	478,977	140,000	317,594	457,594	5,180,688	1.00x	2020
2021	5,202,071	0.00%	4,724,229	477,842	140,000	313,394	453,394	5,177,623	1.00x	2021
2022	5,202,071	0.00%	4,722,756	479,315	145,000	309,194	454,194	5,176,950	1.00x	2022
2023	5,202,071	0.00%	4,723,156	478,915	150,000	304,119	454,119	5,177,275	1.00x	2023
2024	5,202,071	0.00%	4,722,581	479,490	155,000	298,869	453,869	5,176,450	1.00x	2024
2025	5,202,071	0.00%	4,724,456	477,615	160,000	292,669	452,669	5,177,125	1.00x	2025
2026	5,202,071	0.00%	4,727,331	474,740	165,000	286,269	451,269	5,178,600	1.00x	2026
2027	5,202,071	0.00%	4,725,581	476,490	175,000	279,669	454,669	5,180,250	1.00x	2027
2028	5,202,071	0.00%	2,398,581	2,803,490	995,000	272,669	1,267,669	3,666,250	1.42x	2028
2029	5,202,071	0.00%	2,398,831	2,803,240	1,035,000	232,869	1,267,869	3,666,700	1.42x	2029
2030	5,202,071	0.00%	2,399,331	2,802,740	1,075,000	191,469	1,266,469	3,665,800	1.42x	2030
2031	5,202,071	0.00%	2,399,831	2,802,240	1,125,000	145,781	1,270,781	3,670,613	1.42x	2031
2032	5,202,071	0.00%	2,400,081	2,801,990	1,165,000	97,969	1,262,969	3,663,050	1.42x	2032
2033	5,202,071	0.00%		5,202,071	1,210,000	49,913	1,259,913	1,259,913	4.13x	2033
			\$ 84,273,348		\$ 9,000,000	\$ 5,344,506	\$ 14,344,506	\$ 98,617,854		

(1) FY 2012 Net Waterworks and Sewer System Revenue Available, adjusted by CIP fee; assumes 0% annual growth.

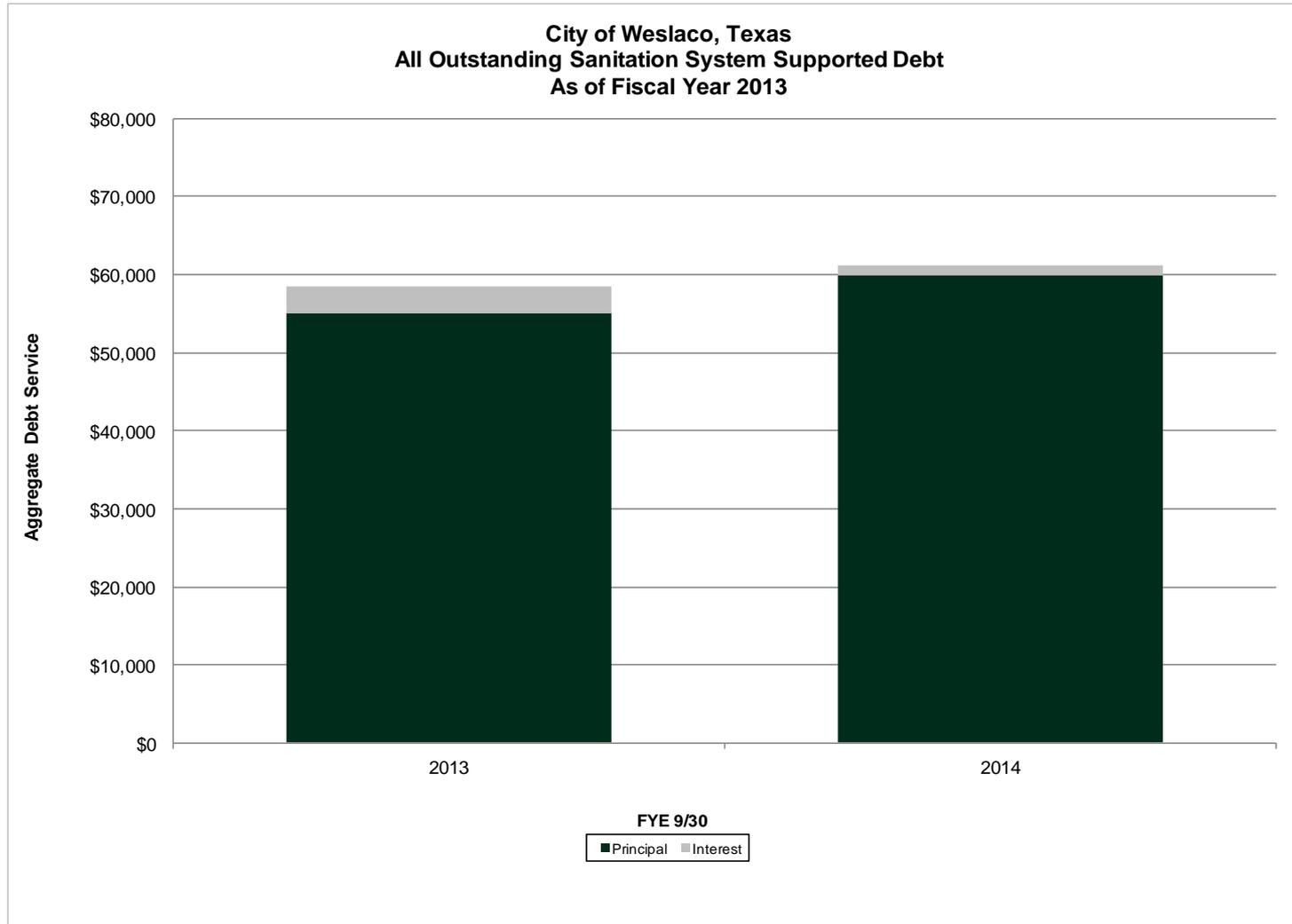
(2) Assumes 8/15/2013 dated and delivery date with first interest payment in February 15, 2014 and first principal payment August 15, 2014.

# Sanitation Fund Revenues and Expenditures

- In Fiscal Year 2012, the primary sources of revenues for the Sanitation Fund were as follows:
  - \$3,509,237 Garbage Fees
  - \$1,055,611 Brush Fees
- In Fiscal Year 2012, the primary expenditures for the Sanitation Fund were as follows:
  - \$3,864,264 Contractual
- 2012 Net Income = \$398,058

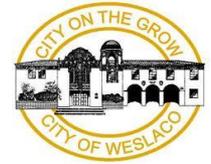


# Existing Sanitation System Supported Debt



# Proposed Timetable of Events

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# Proposed Timetable of Events

DATE	EVENT
Tuesday, July 02, 2013	Regular meeting of the City Commission. Consider a Resolution authorizing the Notice of Intent to Issue Certificates of Obligation.
Thursday, July 04, 2013	Fourth of July
Monday, July 08, 2013	Distribute first draft of the Preliminary Official Statement ("POS") to working group for comments.
Wednesday, July 10, 2013	Publication due to newspaper prior to 3:00 P.M. to include request for two publications, Saturday July 13th and Saturday July 20th.
Saturday, July 13, 2013	First publication of Notice of Intent to Issue Certificates of Obligation.
Thursday, July 18, 2013	Comments on first draft of POS due from working group.
Saturday, July 20, 2013	Second publication of Notice of Intent to Issue Certificates of Obligation.
Monday, July 22, 2013	Distribute second draft of POS to working group for comments. Send POS and related documents to Standard & Poor's Ratings Services ("S&P"), Assured Guaranty ("Assured") and BAM.
Wednesday, July 31, 2013	Comments on second draft of POS due from working group.
Wednesday, August 07, 2013	Distribute final draft of POS to working group for comments.
Thursday, August 08, 2013	Receive ratings.
Friday, August 09, 2013	Receive insurance bid from Assured Guaranty and BAM. Comments due on final draft of POS due from working group.
Monday, August 12, 2013	POS goes to i-Deal web site for posting.
Monday, August 19, 2013	Pricing.
Tuesday, August 20, 2013	Regular meeting to conduct sale of Certificates of Obligation. Consider the adoption of the Ordinance Authorizing Issuance of Certificates of Obligation and approving and authorizing the execution of the Bond Purchaser Agreement.
Monday, September 02, 2013	Labor Day
Thursday, September 19, 2013	Closing Date; City delivers the Certificates of Obligation to Underwriter and receives funds.

**July**

S	M	T	W	T	F	S
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30	31			

**August**

S	M	T	W	T	F	S
				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	31

**September**

S	M	T	W	T	F	S
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30	31				

 = Key Dates

 = Holidays

## Summary

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- The City has experienced moderate growth in taxable assessed valuation over the past five years.
- This has allowed the tax rate to remain constant while generating more in tax levies.
- Financial policies and utility rate strategies have been put into place to provide for additional financial strength.
- The City's commitment to these plans has been positively viewed by the rating agencies, resulting in positive actions and interest rate savings as a direct result.