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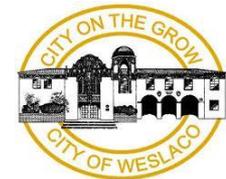
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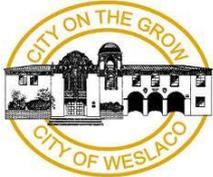


\$9,075,000 Tax and Revenue Certificates of Obligation, Series 2014

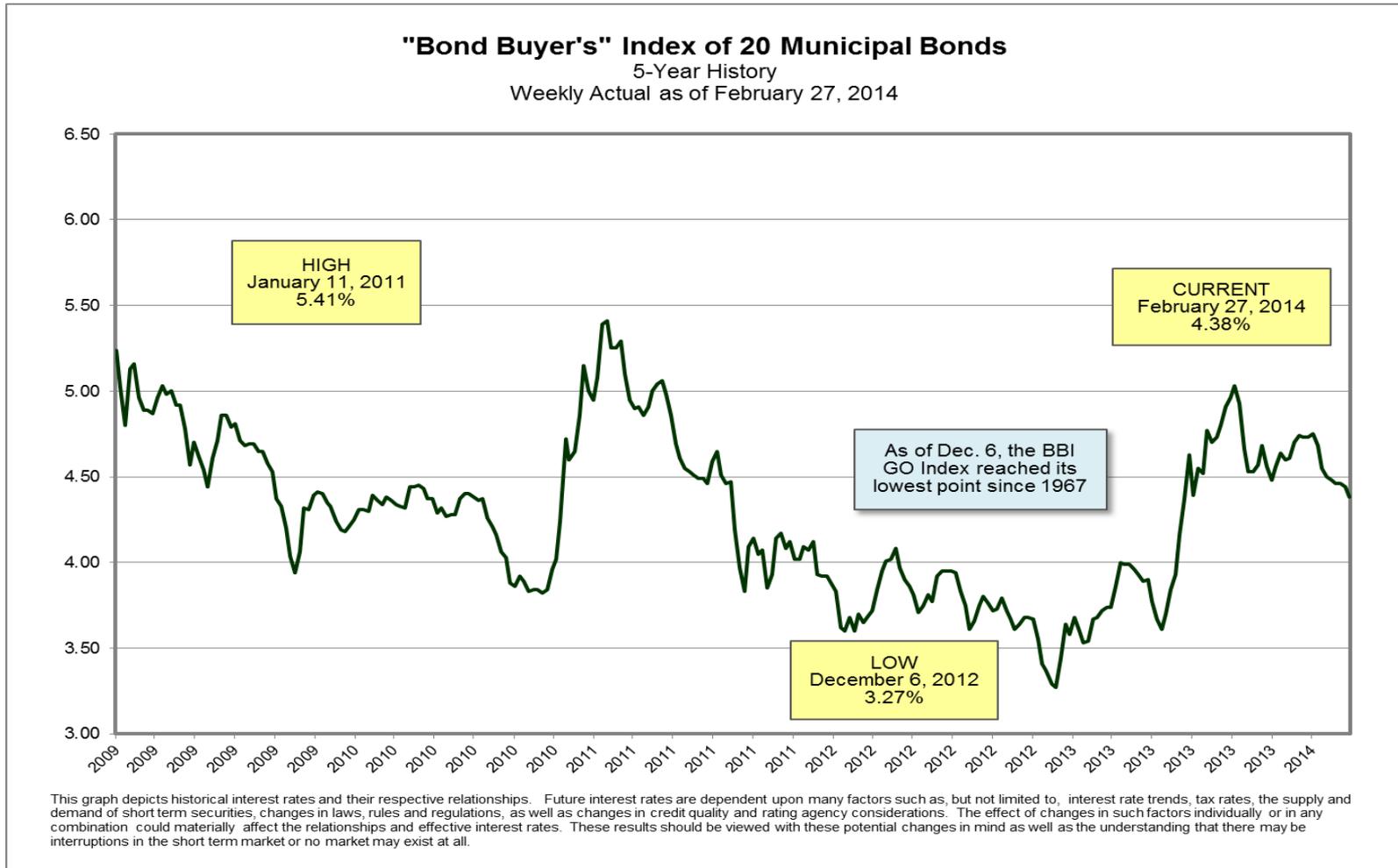
March 4, 2014

City of Weslaco, Texas

Market Update

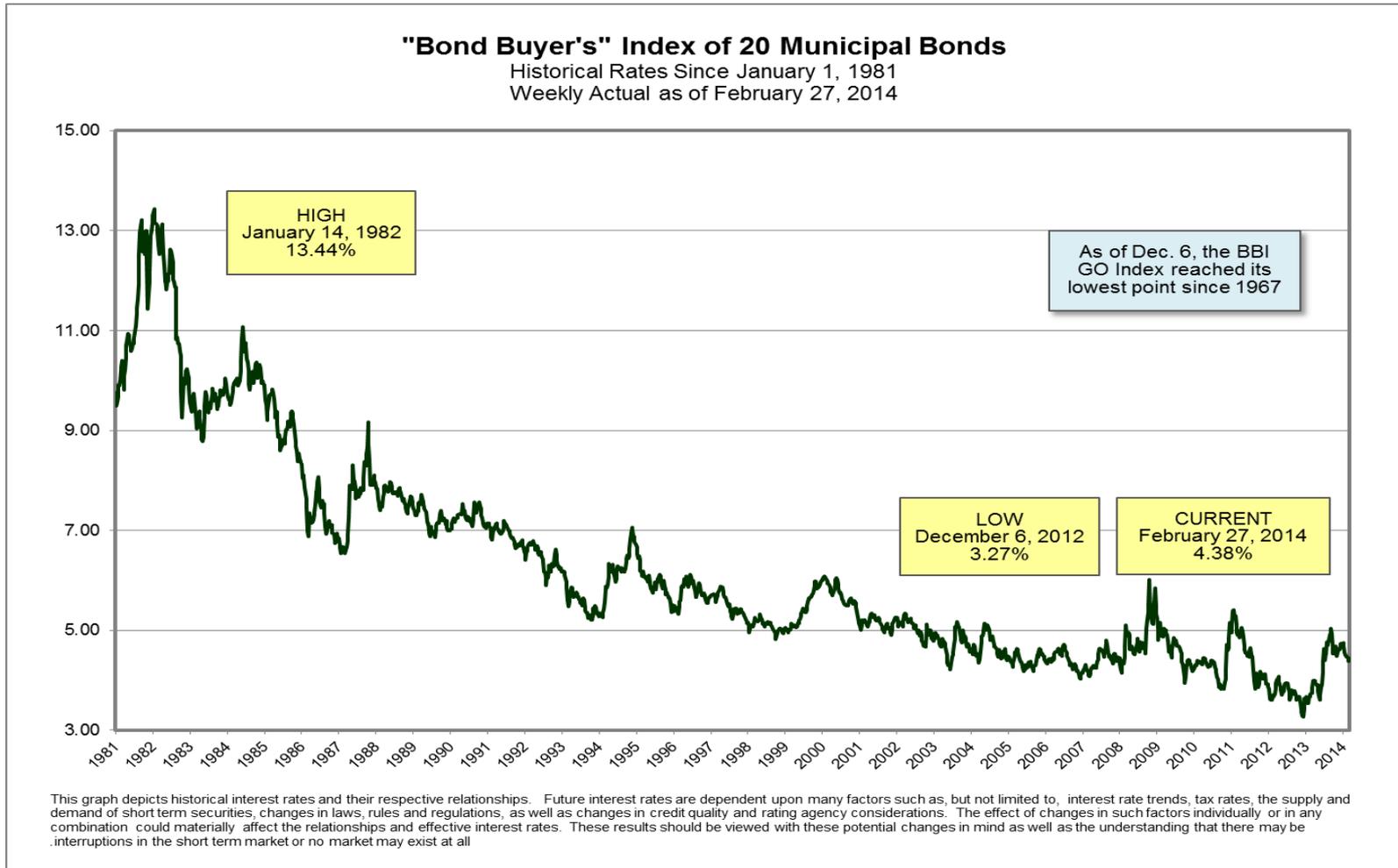


Bond Buyer's Index of 20 Municipal Bonds



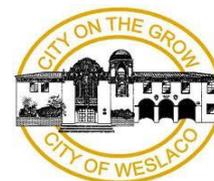
- This index tracks general obligation bonds maturing in 20 years.
- The average ratings are Aa2/AA.
- The lowest point during this 20-year period was 3.27%, which occurred on 12/6/2012.

Bond Buyer's Index of 20 Municipal Bonds



- 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.

Credit Rating Summary



Credit Rating Summary

- While the rating agencies review credits with each bond issue, they also review them in between debt issuance as circumstances warrant
- The City of Weslaco has seen several rating changes over the past couple of years (see chart)
- The bond rating is the primary factor in determining the interest rate on the bonds, since it is a reflection of the credit risk undertaken by the investors

**WESLACO, TX 2014
CERTIFICATES OF OBLIGATION
DOUBLE UPGRADED
TO "A+" FROM "A-" RATING**

	MOODY'S	S&P
2014	NR	UPGRADE
2013	NR	Stable Outlook
2012	NR	UPGRADE
2011	DOWNGRADE	Negative Outlook
2010	Rating Recalibration	DOWNGRADE
2009	DOWNGRADE	Negative Outlook
2008		Negative Outlook
2007	DOWNGRADE	Negative Outlook

CITY OF WESLACO, TEXAS

Rating Process Results

- **S&P with this 2014 Bond Issue upgraded the City from “A-” to “A+”**
- **2013 Bond Issue S&P Rating Process Comments:**
 - Indicated there had been significant discussion about an upgrade
 - However, the committee thought it was important to see the 9/30/12 financials and 2013 budget before moving forward with an upgrade
- **Importance of 2014 Upgrade**
 - S&P is a regulated, independent participant of the process, evaluating and comparing Weslaco not only to other cities in Texas, but nationally
 - Validation of the changes implemented over the past several years related to the operations and finances of the City
 - City Commission, City Management and entire City Staff are to be commended for their efforts in this significant accomplishment
 - The face-to-face meeting and discussions were the foundation for this rating action, in addition to the financial and operating changes

S&P Rating Report

- In their rating report, S&P included the following comments:
 - In our opinion, budgetary flexibility is strong.
 - Although available fund balance was, in our view, an adequate 7% of expenditures at fiscal year-end 2012, officials estimate Weslaco ended unaudited fiscal 2013 with a \$4.7 million available fund balance, or 27% of expenditures; we understand this put Weslaco back in compliance with its fund balance policy.
 - For fiscal 2014, management is projecting it will build available fund balance to \$5.7 million, or 30% of expenditures.
 - We view management conditions as strong, supported by “good” financial management policies under our Financial Management Assessment (FMA) methodology).

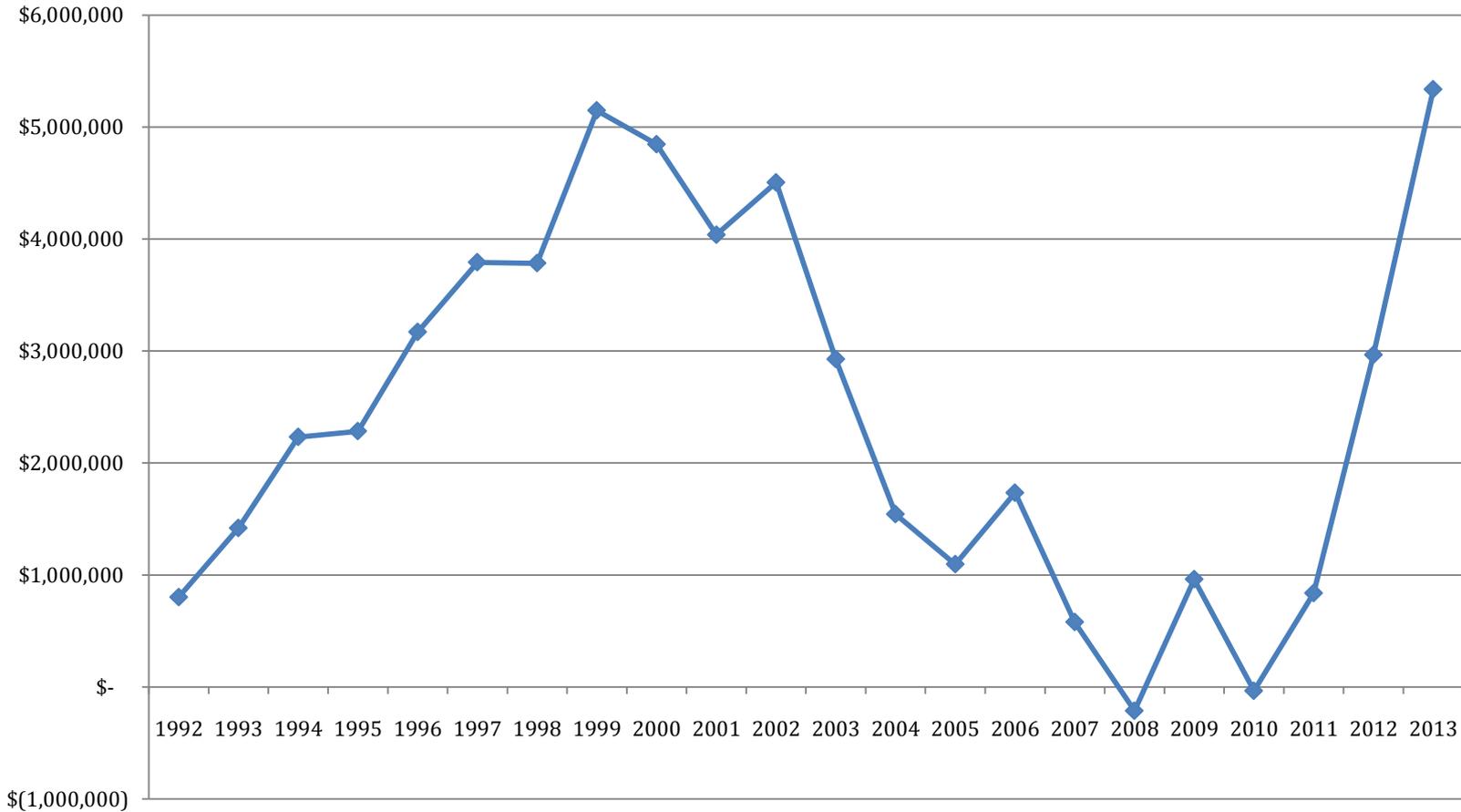
▪ 2014 Outlook:

- The stable outlook reflects Standard & Poor’s opinion of ***Weslaco's very strong budget flexibility and liquidity, supported by strong management.***
- ***We could raise the rating if Weslaco were to maintain reserves at or above its 25% target while maintaining, what we consider, very strong budgetary performance.***
- In addition, if the county's average unemployment for 2014 were to decrease below 10%, it could have a positive effect on the rating.
- ***We could lower the rating if budgetary flexibility and performance were to perform just adequately during the two-year outlook period; we, however, believe this is unlikely.***

Rating Impact on Interest and Insurance Premium

- Importance of Upgrade
 - The change in rating will result in a lower interest cost, not only on this refunding bond issue, but all bond issues going forward
 - Our desk estimates with municipal bond insurance, the interest rates will be 10 basis points or 0.10% lower than if in the low “A” category
 - The change in rating has resulted in a lower municipal bond insurance premium, further reducing the costs of issuance
 - January 2012 transaction 90 basis points
 - December 2012 transaction 55 basis points
 - August 2013 transaction 41 basis points
 - The 2014 Certificates **18** basis points
 - Between these two factors, our desk estimates the savings on this transaction have been increased by approximately **\$165,795** since the last transaction.

General Fund – Fund Balance (1992-2013)



- General Fund balance is projected at the end of 2013 to be approximately \$5.3 million after negative fund balances in 2008 and 2010.
- **Standard & Poor's Rating upgrade from BBB+ to A- occurred in November of 2012, subsequent upgrade February 2014 from "A-" to "A+".**

Transaction Summary



Certificates of Obligation – 100% Water/Sewer Revenue Supported

Fiscal Year	Final: 2014 Certificates of Obligation		
	Principal	Interest	Total
2015	\$ -	\$ 556,711	\$ 556,711
2016	-	405,700	405,700
2017	-	405,700	405,700
2018	-	405,700	405,700
2019	75,000	405,700	480,700
2020	80,000	404,200	484,200
2021	75,000	402,600	477,600
2022	75,000	400,725	475,725
2023	80,000	398,475	478,475
2024	80,000	396,075	476,075
2025	80,000	392,875	472,875
2026	90,000	389,675	479,675
2027	100,000	386,075	486,075
2028	1,035,000	382,075	1,417,075
2029	1,085,000	335,500	1,420,500
2030	1,140,000	286,675	1,426,675
2031	1,185,000	235,375	1,420,375
2032	1,245,000	182,050	1,427,050
2033	1,295,000	126,025	1,421,025
2034	1,355,000	67,750	1,422,750
	<u>\$ 9,075,000</u>	<u>\$ 6,965,661</u>	<u>\$16,040,661</u>

Net Project Funds to the City:
\$9,500,000

SOURCES OF FUNDS	
Par Amount	\$ 9,075,000
Premium	626,709
Total	<u>\$ 9,701,709</u>

USES OF FUNDS	
Project Fund	\$ 9,500,000
Cost of Issuance	103,552
Underwriter's Discount	69,284
Bond Insurance	28,873
Total	<u>\$ 9,701,709</u>

BOND STATISTICS	
Sale Date	3/4/2014
Delivery Date	4/1/2014
First Coupon	2/15/2015
Last Maturity	8/15/2034
Call Date	8/15/2022
True Interest Cost (TIC)	4.042%
All-In TIC	4.134%
Average Life (years)	16.904
Average Annual Debt Service	\$802,033

CITY OF WESLACO, TEXAS

Debt Capacity Analysis – Original Projection

As of February 6, 2014 – as presented to Standard & Poor's

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 ⁽¹⁾	Revenue Growth	Revenue Supported		Debt Service	Capacity	Projected: \$9,500,000 Certificates of Obligation, Series 2014 ⁽³⁾			
2013	\$ 5,577,024 ⁽²⁾		\$ 4,059,234	\$ 1,517,790				\$ 4,059,234	1.37x	2013
2014	5,778,381	3.61%	3,890,675	1,887,706	\$ -	\$ -	\$ -	3,890,675	1.49x	2014
2015	6,193,211	7.18%	4,774,588	1,418,623	-	626,736	626,736	5,401,324	1.15x	2015
2016	6,193,211	0.00%	5,286,388	906,823	-	451,250	451,250	5,737,638	1.08x	2016
2017	6,684,582	7.93%	5,691,637	992,945	-	451,250	451,250	6,142,887	1.09x	2017
2018	7,225,248	8.09%	6,057,256	1,167,992	-	451,250	451,250	6,508,506	1.11x	2018
2019	7,871,492	8.94%	4,723,730	3,147,762	80,000	451,250	531,250	5,254,980	1.50x	2019
2020	7,871,492	0.00%	4,723,094	3,148,398	90,000	447,450	537,450	5,260,544	1.50x	2020
2021	7,871,492	0.00%	4,724,229	3,147,263	85,000	443,175	528,175	5,252,404	1.50x	2021
2022	7,871,492	0.00%	4,722,756	3,148,736	90,000	439,138	529,138	5,251,894	1.50x	2022
2023	7,871,492	0.00%	4,723,156	3,148,336	95,000	434,863	529,863	5,253,019	1.50x	2023
2024	7,871,492	0.00%	4,722,581	3,148,911	100,000	430,350	530,350	5,252,931	1.50x	2024
2025	7,871,492	0.00%	4,724,456	3,147,036	100,000	425,600	525,600	5,250,056	1.50x	2025
2026	7,871,492	0.00%	4,727,331	3,144,161	110,000	420,850	530,850	5,258,181	1.50x	2026
2027	7,871,492	0.00%	4,725,581	3,145,911	125,000	415,625	540,625	5,266,206	1.49x	2027
2028	7,871,492	0.00%	2,398,581	5,472,911	1,065,000	409,688	1,474,688	3,873,269	2.03x	2028
2029	7,871,492	0.00%	2,398,831	5,472,661	1,115,000	359,100	1,474,100	3,872,931	2.03x	2029
2030	7,871,492	0.00%	2,399,331	5,472,161	1,175,000	306,138	1,481,138	3,880,469	2.03x	2030
2031	7,871,492	0.00%	2,399,831	5,471,661	1,225,000	250,325	1,475,325	3,875,156	2.03x	2031
2032	7,871,492	0.00%	2,400,081	5,471,411	1,290,000	192,138	1,482,138	3,882,219	2.03x	2032
2033	7,871,492	0.00%		7,871,492	1,345,000	130,863	1,475,863	1,475,863	5.33x	2033
2034	7,871,492	0.00%		7,871,492	1,410,000	66,975	1,476,975	1,476,975	5.33x	2034
			<u>\$ 84,273,348</u>		<u>\$ 9,500,000</u>	<u>\$ 7,604,011</u>	<u>\$ 17,104,011</u>	<u>\$ 101,377,359</u>		

(1) Projected net revenues available for debt service as provided in the Water and Wastewater Rate Study and Long Term Financial Plan presented by CapEx Consulting Group on August 7, 2013; assumed to remain constant in FY 2019 and thereafter.

(2) Unaudited FY 2013 net revenues available for debt service as of February 3, 2014, provided by City Officials. Actual FY 2012 figure was \$5,188,422.

(3) Assumes March 25, 2014 dated and delivery date with first interest payment in February 15, 2015 and first principal payment August 15, 2019. Bank qualified insured "A" interest rates.

Debt Capacity Analysis – Actual Results

Final numbers as of March 4, 2014 – Difference of \$1,063,350 in debt service

FYE 9/30	Net Revenue Available for Debt Service ⁽¹⁾	Est. Revenue Growth	Existing Revenue Supported Debt Service	Net Capacity	- WATER/SEWER REV. SUPPORTED -			Total Debt Service	Debt Service Coverage	FYE 9/30
					FINAL: \$9,075,000 Certificates of Obligation, Series 2014 ⁽³⁾					
2013	\$ 5,577,024 ⁽²⁾		\$ 4,059,234	\$ 1,517,790				\$ 4,059,234	1.37x	2013
2014	5,778,381	3.61%	3,890,675	1,887,706	\$ -	\$ -	\$ -	3,890,675	1.49x	2014
2015	6,193,211	7.18%	4,774,588	1,418,623	-	556,711	556,711	5,331,299	1.16x	2015
2016	6,193,211	0.00%	5,286,388	906,823	-	405,700	405,700	5,692,088	1.09x	2016
2017	6,684,582	7.93%	5,691,637	992,945	-	405,700	405,700	6,097,337	1.10x	2017
2018	7,225,248	8.09%	6,057,256	1,167,992	-	405,700	405,700	6,462,956	1.12x	2018
2019	7,871,492	8.94%	4,723,730	3,147,762	75,000	405,700	480,700	5,204,430	1.51x	2019
2020	7,871,492	0.00%	4,723,094	3,148,398	80,000	404,200	484,200	5,207,294	1.51x	2020
2021	7,871,492	0.00%	4,724,229	3,147,263	75,000	402,600	477,600	5,201,829	1.51x	2021
2022	7,871,492	0.00%	4,722,756	3,148,736	75,000	400,725	475,725	5,198,481	1.51x	2022
2023	7,871,492	0.00%	4,723,156	3,148,336	80,000	398,475	478,475	5,201,631	1.51x	2023
2024	7,871,492	0.00%	4,722,581	3,148,911	80,000	396,075	476,075	5,198,656	1.51x	2024
2025	7,871,492	0.00%	4,724,456	3,147,036	80,000	392,875	472,875	5,197,331	1.51x	2025
2026	7,871,492	0.00%	4,727,331	3,144,161	90,000	389,675	479,675	5,207,006	1.51x	2026
2027	7,871,492	0.00%	4,725,581	3,145,911	100,000	386,075	486,075	5,211,656	1.51x	2027
2028	7,871,492	0.00%	2,398,581	5,472,911	1,035,000	382,075	1,417,075	3,815,656	2.06x	2028
2029	7,871,492	0.00%	2,398,831	5,472,661	1,085,000	335,500	1,420,500	3,819,331	2.06x	2029
2030	7,871,492	0.00%	2,399,331	5,472,161	1,140,000	286,675	1,426,675	3,826,006	2.06x	2030
2031	7,871,492	0.00%	2,399,831	5,471,661	1,185,000	235,375	1,420,375	3,820,206	2.06x	2031
2032	7,871,492	0.00%	2,400,081	5,471,411	1,245,000	182,050	1,427,050	3,827,131	2.06x	2032
2033	7,871,492	0.00%		7,871,492	1,295,000	126,025	1,421,025	1,421,025	5.54x	2033
2034	7,871,492	0.00%		7,871,492	1,355,000	67,750	1,422,750	1,422,750	5.53x	2034
			<u>\$ 84,273,348</u>		<u>\$ 9,075,000</u>	<u>\$ 6,965,661</u>	<u>\$ 16,040,661</u>	<u>\$ 100,314,009</u>		

(1) Projected net revenues available for debt service as provided in the Water and Wastewater Rate Study and Long Term Financial Plan presented by CapEx Consulting Group on August 7, 2013; assumed to remain constant in FY 2019 and thereafter.

(2) Unaudited FY 2013 net revenues available for debt service as of February 3, 2014, provided by City Officials. Actual FY 2012 figure was \$5,188,422.

(3) Final interest rates as of 3/4/2014; first interest payment on February 15, 2015 and first principal payment August 15, 2019.

Underwriter Performance Summary

\$9,075,000

City of Weslaco, Texas
 (A Home-Rule Municipal Corporation of the
 State of Texas, Located in Hidalgo County)
 Tax and Revenue Certificates of Obligation, Series
 2014

Underwriter	Group Business		Designated Business		Retail Business		Member Business		Total Business	
	Orders	Allotments	Orders	Allotments	Orders	Allotments	Orders	Allotments	Orders	Allotments
1-Manager										
SAMCO Capital Markets	9,610	5,415	0	0	0	0	4,300	1,325	13,910	6,740
Cabrera Capital Markets, LLC	0	0	0	0	0	0	1,185	0	1,185	0
Coastal Securities, Inc.	5,950	2,335	0	0	0	0	0	0	5,950	2,335
Bracket Total	15,560	7,750	0	0	0	0	5,485	1,325	21,045	9,075
Grand Total	15,560	7,750	0	0	0	0	5,485	1,325	21,045	9,075

Recommendation

- We recommend the City approve the Bid from the Underwriters
- We want to express our appreciation to the team from the City, lead by Mayor Suarez, that participated in the rating agency presentation
- We want to express our appreciation to the City Staff, especially Mr. Olivares and Mr. Mann, for all their assistance in making this a successful process and transaction
- Thank the Bond Counsel, Winstead PC, and Underwriters, SAMCO Capital Markets, Coastal Securities and Cabrera Capital Markets and Underwriter's Counsel, Kassahn & Ortiz, P.C., for their efforts
- Thank the City for the honor of serving Weslaco as its Financial Advisor; we appreciate our long-term relationship