FirstSouthwest

Contacts

Anne Burger Entrekin
Managing Director
anne.burgerentrekin@firstsw.com
70 Northeast Loop 410, Suite 710
San Antonio, Texas 78216
Direct: 210.308.2200

Cris Vela
Senior Vice President
cris.vela@firstsw.com
100 East Nolana Loop
Pharr, Texas 78577
Direct: 956.686.0991

Jorge Delgado
Analyst
jorge.delgado@firstsw.com
325 N. Saint Paul St., Suite 800
Dallas, Texas 75201
Direct: 214.953.4019

STC South Texas College

Transaction Summary
$90,220,000 Limited Tax Bonds, Series 2015

June 23, 2015

South Texas College

Transaction Summary

Credit Ratings

STANDARD & POOR'S	Previous Rating	This Issue
	AA	AA / Affirmed – *STABLE OUTLOOK*

- "Deep and diverse property tax base, which benefits from the growth spurred by international trade; strong student enrollment; very strong financial position."

- "The college continues to maintain very strong operations in our opinion. Operating surpluses in occurred in each of the past 10 years due primarily to conservative financial management."

- "The **stable outlook** reflects our expectation that the district will maintain very strong financial position, despite any self-imposed tax rate caps and budget challenges brought on by rapid growth due to the recently approved tax referendum and remaining tuition raising flexibility. We expect the rating to remain stable during the outlook's tow-year horizon…"

- "Standard & Poor's deems South Texas College District's management practices "good" under its Financial Management Assessment methodology, indicating financial practices exist in most areas…The district updates annually the long-term financial and capital improvement plan (CIP) and identifies its long-term financial implications on the district's general operating fund. Management presents monthly financial reports to the board for approval…the board also annually adopts the district's investment policies and monitors holdings and performance monthly. In addition, the district has a formal reserve policy to maintain at least four months of unrestricted cash on hand to provide financial stability."

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Credit Ratings

MOODY'S INVESTORS SERVICE	Previous Rating	This Issue
	Aa2	Aa2 / Affirmed

- The College has consistently demonstrated prudent fiscal management marked by positive year over year operating results…Over the last five years, the college has grown its net asset position by over 100%..."

- "The College maintains a strong competitive edge as the sole provider of two year economic, general occupation, development and continuing adults education programs through a network of six campuses in Hidalgo (Aa2), and Starr counties…the college is accredited by Commission on Colleges of the Southern Association of Colleges and Schools to award Baccalaureate degrees as well as transfer programs to more senior colleges…"

- "State appropriations were increased by 7% in the current biennium…Management expects that appropriations will remain relatively in the near term. College officials report that tuition rates remain competitive compared to the four year institutions in the area. .."

- "The college's history of favorable financial practices, combined with strong reserves, is expected to maintain a financial profile consistent with the rating category… The liquidity is strong with total cash of $161.9 million in fiscal 2014."

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Limited Tax Bonds, Series 2015 Summary

	Board Meeting 4/28/2015	Finance Committee Meeting 6/11/2015	Actual 6/23/2015
Par Amount of Bonds	$86,970,000	$88,000,000	$90,220,000
Construction Fund Deposit	$99,028,940	$99,028,940	$99,028,940
I&S Funds Utilized	$10,000,000	$10,000,000	$10,000,000
True Interest Cost	3.6430% (1)	3.6530% (2)	3.6340% (3)
Call Date	8/15/2025	8/15/2025	8/15/2024

(1) Market Interest Rates as of March 31, 2015 + 50 bps
(2) Market Interest Rates as of June 1, 2015 + 25 bps
(3) Final Numbers as of June 23, 2015

SOUTH TEXAS COLLEGE

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Limited Tax Bonds, Series 2015 Summary

DEBT SERVICE - LIMITED TAX BONDS, SERIES 2015					
Fiscal Year	Principal	Rate	Yield	Interest	Total Debt Service
2016	$ 520,000	2.000%	0.560%	$ 4,381,340	$ 4,901,340
2017	525,000	2.000%	1.000%	4,097,106	4,622,106
2018	610,000	5.000%	1.350%	4,086,606	4,696,606
2019	3,930,000	5.000%	1.570%	4,056,106	7,986,106
2020	4,910,000	5.000%	1.830%	3,859,606	8,769,606
2021	5,155,000	3.000%	2.110%	3,614,106	8,769,106
2022	5,310,000	3.000%	2.320%	3,459,456	8,769,456
2023	5,465,000	3.000%	2.500%	3,300,156	8,765,156
2024	5,630,000	5.000%	2.740%	3,136,206	8,766,206
2025	4,135,000	5.000%	2.940%	2,854,706	6,989,706
2026	4,340,000	5.000%	3.060%	2,647,956	6,987,956
2027	4,560,000	5.000%	3.170%	2,430,956	6,990,956
2028	4,785,000	5.000%	3.280%	2,202,956	6,987,956
2029	5,025,000	5.000%/3.375%	3.360%/3.630%	1,963,706	6,988,706
2030	5,225,000	5.000%	3.450%	1,766,000	6,991,000
2031	5,485,000	5.000%	3.520%	1,504,750	6,989,750
2032	5,755,000	5.000%	3.560%	1,230,500	6,985,500
2033	6,045,000	5.000%	3.620%	942,750	6,987,750
2034	6,355,000	5.000%	3.640%	640,500	6,995,500
2035	6,455,000	5.000%	3.640%	322,750	6,777,750
	$ 90,220,000			$ 52,498,221	$ 142,718,221

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Projected Tax Rate Analysis

South Texas College - Final Numbers

Projected Tax Rate Analysis - $99,028,940 Limited Tax Bonds - No Growth in AV

Scenario utilizing $10M of I&S Funds to Achieve 4.5 Cent Tax Rate

FYE 8/31	Taxable Assessed Valuation[1]	*Est.* AV Growth[2]	Existing I&S Tax-Supported D/S	Projected Existing Debt I&S Tax Rate	*$99,028,940* Limited Tax Bonds, Series 2015[3][4][5] Principal	Interest	*Total* D/S	Projected Total Debt Service	*Less:* Available Funds	*Estimated* Net Total D/S	Debt I&S Tax Rate[8]	Total I&S Tax Rate Change For Series 2015
2015	$ 30,965,159,425		$ 14,901,182	0.0450	-	-	-	$ 14,901,182	$ -	$ 14,901,182	**0.0450**	$ -
2016	30,965,159,425	0.00%	12,529,650	0.0411	$ 520,000	$ 4,381,340	$ 4,901,340	17,430,990	(3,705,000)	13,725,990	**0.0450**	-
2017	30,965,159,425	0.00%	12,446,050	0.0408	525,000	4,097,106	4,622,106	17,068,156	(3,345,000)	13,723,156	**0.0450**	-
2018	30,965,159,425	0.00%	11,973,000	0.0393	610,000	4,086,606	4,696,606	16,669,606	(2,950,000)	13,719,606	**0.0450**	-
2019	30,965,159,425	0.00%	5,740,650	0.0188	3,930,000	4,056,106	7,986,106	13,726,756	-	13,726,756	**0.0450**	-
2020	30,965,159,425	0.00%	4,958,750	0.0163	4,910,000	3,859,606	8,769,606	13,728,356	-	13,728,356	**0.0450**	-
2021	30,965,159,425	0.00%	4,959,500	0.0163	5,155,000	3,614,106	8,769,106	13,728,606	-	13,728,606	**0.0450**	-
2022	30,965,159,425	0.00%	4,959,250	0.0163	5,310,000	3,459,456	8,769,456	13,728,706	-	13,728,706	**0.0450**	-
2023	30,965,159,425	0.00%	4,957,750	0.0163	5,465,000	3,300,156	8,765,156	13,722,906	-	13,722,906	**0.0450**	-
2024	30,965,159,425	0.00%	4,959,750	0.0163	5,630,000	3,136,206	8,766,206	13,725,956	-	13,725,956	**0.0450**	-
2025	30,965,159,425	0.00%	4,959,750	0.0163	4,135,000	2,854,706	6,989,706	11,949,456	-	11,949,456	**0.0392**	-
2026	30,965,159,425	0.00%	4,957,500	0.0163	4,340,000	2,647,956	6,987,956	11,945,456	-	11,945,456	**0.0392**	-
2027	30,965,159,425	0.00%	4,957,750	0.0163	4,560,000	2,430,956	6,990,956	11,948,706	-	11,948,706	**0.0392**	-
2028	30,965,159,425	0.00%	4,960,000	0.0163	4,785,000	2,202,956	6,987,956	11,947,956	-	11,947,956	**0.0392**	-
2029	30,965,159,425	0.00%	4,958,750	0.0163	5,025,000	1,963,706	6,988,706	11,947,456	-	11,947,456	**0.0392**	-
2030	30,965,159,425	0.00%	4,958,750	0.0163	5,225,000	1,766,000	6,991,000	11,949,750	-	11,949,750	**0.0392**	-
2031	30,965,159,425	0.00%	4,959,500	0.0163	5,485,000	1,504,750	6,989,750	11,949,250	-	11,949,250	**0.0392**	-
2032	30,965,159,425	0.00%	4,960,500	0.0163	5,755,000	1,230,500	6,985,500	11,946,000	-	11,946,000	**0.0392**	-
2033	30,965,159,425	0.00%	4,961,250	0.0163	6,045,000	942,750	6,987,750	11,949,000	-	11,949,000	**0.0392**	-
2034	30,965,159,425	0.00%	4,961,250	0.0163	6,355,000	640,500	6,995,500	11,956,750	-	11,956,750	**0.0392**	-
2035	30,965,159,425	0.00%	-	-	6,455,000	322,750	6,777,750	6,777,750	-	6,777,750	**0.0222**	-
2036	30,965,159,425	0.00%	-	-	-	-	-	-	-	-	-	-
2037	30,965,159,425	0.00%	-	-	-	-	-	-	-	-	-	-
2038	30,965,159,425	0.00%	-	-	-	-	-	-	-	-	-	-
			$ 131,980,532		**$ 90,220,000**	**$ 52,498,221**	**$ 142,718,221**	**$ 274,698,753**	**$ (10,000,000)**	**$ 264,698,753**		**$ -**

Assumptions:

(1) Fiscal Year 2015 Taxable Assessed Valuation as reported by the Hidalgo and Starr Counties Appraisal Districts.

(2) Estimated Taxable Assessed Valuation assumes no growth for purposes of illustration only, subject to change.

(3) **TIC @ 3.634**

(4) Assumes issuance in June 2015, first interest payment in February 2016, and the first principal payment in August 2016.

(5) Assumes a deposit to the project fund of **$99,028,940**

(6) Est. tax collections rate 98.50%

SOUTH TEXAS COLLEGE

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Institutional Investors

Key Players on South Texas College Limited Tax Bonds, Series 2015
RBC Wealth Management
RBC Muni Opportunity Fund
Fifth Third Bank
Goldman Private Client
Susquehanna
Wells Fargo
RBC Global Fund
Eaton Vance
Piper ARB

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Summary of Underwriter Orders by Firm and Type

$90,220,000
SOUTH TEXAS COLLEGE DISTRICT, TEXAS
LIMITED TAX BONDS, SERIES 2015

Underwriter	Priority Orders	Retail Orders	Member Orders	Total Orders	%
1-Manager					
Estrada Hinojosa & Company	139,780	0	20,000	159,780	62 %
Frost Bank	100	0	12,080	12,180	5 %
Jefferies LLC	0	0	10,500	10,500	4 %
Raymond James & Associates, Inc.	13,205	120	14,775	28,100	11 %
Stephens Inc.	575	0	8,500	9,075	4 %
Stifel, Nicolaus & Company, Inc.	16,970	0	21,930	38,900	15 %
Bracket Total	170,630	120	87,785	258,535	100 %
Grand Total	**170,630**	**120**	**87,785**	**258,535**	**100 %**

Source: IPREO

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Summary

- The original Capital Improvement Program Analysis utilized for purposes of the election assumed bond issues from 2014 through 2017 with interest rates ranging 4.25% to 4.75% in order to achieve the targeted tax rate discussed with voters

- The 2014 Bond Issue was projected to be $50 million and at a rate of 4.25%
  - Because the 2014 Bonds were able to achieve an interest rate of 3.85%, the issue was able to be increased to $60 million

- Given the conservative assumptions utilized and the low interest rate environment that has continued through this year, the STC had the ability to issue the remaining authorization of $99,028,940 with this bond issuance
  - This has been done within the tax rate projections outlined for voters
  - This has resulted in reduced overall cost of issuance by reducing the number of issues
  - This mitigates future interest rate risk by locking in the total cost of the debt service
  - Based on the projected construction schedule, STC should be able to meet the reasonable expectation of achieving 85% expenditure of bond proceeds in three years
  - Given the projected utilization of approximately $10 million of fund balance in the Debt Service Fund, the College will have the ability to maintain the current I&S tax rate
    - The 4.5 cent I&S Tax Rate is projected to be maintained through 2024, and then decline to 3.92 cents, creating future tax rate and debt issuance capacity

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Capital Improvement Program Analysis Comparison

	Series 2014	Series 2015	Series 2016	Series 2017
	Limited Tax Bonds	Limited Tax Bonds	Limited Tax Bonds	Limited Tax Bonds
Projected Original Plan of Finance (2014)				
Par Amount	$39,755,000	$39,755,000	$39,755,000	$39,755,000
Interest Rate	4.25%	4.50%	4.75%	4.75%
Actual Results				
Par Amount	$60,000,000	$99,028,940	-	-
Interest Rate	3.85%	3.63%	-	-
Difference				
Par Amount	$20,245,000	$59,273,940	-	-
Interest Rate	-0.40%	-0.87%	-	-

The remaining authorization has been utilized with this bond issue. The South Texas College has been able to achieve this with 2 bond issues rather than the 4 bonds issues outlined in the Projected Original Plan of Finance.

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Recommendation

- We recommend the College approve the Bid from the Estrada Hinojosa
- We want to express our appreciation to the College Staff, especially Ms. Elizondo, Ms. Ozuna, Ms. Lopez & Ms. Church for all their assistance in making this a successful process and transaction
- Thank the Bond Counsel, J. Ramirez Law Firm, Underwriters, Estrada Hinojosa & Company, Inc., Jefferies, Stifel Nicolaus & Company, Incorporated, Raymond James, Frost Bank, Stephens Inc., and Underwriter's Counsel, The Perez Law Firm for their efforts
- Thank the College for the honor of serving South Texas College as its Financial Advisor; we appreciate our long-term relationship

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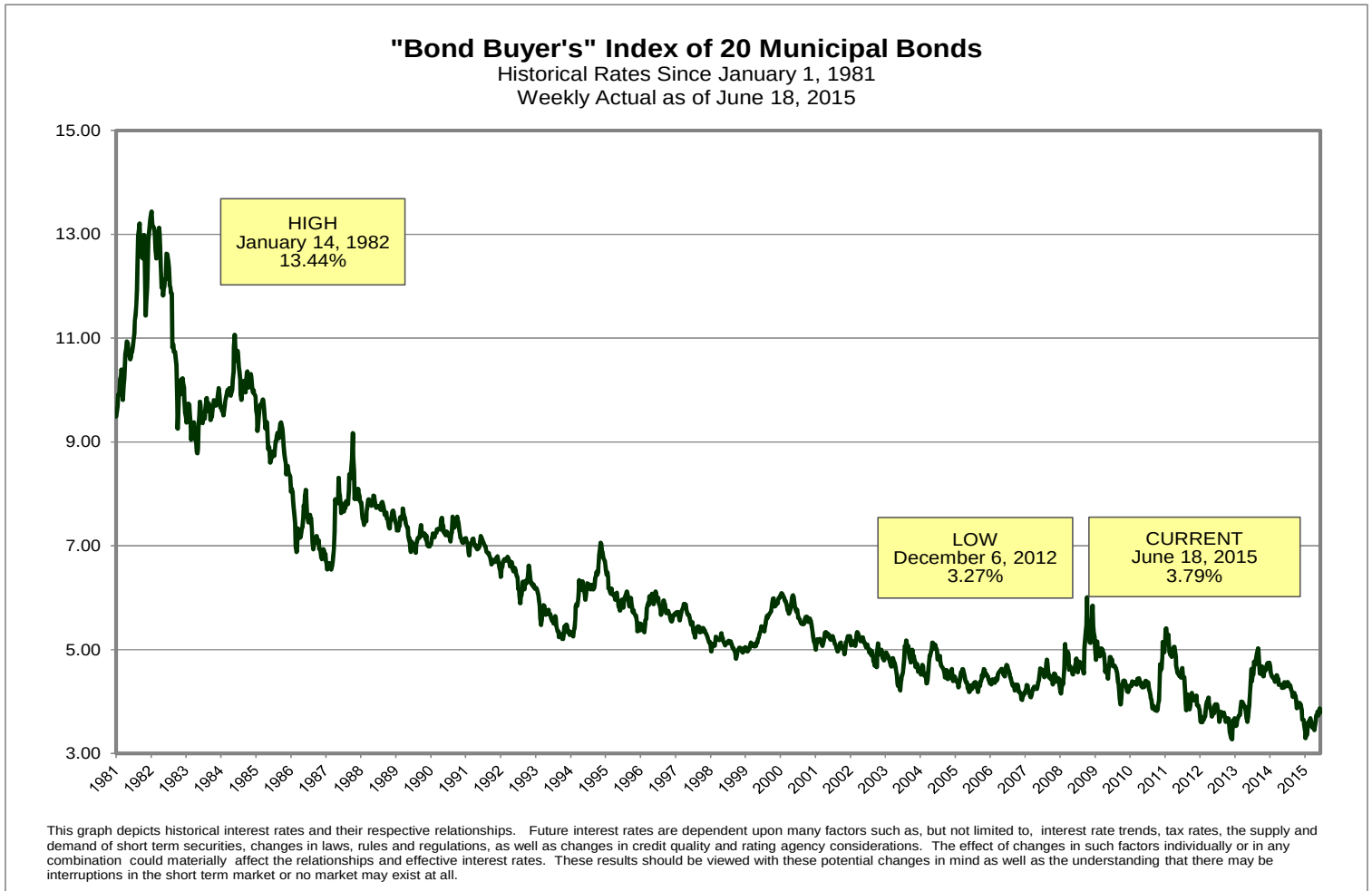
Market Update

South Texas College

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.

SOUTH TEXAS COLLEGE

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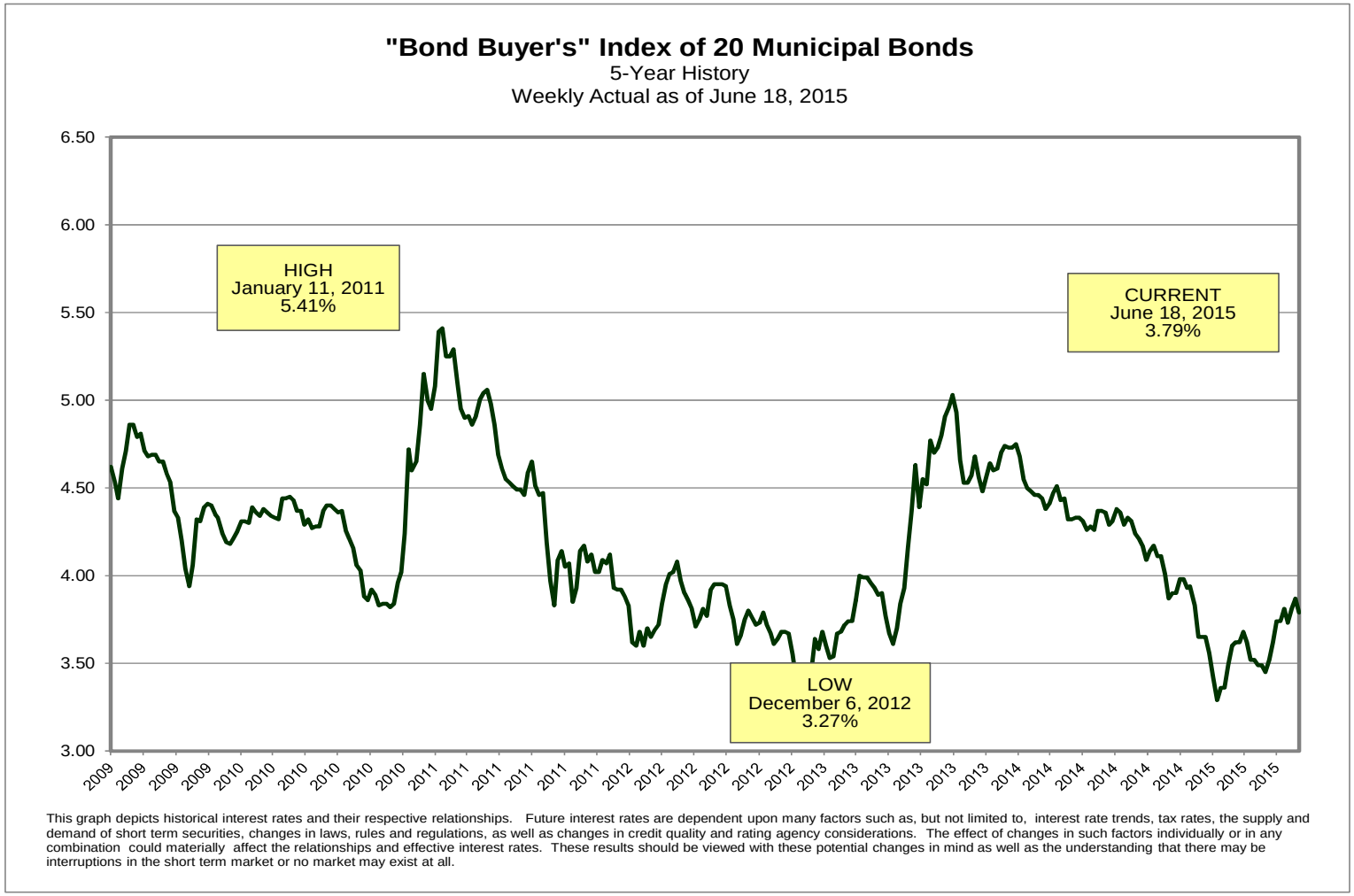
Bond Buyer's Index of 20 Municipal Bonds



- This index tracks general obligation bonds maturing in 20 years.
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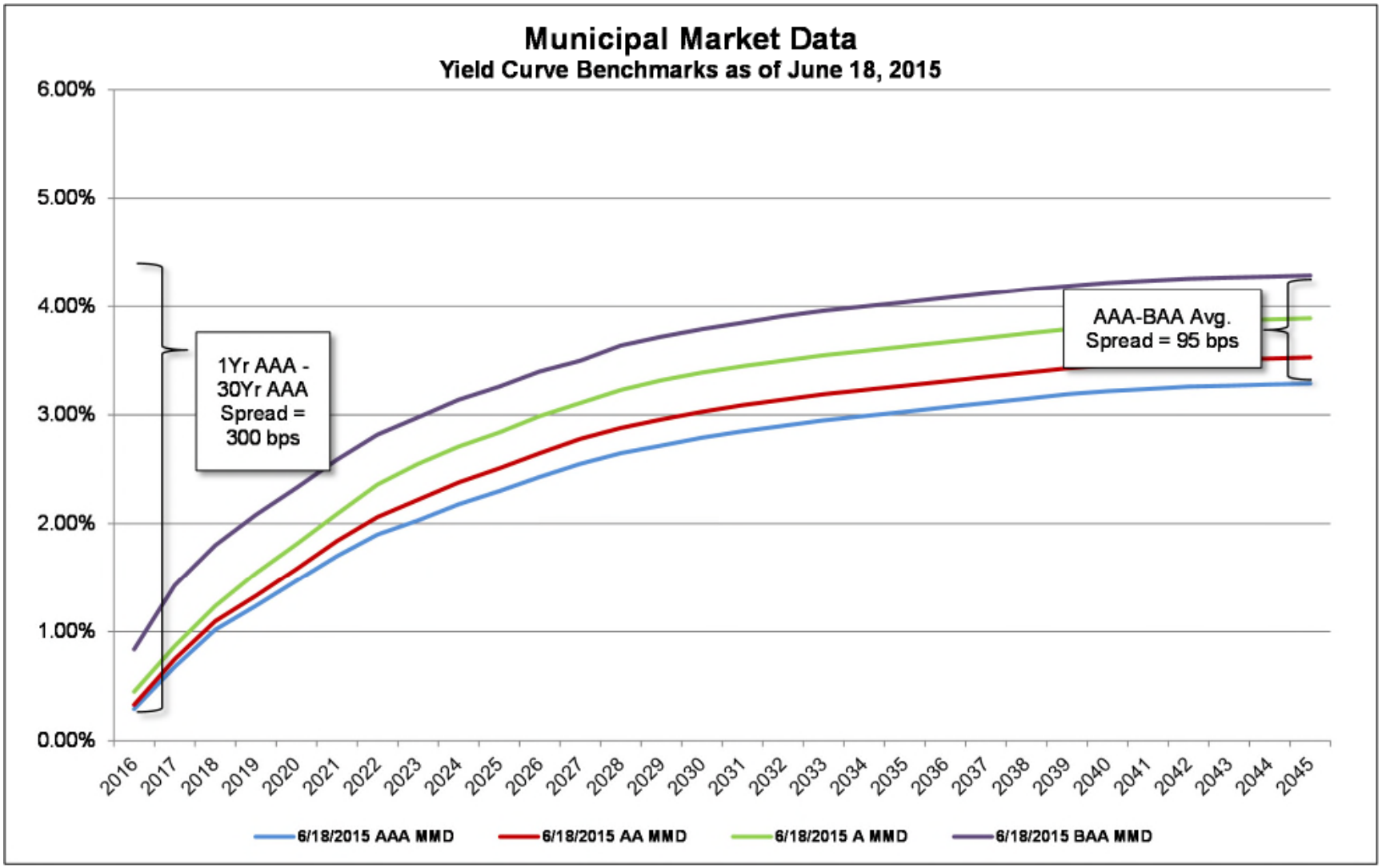
"AAA" MMD Yield Comparisons



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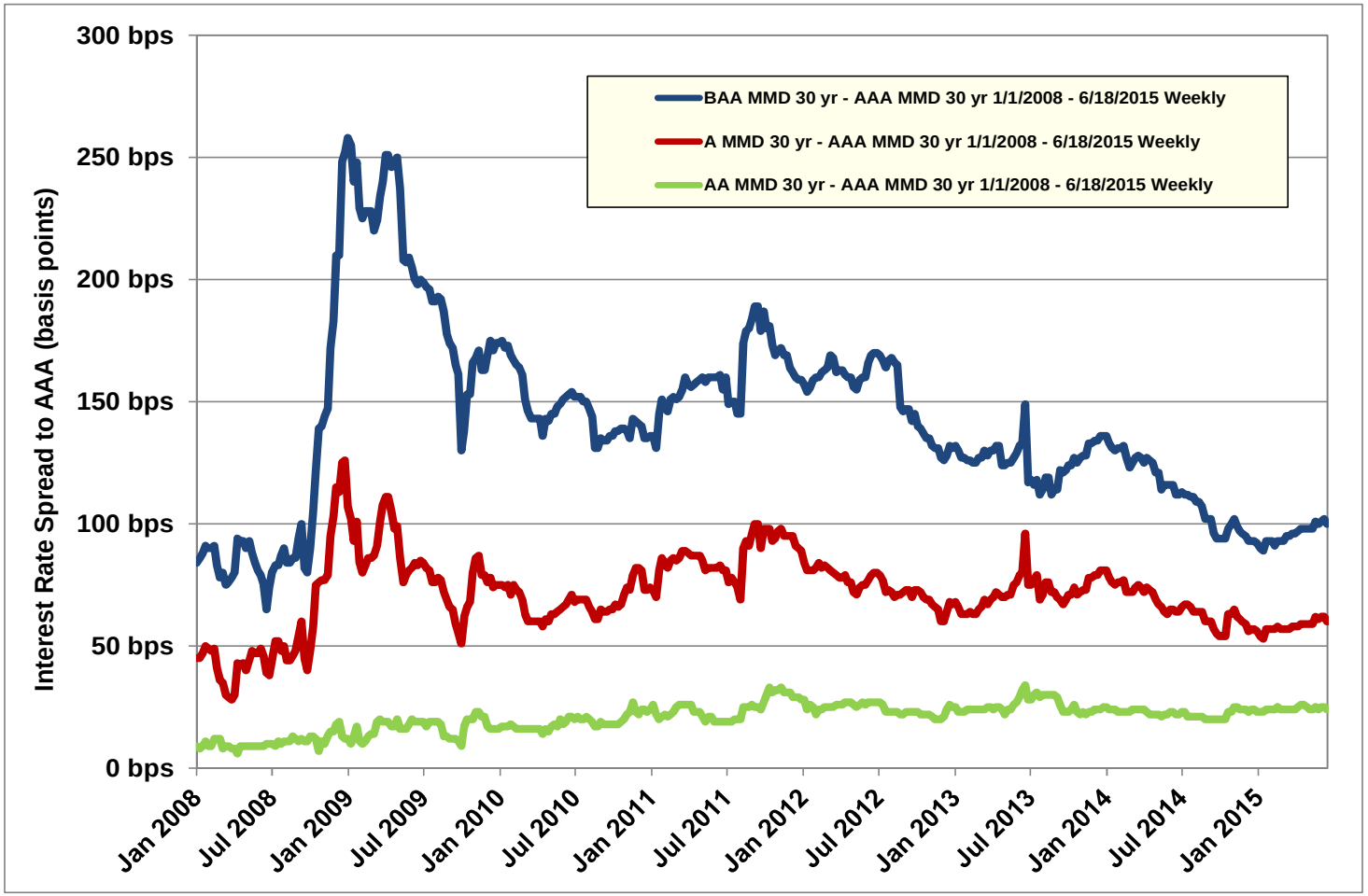
Credit Spread Comparisons



- "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 "AA" curve (blue curve)

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Final Numbers

TABLE OF CONTENTS

South Texas College, TX
$90,220,000 Limited Tax Bonds, Series 2015
Final Numbers

Report	Page
Bond Debt Service	1
Sources and Uses of Funds	2
Bond Summary Statistics	3
Bond Pricing	4
Underwriter's Discount	5
Bond Debt Service	6
Form 8038 Statistics	7
Average Takedown	8
Proof of Arbitrage Yield	9

BOND DEBT SERVICE

South Texas College, TX
$90,220,000 Limited Tax Bonds, Series 2015
Final Numbers

Period Ending	Principal	Coupon	Interest	Debt Service
08/31/2016	520,000	2.000%	4,381,340.01	4,901,340.01
08/31/2017	525,000	2.000%	4,097,106.26	4,622,106.26
08/31/2018	610,000	5.000%	4,086,606.26	4,696,606.26
08/31/2019	3,930,000	5.000%	4,056,106.26	7,986,106.26
08/31/2020	4,910,000	5.000%	3,859,606.26	8,769,606.26
08/31/2021	5,155,000	3.000%	3,614,106.26	8,769,106.26
08/31/2022	5,310,000	3.000%	3,459,456.26	8,769,456.26
08/31/2023	5,465,000	3.000%	3,300,156.26	8,765,156.26
08/31/2024	5,630,000	5.000%	3,136,206.26	8,766,206.26
08/31/2025	4,135,000	5.000%	2,854,706.26	6,989,706.26
08/31/2026	4,340,000	5.000%	2,647,956.26	6,987,956.26
08/31/2027	4,560,000	5.000%	2,430,956.26	6,990,956.26
08/31/2028	4,785,000	5.000%	2,202,956.26	6,987,956.26
08/31/2029	5,025,000	** %	1,963,706.26	6,988,706.26
08/31/2030	5,225,000	5.000%	1,766,000.00	6,991,000.00
08/31/2031	5,485,000	5.000%	1,504,750.00	6,989,750.00
08/31/2032	5,755,000	5.000%	1,230,500.00	6,985,500.00
08/31/2033	6,045,000	5.000%	942,750.00	6,987,750.00
08/31/2034	6,355,000	5.000%	640,500.00	6,995,500.00
08/31/2035	6,455,000	5.000%	322,750.00	6,777,750.00
	90,220,000		52,498,221.39	142,718,221.39

SOURCES AND USES OF FUNDS

South Texas College, TX
$90,220,000 Limited Tax Bonds, Series 2015
Final Numbers

Dated Date	07/21/2015
Delivery Date	07/21/2015

Sources:	
Bond Proceeds:	
Par Amount	90,220,000.00
Net Premium	9,692,079.25
	99,912,079.25

Uses:	
Project Fund Deposits:	
Project Fund	99,028,940.00
Delivery Date Expenses:	
Cost of Issuance	346,175.00
Underwriter's Discount	533,986.17
	880,161.17
Other Uses of Funds:	
Deposit to I&S Fund	2,978.08
	99,912,079.25

BOND SUMMARY STATISTICS

South Texas College, TX
$90,220,000 Limited Tax Bonds, Series 2015
Final Numbers

Dated Date	07/21/2015
Delivery Date	07/21/2015
First Coupon	02/15/2016
Last Maturity	08/15/2035
Arbitrage Yield	3.109570%
True Interest Cost (TIC)	3.634843%
Net Interest Cost (NIC)	3.900424%
All-In TIC	3.672249%
Average Coupon	4.724612%
Average Life (years)	12.316
Duration of Issue (years)	9.504
Par Amount	90,220,000.00
Bond Proceeds	99,912,079.25
Total Interest	52,498,221.39
Net Interest	43,340,128.31
Bond Years from Dated Date	1,111,164,666.67
Bond Years from Delivery Date	1,111,164,666.67
Total Debt Service	142,718,221.39
Maximum Annual Debt Service	8,769,606.26
Average Annual Debt Service	7,112,203.72
Underwriter's Fees (per $1000)	
Average Takedown	4.783169
Management Fee	0.600000
Other Fee	0.535543
Total Underwriter's Discount	5.918712
Bid Price	110.150846

Bond Component	Par Value	Price	Average Coupon	Average Life	Average Maturity Date
Bond Component	77,410,000.00	110.796	4.644%	11.116	09/01/2026
Term Bond	12,810,000.00	110.420	5.000%	19.571	02/14/2035
	90,220,000.00			12.316	

	TIC	All-In TIC	Arbitrage Yield
Par Value	90,220,000.00	90,220,000.00	90,220,000.00
+ Accrued Interest			
+ Premium (Discount)	9,692,079.25	9,692,079.25	9,692,079.25
- Underwriter's Discount	-533,986.17	-533,986.17	
- Cost of Issuance Expense		-346,175.00	
- Other Amounts			
Target Value	99,378,093.08	99,031,918.08	99,912,079.25
Target Date	07/21/2015	07/21/2015	07/21/2015
Yield	3.634843%	3.672249%	3.109570%

BOND PRICING

South Texas College, TX
$90,220,000 Limited Tax Bonds, Series 2015
Final Numbers

Bond Component	Maturity Date	Amount	Rate	Yield	Price	Yield to Maturity	Call Date	Call Price	Premium (-Discount)	Takedown
Bond Component:										
	08/15/2016	520,000	2.000%	0.560%	101.529				7,950.80	3.750
	08/15/2017	525,000	2.000%	1.000%	102.040				10,710.00	3.750
	08/15/2018	610,000	5.000%	1.350%	110.927				66,654.70	3.750
	08/15/2019	3,930,000	5.000%	1.570%	113.460				528,978.00	3.750
	08/15/2020	4,910,000	5.000%	1.830%	115.271				749,806.10	3.750
	08/15/2021	5,155,000	3.000%	2.110%	105.042				259,915.10	3.750
	08/15/2022	5,310,000	3.000%	2.320%	104.407				234,011.70	5.000
	08/15/2023	5,465,000	3.000%	2.500%	103.631				198,434.15	5.000
	08/15/2024	5,630,000	5.000%	2.740%	118.033				1,015,257.90	5.000
	08/15/2025	4,135,000	5.000%	2.940%	116.288 C	3.103%	08/15/2024	100.000	673,508.80	5.000
	08/15/2026	4,340,000	5.000%	3.060%	115.256 C	3.339%	08/15/2024	100.000	662,110.40	5.000
	08/15/2027	4,560,000	5.000%	3.170%	114.320 C	3.532%	08/15/2024	100.000	652,992.00	5.000
	08/15/2028	4,785,000	5.000%	3.280%	113.393 C	3.698%	08/15/2024	100.000	640,855.05	5.000
	08/15/2029	3,295,000	3.375%	3.630%	97.208				-91,996.40	5.000
	08/15/2029	1,730,000	5.000%	3.360%	112.724 C	3.822%	08/15/2024	100.000	220,125.20	5.000
	08/15/2030	5,225,000	5.000%	3.450%	111.977 C	3.938%	08/15/2024	100.000	625,798.25	5.000
	08/15/2031	5,485,000	5.000%	3.520%	111.400 C	4.029%	08/15/2024	100.000	625,290.00	5.000
	08/15/2032	5,755,000	5.000%	3.560%	111.072 C	4.092%	08/15/2024	100.000	637,193.60	5.000
	08/15/2033	6,045,000	5.000%	3.620%	110.582 C	4.161%	08/15/2024	100.000	639,681.90	5.000
		77,410,000							8,357,277.25	
Term Bond:										
	08/15/2034	6,355,000	5.000%	3.640%	110.420 C	4.225%	08/15/2024	100.000	662,191.00	5.000
	08/15/2035	6,455,000	5.000%	3.640%	110.420 C	4.225%	08/15/2024	100.000	672,611.00	5.000
		12,810,000							1,334,802.00	
		90,220,000							9,692,079.25	

Dated Date	07/21/2015	
Delivery Date	07/21/2015	
First Coupon	02/15/2016	
Par Amount	90,220,000.00	
Premium	9,692,079.25	
Production	99,912,079.25	110.742717%
Underwriter's Discount	-533,986.17	-0.591871%
Purchase Price	99,378,093.08	110.150846%
Accrued Interest		
Net Proceeds	99,378,093.08	

UNDERWRITER'S DISCOUNT

South Texas College, TX
$90,220,000 Limited Tax Bonds, Series 2015
Final Numbers

Underwriter's Discount	$/1000	Amount
Average Takedown	4.78317	431,537.50
Management Fee	0.60000	54,132.00
Underwriter's Counsel Fee & Expenses	0.30000	27,066.00
MAC	0.10443	9,422.00
DTC (Fixed)	0.00887	800.00
Clearing (Fixed)	0.00277	250.00
Day Loan	0.02740	2,471.78
IPreo	0.06762	6,101.09
Ipreo EOE	0.01500	1,353.30
Cusip Fee	0.00945	852.50
	5.91871	533,986.17

BOND DEBT SERVICE

South Texas College, TX
$90,220,000 Limited Tax Bonds, Series 2015
Final Numbers

Period Ending	Principal	Coupon	Interest	Debt Service	Annual Debt Service
02/15/2016			2,327,586.88	2,327,586.88	
08/15/2016	520,000	2.000%	2,053,753.13	2,573,753.13	
08/31/2016					4,901,340.01
02/15/2017			2,048,553.13	2,048,553.13	
08/15/2017	525,000	2.000%	2,048,553.13	2,573,553.13	
08/31/2017					4,622,106.26
02/15/2018			2,043,303.13	2,043,303.13	
08/15/2018	610,000	5.000%	2,043,303.13	2,653,303.13	
08/31/2018					4,696,606.26
02/15/2019			2,028,053.13	2,028,053.13	
08/15/2019	3,930,000	5.000%	2,028,053.13	5,958,053.13	
08/31/2019					7,986,106.26
02/15/2020			1,929,803.13	1,929,803.13	
08/15/2020	4,910,000	5.000%	1,929,803.13	6,839,803.13	
08/31/2020					8,769,606.26
02/15/2021			1,807,053.13	1,807,053.13	
08/15/2021	5,155,000	3.000%	1,807,053.13	6,962,053.13	
08/31/2021					8,769,106.26
02/15/2022			1,729,728.13	1,729,728.13	
08/15/2022	5,310,000	3.000%	1,729,728.13	7,039,728.13	
08/31/2022					8,769,456.26
02/15/2023			1,650,078.13	1,650,078.13	
08/15/2023	5,465,000	3.000%	1,650,078.13	7,115,078.13	
08/31/2023					8,765,156.26
02/15/2024			1,568,103.13	1,568,103.13	
08/15/2024	5,630,000	5.000%	1,568,103.13	7,198,103.13	
08/31/2024					8,766,206.26
02/15/2025			1,427,353.13	1,427,353.13	
08/15/2025	4,135,000	5.000%	1,427,353.13	5,562,353.13	
08/31/2025					6,989,706.26
02/15/2026			1,323,978.13	1,323,978.13	
08/15/2026	4,340,000	5.000%	1,323,978.13	5,663,978.13	
08/31/2026					6,987,956.26
02/15/2027			1,215,478.13	1,215,478.13	
08/15/2027	4,560,000	5.000%	1,215,478.13	5,775,478.13	
08/31/2027					6,990,956.26
02/15/2028			1,101,478.13	1,101,478.13	
08/15/2028	4,785,000	5.000%	1,101,478.13	5,886,478.13	
08/31/2028					6,987,956.26
02/15/2029			981,853.13	981,853.13	
08/15/2029	5,025,000	** %	981,853.13	6,006,853.13	
08/31/2029					6,988,706.26
02/15/2030			883,000.00	883,000.00	
08/15/2030	5,225,000	5.000%	883,000.00	6,108,000.00	
08/31/2030					6,991,000.00
02/15/2031			752,375.00	752,375.00	
08/15/2031	5,485,000	5.000%	752,375.00	6,237,375.00	
08/31/2031					6,989,750.00
02/15/2032			615,250.00	615,250.00	
08/15/2032	5,755,000	5.000%	615,250.00	6,370,250.00	
08/31/2032					6,985,500.00
02/15/2033			471,375.00	471,375.00	
08/15/2033	6,045,000	5.000%	471,375.00	6,516,375.00	
08/31/2033					6,987,750.00
02/15/2034			320,250.00	320,250.00	
08/15/2034	6,355,000	5.000%	320,250.00	6,675,250.00	
08/31/2034					6,995,500.00
02/15/2035			161,375.00	161,375.00	
08/15/2035	6,455,000	5.000%	161,375.00	6,616,375.00	
08/31/2035					6,777,750.00
	90,220,000		52,498,221.39	142,718,221.39	142,718,221.39

FORM 8038 STATISTICS

South Texas College, TX
$90,220,000 Limited Tax Bonds, Series 2015
Final Numbers

Dated Date	07/21/2015
Delivery Date	07/21/2015

Bond Component	Date	Principal	Coupon	Price	Issue Price	Redemption at Maturity
Bond Component:						
	08/15/2016	520,000.00	2.000%	101.529	527,950.80	520,000.00
	08/15/2017	525,000.00	2.000%	102.040	535,710.00	525,000.00
	08/15/2018	610,000.00	5.000%	110.927	676,654.70	610,000.00
	08/15/2019	3,930,000.00	5.000%	113.460	4,458,978.00	3,930,000.00
	08/15/2020	4,910,000.00	5.000%	115.271	5,659,806.10	4,910,000.00
	08/15/2021	5,155,000.00	3.000%	105.042	5,414,915.10	5,155,000.00
	08/15/2022	5,310,000.00	3.000%	104.407	5,544,011.70	5,310,000.00
	08/15/2023	5,465,000.00	3.000%	103.631	5,663,434.15	5,465,000.00
	08/15/2024	5,630,000.00	5.000%	118.033	6,645,257.90	5,630,000.00
	08/15/2025	4,135,000.00	5.000%	116.288	4,808,508.80	4,135,000.00
	08/15/2026	4,340,000.00	5.000%	115.256	5,002,110.40	4,340,000.00
	08/15/2027	4,560,000.00	5.000%	114.320	5,212,992.00	4,560,000.00
	08/15/2028	4,785,000.00	5.000%	113.393	5,425,855.05	4,785,000.00
	08/15/2029	3,295,000.00	3.375%	97.208	3,203,003.60	3,295,000.00
	08/15/2029	1,730,000.00	5.000%	112.724	1,950,125.20	1,730,000.00
	08/15/2030	5,225,000.00	5.000%	111.977	5,850,798.25	5,225,000.00
	08/15/2031	5,485,000.00	5.000%	111.400	6,110,290.00	5,485,000.00
	08/15/2032	5,755,000.00	5.000%	111.072	6,392,193.60	5,755,000.00
	08/15/2033	6,045,000.00	5.000%	110.582	6,684,681.90	6,045,000.00
Term Bond:						
	08/15/2034	6,355,000.00	5.000%	110.420	7,017,191.00	6,355,000.00
	08/15/2035	6,455,000.00	5.000%	110.420	7,127,611.00	6,455,000.00
		90,220,000.00			99,912,079.25	90,220,000.00

	Maturity Date	Interest Rate	Issue Price	Stated Redemption at Maturity	Weighted Average Maturity	Yield
Final Maturity	08/15/2035	5.000%	7,127,611.00	6,455,000.00		
Entire Issue			99,912,079.25	90,220,000.00	12.3266	3.1096%

Proceeds used for accrued interest	0.00
Proceeds used for bond issuance costs (including underwriters' discount)	880,161.17
Proceeds used for credit enhancement	0.00
Proceeds allocated to reasonably required reserve or replacement fund	0.00

AVERAGE TAKEDOWN

South Texas College, TX
$90,220,000 Limited Tax Bonds, Series 2015
Final Numbers

Dated Date	07/21/2015
Delivery Date	07/21/2015

Bond Component	Maturity Date	Base Amount	Takedown $/Bond	Takedown Amount
Bond Component:				
	08/15/2016	520,000	3.7500	1,950.00
	08/15/2017	525,000	3.7500	1,968.75
	08/15/2018	610,000	3.7500	2,287.50
	08/15/2019	3,930,000	3.7500	14,737.50
	08/15/2020	4,910,000	3.7500	18,412.50
	08/15/2021	5,155,000	3.7500	19,331.25
	08/15/2022	5,310,000	5.0000	26,550.00
	08/15/2023	5,465,000	5.0000	27,325.00
	08/15/2024	5,630,000	5.0000	28,150.00
	08/15/2025	4,135,000	5.0000	20,675.00
	08/15/2026	4,340,000	5.0000	21,700.00
	08/15/2027	4,560,000	5.0000	22,800.00
	08/15/2028	4,785,000	5.0000	23,925.00
	08/15/2029	3,295,000	5.0000	16,475.00
	08/15/2029	1,730,000	5.0000	8,650.00
	08/15/2030	5,225,000	5.0000	26,125.00
	08/15/2031	5,485,000	5.0000	27,425.00
	08/15/2032	5,755,000	5.0000	28,775.00
	08/15/2033	6,045,000	5.0000	30,225.00
		77,410,000	4.7473	367,487.50
Term Bond:				
	08/15/2034	6,355,000	5.0000	31,775.00
	08/15/2035	6,455,000	5.0000	32,275.00
		12,810,000	5.0000	64,050.00
		90,220,000	4.7832	431,537.50

PROOF OF ARBITRAGE YIELD

South Texas College, TX
$90,220,000 Limited Tax Bonds, Series 2015
Final Numbers

Date	Debt Service	Present Value to 07/21/2015 @ 3.1095698614%
02/15/2016	2,327,586.88	2,287,242.04
08/15/2016	2,573,753.13	2,490,420.72
02/15/2017	2,048,553.13	1,951,878.02
08/15/2017	2,573,553.13	2,414,561.05
02/15/2018	2,043,303.13	1,887,719.50
08/15/2018	2,653,303.13	2,413,743.62
02/15/2019	2,028,053.13	1,816,699.96
08/15/2019	5,958,053.13	5,255,425.21
02/15/2020	1,929,803.13	1,676,162.44
08/15/2020	6,839,803.13	5,849,871.26
02/15/2021	1,807,053.13	1,521,854.87
08/15/2021	6,962,053.13	5,773,501.18
02/15/2022	1,729,728.13	1,412,470.49
08/15/2022	7,039,728.13	5,660,529.15
02/15/2023	1,650,078.13	1,306,487.51
08/15/2023	7,115,078.13	5,547,279.34
02/15/2024	1,568,103.13	1,203,856.14
08/15/2024	62,068,103.13	46,921,085.83
02/15/2025	55,603.13	41,390.29
08/15/2025	55,603.13	40,756.61
02/15/2026	55,603.13	40,132.63
08/15/2026	55,603.13	39,518.21
02/15/2027	55,603.13	38,913.19
08/15/2027	55,603.13	38,317.44
02/15/2028	55,603.13	37,730.81
08/15/2028	55,603.13	37,153.15
02/15/2029	55,603.13	36,584.35
08/15/2029	3,350,603.13	2,170,794.25
	124,766,721.39	99,912,079.25

Proceeds Summary

Delivery date	07/21/2015
Par Value	90,220,000.00
Premium (Discount)	9,692,079.25
Target for yield calculation	99,912,079.25

PROOF OF ARBITRAGE YIELD

South Texas College, TX
$90,220,000 Limited Tax Bonds, Series 2015
Final Numbers

Assumed Call/Computation Dates for Premium Bonds

Bond Component	Maturity Date	Rate	Yield	Call Date	Call Price	Net Present Value (NPV) to 07/21/2015 @ 3.1095698614%
BOND	08/15/2025	5.000%	2.940%	08/15/2024	100.000	-60,155.98
BOND	08/15/2026	5.000%	3.060%	08/15/2024	100.000	-18,349.52
BOND	08/15/2027	5.000%	3.170%	08/15/2024	100.000	23,401.92
BOND	08/15/2028	5.000%	3.280%	08/15/2024	100.000	68,913.57
BOND	08/15/2029	5.000%	3.360%	08/15/2024	100.000	36,489.16
BOND	08/15/2030	5.000%	3.450%	08/15/2024	100.000	149,236.45
BOND	08/15/2031	5.000%	3.520%	08/15/2024	100.000	188,311.02
BOND	08/15/2032	5.000%	3.560%	08/15/2024	100.000	216,457.06
BOND	08/15/2033	5.000%	3.620%	08/15/2024	100.000	256,985.04
TERM	08/15/2034	5.000%	3.640%	08/15/2024	100.000	280,458.86
TERM	08/15/2035	5.000%	3.640%	08/15/2024	100.000	284,872.06

Rejected Call/Computation Dates for Premium Bonds

Bond Component	Maturity Date	Rate	Yield	Call Date	Call Price	Net Present Value (NPV) to 07/21/2015 @ 3.1095698614%	Increase to NPV
BOND	08/15/2025	5.000%	2.940%			-2,413.15	57,742.83
BOND	08/15/2026	5.000%	3.060%			101,020.03	119,369.55
BOND	08/15/2027	5.000%	3.170%			208,689.23	185,287.31
BOND	08/15/2028	5.000%	3.280%			324,255.25	255,341.68
BOND	08/15/2029	5.000%	3.360%			150,160.38	113,671.22
BOND	08/15/2030	5.000%	3.450%			555,082.18	405,845.73
BOND	08/15/2031	5.000%	3.520%			678,001.37	489,690.35
BOND	08/15/2032	5.000%	3.560%			795,005.87	578,548.81
BOND	08/15/2033	5.000%	3.620%			930,637.15	673,652.11
TERM	08/15/2034	5.000%	3.640%			1,055,882.27	775,423.41
TERM	08/15/2035	5.000%	3.640%			1,138,705.34	853,833.28

Rating Reports

MOODY'S
INVESTORS SERVICE

New Issue: Moody's assigns Aa2 to South Texas College's, TX $88.2M Series 2015 GOLT

Global Credit Research - 12 Jun 2015

Affirms $88.8M in previously issued debt

SOUTH TEXAS COLLEGE, TX
Community College Districts (Tax-backed)
TX

Moody's Rating

ISSUE	RATING
Limited Tax Bonds, Series 2015	Aa2

Sale Amount $88,215,000
Expected Sale Date 06/22/15
Rating Description General Obligation Limited Tax

Moody's Outlook NOO

NEW YORK, June 12, 2015 --Moody's Investors Service has assigned a Aa2 to South Texas College's, TX $88.2 million Limited Tax Bonds, Series 2015. At the same time, we have affirmed the Aa2 on $88.8 million in previously issued debt.

SUMMARY RATING RATIONALE

The Aa2 reflects a significantly increased but still manageable debt profile following the current issuance. Additional considerations include sustained prudent fiscal management and growing reserves, relatively steady enrollment and a stable tax base.

OUTLOOK

Outlooks are usually not assigned to local government credits with this amount of debt outstanding.

WHAT COULD MAKE THE RATING GO UP

-Substantial taxable value growth coupled with strengthened socioeconomic profile

-Increased reserves

WHAT COULD MAKE THE RATING GO DOWN

-Significant contraction in tax base

-Substantial increase in debt burdens absent taxable value growth

-Erosion of reserve levels

STRENGTHS

-Strategically located in the McAllen/Edinburg-Mission metropolitan area

-Healthy reserve position

-Competitive advantage as the primary provider of two year education

CHALLENGES

-Low socioeconomic profile in area

-Significantly increased debt following issuance

RECENT DEVELOPMENTS

Recent developments are incorporated in the Detailed Rating Rationale.

DETAILED RATING RATIONALE

ECONOMY AND TAX BASE: STABLE LOCAL ECONOMY YIELDS STEADY ENROLLMENT AND TAX BASE TRENDS

The college maintains a strong competitive edge as the sole provider of two year academic, general occupation, development and continuing adult education programs through a network of six campuses in Hidalgo (Aa2), and Starr counties. The college also offers a dual enrollment program in partnership with 23 independent school districts. The college is accredited by the Commission on Colleges of the Southern Association of Colleges and Schools to award Baccalaureate degrees as well as transfer programs to more senior colleges. The college is strategically located in the McAllen/Edinburg-Mission metropolitan area. The City of McAllen is a gateway between the United States and Mexico with six international toll bridges connecting the two countries. As a result of its location, the college has historically enjoyed strong enrollment trends with the full time equivalent averaging an increase of 7.2% annually over the past five years. However, due to community colleges inverse relationship with the economy, enrollment trends have softened within the past two to three years as residents have benefitted from job placement within the strong local economy. In fall of fiscal year 2013, enrollment (full time equivalent) declined modestly by 0.4%, before growing by 0.8% in fiscal year 2014, to reach 21,140 students. Estimates in fiscal year 2015 reflect an increase of 2%, and officials expect to budget for similar increases going forward. The University of Texas is establishing a medical school and officials are confident the addition will yield great benefits for the college with growth in science students. Additionally, the college's ongoing capital program is expected to increase capacity at campuses, and also positively affect enrollment levels.

The local economy remains stable. Moody's Analytics reported in March 2015 that the economy was in an expansion cycle with strengths being its location, positive in-migration patterns, and below average cost of living. The tax base is also stable with assessed values reporting an average annual increase of 0.4% over the past five years. Value grew 2.4% to reach approximately $31 billion in fiscal year 2015. Preliminary estimates for fiscal year 2016 reflect an increase of 3.5%. Major taxpayer concentration is minimal with the top 10 accounting for 4.6% of 2015 values. In the near term, the McAllen/Edinburg-Mission's recovery is expected to accelerate in the current year. Population growth is expected to drive demand for construction, healthcare, retail and government in the medium term. However, the per capita income growth will lag the average because many jobs will be in lower value added roles and the low educational attainment will deter investment from high tech farms. Socio-economic indices remain well below the nation with median family income in Hidalgo County at 55% of the U.S. according American Community Survey estimates.

FINANCIAL OPERATIONS AND RESERVES: HISTORY OF SOLID OPERATING RESULTS

The college has consistently demonstrated prudent fiscal management marked by positive year over year operating results. Despite restrictions imposed by the maintenance and operating levy being at the voter approved maximum, surplus operations have strengthened the balance sheet. Over the last five years, the college has grown its net asset position by over 100%. The unrestricted net asset position grew to $146.2 million (an ample 80.5% of Moody's adjusted revenues) at fiscal year end 2014, which is well above its four month policy, from $74.1 million (49% of Moody's adjusted revenues) at fiscal year end 2009.

The revenue mix is balanced with majority of the revenues in fiscal year 2014 derived from property taxes (25.5%), state appropriation (23.5%), and net tuition and fees (11.3%). The college expects to continue to benefit from the growth in assessed values although it remains capped at the maximum locally approved rate. Under state law, community colleges can levy a total tax rate of $10 per $1,000 of assessed values with $5 allocated to operations, and $5 allocated to debt service. Voters reduced the maximum operating levy to $1.10 and the college had operated within the rate for over a decade. In fiscal year 2015, voters approved an increase in the rate to $1.40 to accommodate increased expenditures associated with new facilities from the active capital plan. Also during the year, the debt service tax rate was increased to $0.45 per $1,000 of assessed values, from $0.40 in the prior year, to allow for the increased debt service. The other two major revenue sources are expected to be stable.

State appropriations were increased by 7% in the current biennium following decreases in the previous biennium. Management expects that appropriations will remain relatively in the near term. College officials report that tuition rates remain competitive compared to the four year institutions in the area. Although tuition rates for out of state/international, and in and out of district students are expected to be reduced in the next year, adjustments to fees are expected to make the reduction revenue neutral.

Planning for fiscal year 2016 is underway. Current assumptions incorporate a compensation adjustment for faculty and non-faculty staff. There are also expectations for increased staffing to complement the new buildings from the capital plan. Despite the increases, officials expect to adopt a balanced budget. The college's history of favorable financial practices, combined with strong reserves, is expected to maintain a financial profile consistent with the rating category.

Liquidity

The liquidity position is strong with total cash of $161.9 million in fiscal year 2014.

DEBT AND PENSIONS: INCREASED BUT STILL MANAGEABLE DEBT BURDEN

The college's debt profile is elevated but manageable supported by a large tax base. Inclusive of the current issue, the direct debt burden will increase to 0.6% (7.7% overall) on a fiscal year 2015 valuation. Payout is below the national median with 43.3% of principal retired within 10 years. The current issue will exhaust the college's authorization from the 2013 election. All projects are expected to be completed in fiscal year 2017. Following this, officials do not expect to call another bond referendum for five to ten years.

Debt Structure

The debt service schedule is front loaded with higher payments in fiscal years 2016 through 2018. Following this, the debt service reduced by about $3.5 million and remains flat at $12.8 million through fiscal years 2034, before dropping to $7.8 million, the final payment in fiscal year 2035. As mentioned above, the fiscal year 2015 debt service levy is $0.45 per $1,000 of assessed values, which remains well below the $5 cap. The levy and accumulated monies restricted for debt are expected to be more than sufficient to service debt needs.

Debt-Related Derivatives

All of the college's debt is fixed rate, and the college is not party to any derivative agreements.

Pensions and OPEB

The college participates in the Texas Teachers Retirement System cost-sharing defined benefit pension plan and has a minimal pension liability. The State of Texas (Aaa/stable) historically made 100% of the college's employer pension contributions on behalf of the college. However, starting in fiscal year 2014, colleges were required to pay 50% of the contribution. Moody's adjusted net pension liability (ANPL) for the college, under our methodology for adjusting reported pension data, was $106.9 million in fiscal year 2014. This liability is equal to a modest 0.35 times annual operating revenues. Moody's ANPL reflects certain adjustments we make to improve comparability of reported pension liabilities. The adjustments are not intended to replace the district's report contribution information, or the reported liability information of the statewide cost-sharing plans, but to improve comparability with other rated entities. For more information on Moody's insights on employee pensions and the related credit impact on companies, government, and other entities across the globe, please visit Moody's on Pensions at www.moodys.com/pensions.

MANAGEMENT AND GOVERNANCE: STRONG INSTITUTIONAL FRAMEWORK

Community College Districts (CCDs) have an institutional framework score of "Aa" or very strong. CCDs rely on a combination of property tax, state appropriation, and tuition revenues for operations. Despite a history of state appropriation reduction, CCDs maintain great flexibility with the ability to raise tuition, and margins under the tax cap. CCDs also maintain great expenditure flexibility with adjunct faculty typically comprising greater than 60% of their staff, and the lack of unions within the state.

The college is governed by a seven member Board of Trustees who serve staggered six year terms.

KEY STATISTICS

-FY 2015 Full Value: $31 Billion

-FY 2015 Full Value Per Capita: $34,503

-2012 ACS Median Family Income as a % of the US, Hidalgo County: 55%

-FY 2014 Unrestricted Net Assets as a % of Operating Revenues (Moody's Adjusted): 80.48%

-5 year Dollar Change in Unrestricted Net Assets as a % Operating Revenues (Moody's Adjusted): 39.68%

-FY 2014 Operating Cash Balance as a % of Operating Revenues (Moody's Adjusted): 89.14%

-5 year Dollar Change in Cash Balance as a % of Operating Revenues: 39.94%

-Institutional Framework: Aa

-5 Year Average of Operating Revenues/Operating Expenditures: 1.16x

-Net Direct Debt/Full Value: 0.55%

-Net Direct Debt/Operating Revenues: 0.93x

-3 year Average of Moody's Adjusted Net Pension Liability/Full Value: 0.30%

-3 year Average of Moody's Adjusted Net Pension Liability/Operating Revenues: 0.52x

OBLIGOR PROFILE

South Texas College was created to serve Hidalgo and Starr counties, with its boundaries coterminous with the respective counties. The college is the primary provider of two year education, with offerings in academic, general occupational, development and continuing adult education programs through a network of six campuses (including eSTC) in the two counties. Full time equivalent in fall of fiscal year 2014 was 21,140.

LEGAL SECURITY

The bonds are secured by a direct and continuing annual ad valorem tax, levied on all taxable property, within the limits ($5 per $1,000 of assessed values) prescribed by law.

USE OF PROCEEDS

Proceeds from the sale will be used for the construction and equipping of college buildings to accomodate increased student enrollment and to pay for the costs of issuance of the bonds.

RATING METHODOLOGY

The principal methodology used in this rating was US Local Government General Obligation Debt published in January 2014. Please see the Credit Policy page on www.moodys.com for a copy of this methodology.

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Analysts

Adebola Kushimo
Lead Analyst
Public Finance Group
Moody's Investors Service

Cora Bruemmer
Additional Contact
Public Finance Group
Moody's Investors Service

Contacts

Journalists: (212) 553-0376
Research Clients: (212) 553-1653

Moody's Investors Service, Inc.
250 Greenwich Street
New York, NY 10007
USA

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South Texas College District; General Obligation

Primary Credit Analyst:
Jennifer K Garza (Mann), Dallas (1) 214-871-1422; jennifer.garza@standardandpoors.com

Secondary Contact:
Omar M Tabani, Dallas (1) 214-871-1472; omar.tabani@standardandpoors.com

Table Of Contents

Rationale

Outlook

Revenue Raising Flexibility

Related Criteria And Research

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South Texas College District; General Obligation

Credit Profile

US$88.215 mil ltd tax bnds ser 2015 dtd 06/15/2015 due 08/15/2035		
Long Term Rating	AA/Stable	New
South Texas Coll Dist GO		
Unenhanced Rating	AA(SPUR)/Stable	Affirmed
South Texas Coll GO		
Long Term Rating	AA/Stable	Affirmed

Rationale

Standard & Poor's Ratings Services assigned its 'AA' long-term rating to South Texas College District, Texas' series 2015 limited tax bonds. At the same time, Standard & Poor's affirmed its 'AA' long-term rating and underlying rating on the district's parity GO bonds. The outlook on all ratings is stable.

The rating reflects our opinion of the district's:

- Deep and diverse property tax base, which benefits from the growth spurred by international trade;
- Strong student enrollment growth; and
- Very strong financial position.

Offsetting factors include our view of the college's:

- Low wealth and income levels, and higher than average unemployment rates;
- Moderately high overall debt burden in comparison to the taxable value; and
- Limited taxing flexibility, which is due to a local referendum that limits the district's local maintenance and operations tax rate further than the limitations set in state statute.

The bonds are secured by an ad valorem tax, limited to a total rate of $1 per $100 of assessed value (AV) and are not to exceed 50 cents per $100 of AV for debt service, to be levied on all taxable property located within the district. Furthermore, the district's operational tax is limited to 14 cents per $100 of AV by local referendum. Officials will use bond proceeds to fund various capital improvements across the district.

South Texas College District, with a population of 897,472, was formed in 1993 and is coterminous with Hidalgo and Starr counties. The district's area within the state includes the cities of McAllen, Edinburg, and Mission, in the Rio Grande Valley, which is dependent on agriculture, petroleum, tourism, and trade with Mexico for much of its economic activity. The district has experienced an approximately 2% average annual enrollment growth rate during the past three years. In fall 2014, the total headcount reached 30,246, up from 29,513 in fall 2012. Management projects that the continued expansion of its service area economy and re-branding initiatives will result in about 2% annual enrollment growth going forward.

South Texas College's property tax base has grown by a steady 2% annual average during the past five years to $30.9

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billion in fiscal 2015. The district's market value of $34,503 per capita is what we consider low and median household income, another indicator of wealth, is adequate at 73% of the national average. The 10 leading taxpayers account for a very diverse 4.6% of total AV. The unemployment rate for Hidalgo County through March 2015 is 7.5%, which is higher than the state and national averages.

In our opinion, the college continues to maintain very strong operations. Operating surpluses occurred in each of the past 10 years due primarily to conservative financial management. In fiscal 2014, the district recorded an increase in total net assets of $21.7 million, bringing the unrestricted net assets to $146.2 million or 96% of operating expenditures. The 2015 budget is a balanced budget and year-to-date the budget is trending well; however, management is anticipating a $10 million surplus at fiscal year-end due to salary, benefit, and operating cost savings. The district is in the preliminarily stages of planning the 2016 budget, but intends on adopting a break-even budget despite adding staff and a 3% salary increase for existing staff. The constituents approved a local referendum to increase the maintenance tax rate cap by 3 cents per $100 of AV -- bringing the total operating tax rate to 14 cents per $100 of AV from 11 cents during fiscal 2014. The successful operational tax rate referendum allowed the district to collect an estimated $8.7 million in property tax revenue to cover the increased operational costs associated with the district's new buildings.

Standard & Poor's deems South Texas College District's management practices "good" under its Financial Management Assessment methodology, indicating financial practices exist in most areas but that not all practices might be formalized or that governance officials might not monitor them regularly. Management uses historical trends as well as internal and external demographic forecasts to predict student growth and associated revenues and expenditures. The district updates annually the long-term financial and capital improvement plan (CIP) and identifies its long-term financial implications on the district's general operating fund. The district's rolling five-year CIP outlines maintenance and facility needs with cost estimates and identifies funding sources. Management presents monthly financial reports to the board for approval; which has the ability to amend the budget at any time by reducing expenditures. The board also annually adopts the district's investment policies and monitors holdings and performance monthly. In addition, the district has a formal reserve policy to maintain at least four months of unrestricted cash on hand to provide financial stability.

The district provides pension benefits for all of its full-time employees through the statewide Teacher Retirement System, a cost-sharing, multiemployer, defined-benefit public employee retirement system. District employees can participate in the optional retirement plan and a defined-contribution plan, also offered by the state. The district also provides a college-sponsored benefit plan. It also contributes to the State Retiree Health Plan, a cost-sharing, multiemployer, defined-benefit postemployment health care plan administered by the Employees Retirement System of Texas. Contribution requirements are not actuarially determined but are established and amended by the Texas legislature for both the pension and other postemployment benefit (OPEB) plans. Historically, the state has paid the majority of the district's pension and OPEB costs. During fiscal 2014, the district's total contributions for pension and OPEB amounted to $2.6 million or a modest 1.7% of expenditures.

Overall net debt is low at $1,667 per capita or moderately high at 8.4% of market value. Amortization is average, with 57% of principal due to be retired in 10 years and all debt is due to be retired in 2035. At this time, the district does not

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have any additional bonding plans for at least the next five years.

Outlook

The stable outlook reflects our expectation that the district will maintain a very strong financial position, despite any self-imposed tax rate caps and budget challenges brought on by rapid growth due to the recently approved operating tax rate referendum and remaining tuition raising flexibility. We expect the rating to remain stable during the outlook's two-year horizon despite the new construction related added operating expenses anticipated due to management's good financial policies and practices. While we don't expect it, should enrollment demand or the district's financial position deteriorate significantly, the rating could be negatively affected.

Revenue Raising Flexibility

In August 1995, Hidalgo County voters granted the college taxing authority -- up to a limit of 8 cents per $100 of assessed value (AV) for operations. Then in September 2001, the electorate approved a tax rate limit increase to 11 cents per $100 of AV. The college levied a local tax for the first time in fiscal 1997. College officials have been levying at the 11-cent limit since fiscal 2003, and in November 2013 voters approved increasing the limit by 3 cents per $100 of AV, which the district estimates will provide an additional $8.7 million in operating revenue. Furthermore, state statute limits a community college district's total bond tax and maintenance and operations tax rate to $1 per $100 of AV, a maximum of 50 cents per $100 of AV of which may be pledged for debt service.

Tuition and fees account for 11% of total operating and non-operating revenues while local taxes account for 25%. For 2016, management has proposed decreasing the in-district and out-of-state tuition rates slightly per credit hour to make them more comparable and competitive. In addition, the tuition rates for the first credit hour and second credit hour were also slightly reduced for both in-district and out-of-district students. The college's tuition and fees are one of the state's highest rates -- with students paying between $1,290 for in-district, $1,400 for out-of-state residents, and $1,746 for non-resident fees assuming 12 semester credit hours. Management has indicated that they still have flexibility to increase tuition in future years if necessary because of the strong enrollment demand, which is driven partially by the economy and the district's status as a level 2 community college (providing both bachelor and associate degree programs).

Related Criteria And Research

Related Criteria

- USPF Criteria: GO Debt, Oct. 12, 2006
- USPF Criteria: Key General Obligation Ratio Credit Ranges – Analysis Vs. Reality, April 2, 2008
- USPF Criteria: Debt Statement Analysis, Aug. 22, 2006
- USPF Criteria: Limited-Tax GO Debt, Jan. 10, 2002
- Criteria: Use of CreditWatch And Outlooks, Sept. 14, 2009

Ratings Detail (As Of June 16, 2015)

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Ratings Detail (As Of June 16, 2015) (cont.)

South Texas Coll GO

Unenhanced Rating	AA(SPUR)/Stable	Affirmed

Many issues are enhanced by bond insurance.

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