

January 28, 2013



## Convention Centre Expansion and Renovations Town Hall Meeting

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Current Market Conditions

Hotel Occupancy Tax Revenue History

Hotel Occupancy Tax Revenue Bond Scenarios

ESTRADA • HINOJOSA  
INVESTMENT BANKERS

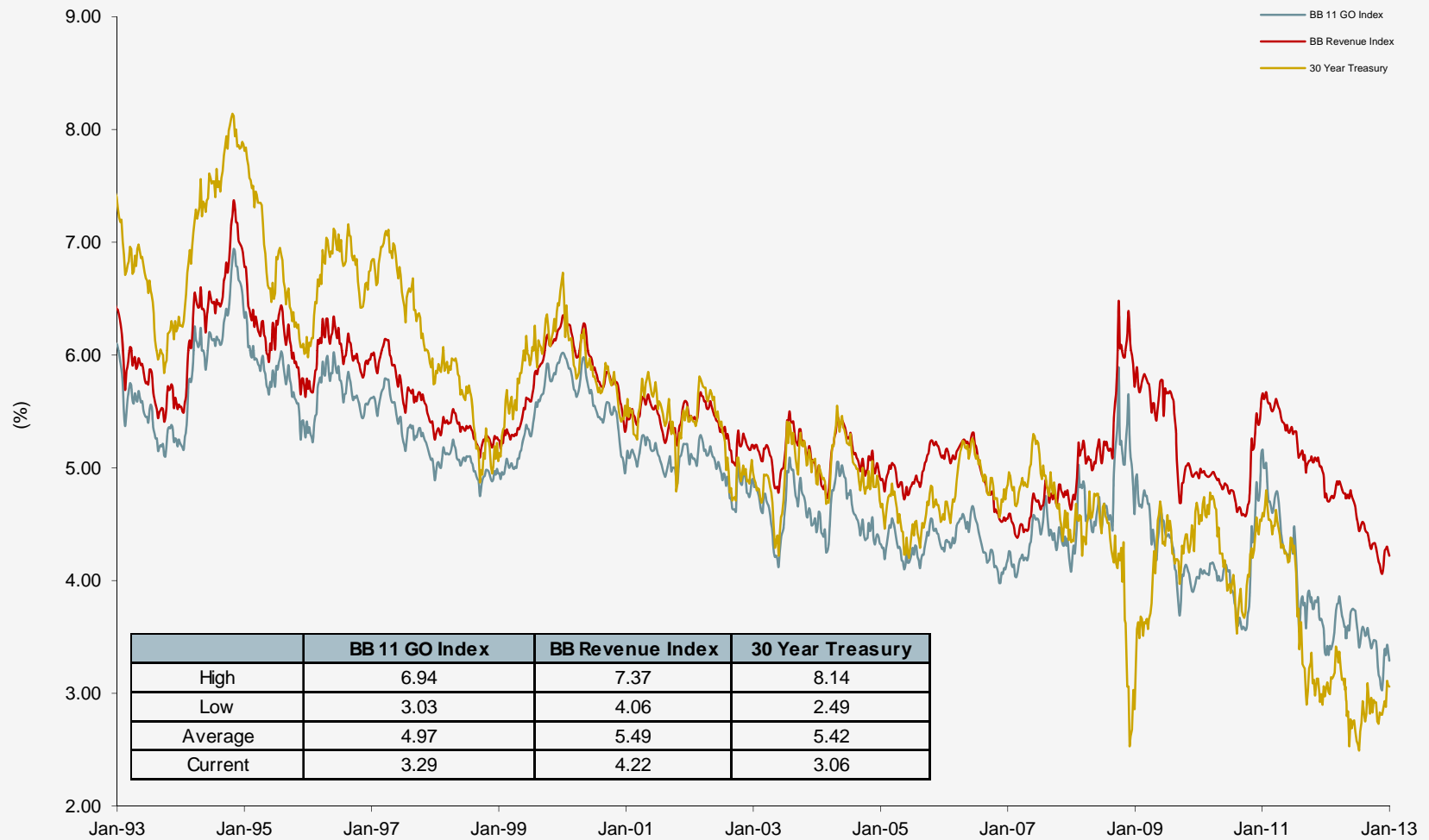
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## Market Update

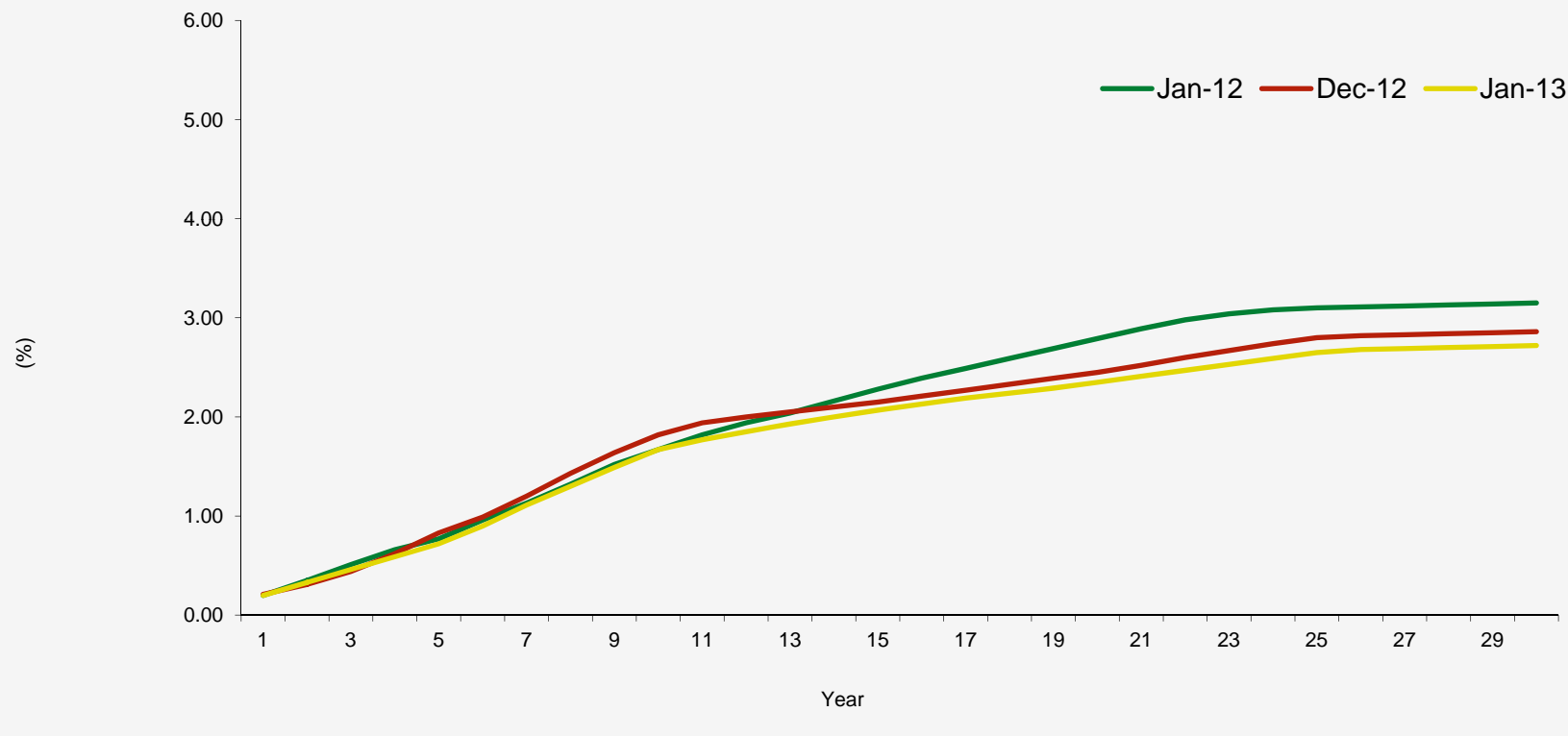
# Bond Buyer Indices vs. 30 Year Treasury: 20 Year History



Source: Bond Buyer

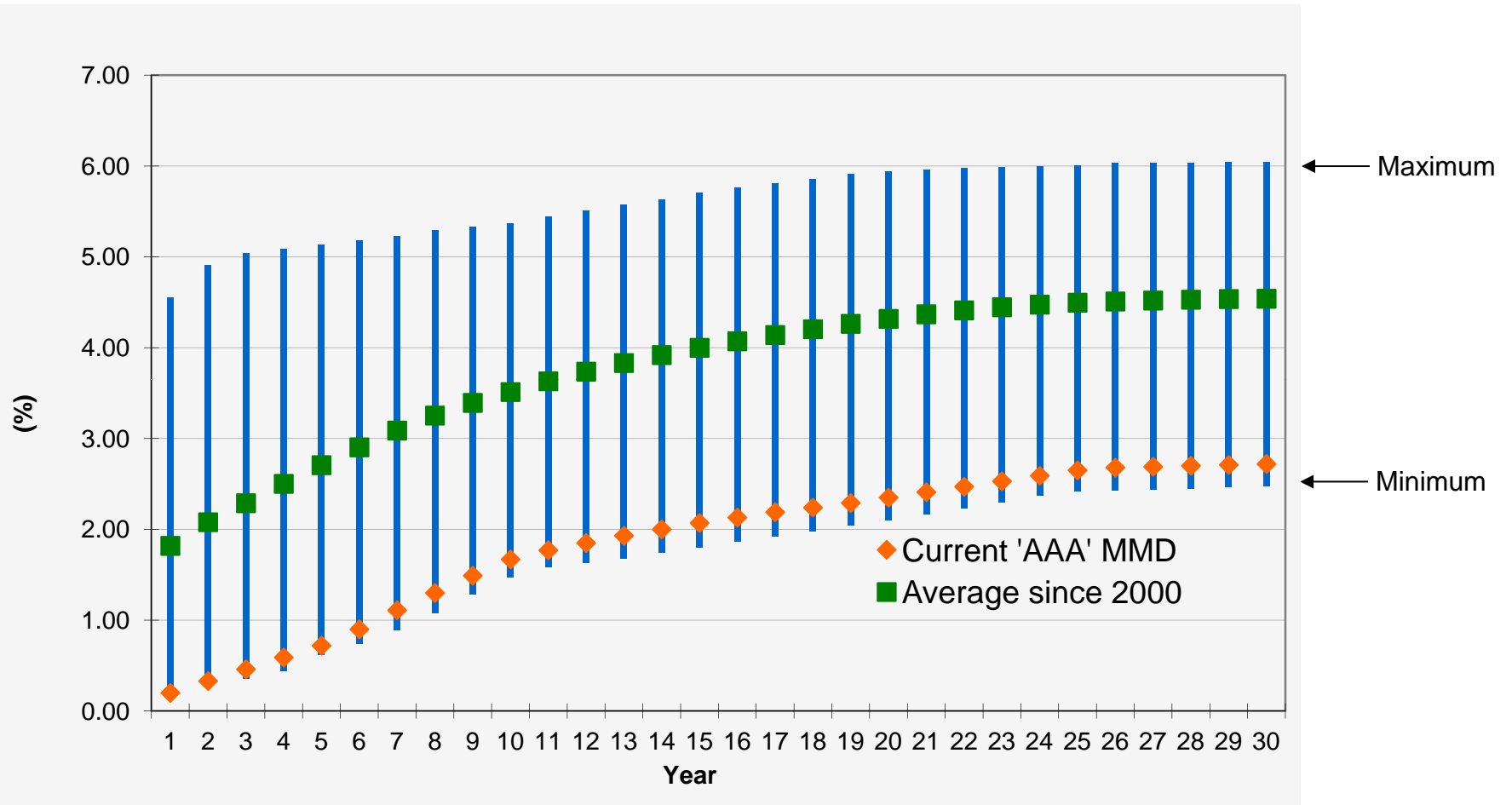
# Municipal Yield Curve

AAA MMD yield curve\*\*



\*Source: Bond Buyer  
\*\*Source: Municipal Market Data

# 'AAA' MMD History Since 2000



Maturity	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
% of time above current MMD	97%	92%	94%	93%	96%	97%	98%	98%	99%	98%	99%	99%	99%	99%	99%	99%	99%	99%	99%	99%	99%	99%	99%	99%	99%	99%	99%	99%	99%	99%

As of 01/21/2013



## HOT Revenue History

## City Hotel Occupancy Tax (HOT) Revenue

- The City charges a hotel occupancy tax of 8.5%.
- By statute, the City is required to use 0.5% of the City's HOT for beach erosion.
- The remaining 8.0% HOT can be used for other economic development needs including paying debt service on bonds.
- The City's total HOT revenue grew at an estimated compound annual growth rate (CAGR) of 10.31% from 2009 - 2012.

	HOT Revenue <sup>(1)</sup>	Annual Revenue Growth %	HOT Rate <sup>(4)</sup>	
2002	4,953,531		7.00%	
2003	4,831,285	-2.47%	7.50%	
2004	4,473,153	-7.41%	7.50%	
2005	4,878,739	9.07%	7.50%	
2006	5,191,304	6.41%	7.50%	
2007	5,334,627	2.76%	7.50%	
2008	4,610,239	-13.58%	7.50%	Hurricane Dolly
2009	4,766,668	3.39%	8.50%	
2010	5,564,657	16.74%	8.50%	
2011	6,012,126	8.04%	8.50%	
2012	6,397,401 <sup>(2)</sup>	6.41%	8.50%	CAGR (2009 - 2012): 10.31%
2013	6,589,323 <sup>(3)</sup>		8.50%	

(1) From City records.

(2) From Comptroller's website.

(3) Assuming 3% growth rate.

(4) HOT rate changed to 7.5% on 10/1/2003 and to 8.5% on 6/04/2009.

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## Convention Centre Financing History

- In 1990, the City (Town at the time) issued \$10 million in certifications of obligation (COs) to finance construction of the Convention Centre.
- Portions of the Series 1990 COs were refunded for economic savings (refinanced) with other obligations in 1993 and 2002.
- After restructuring the final maturity of the Series 2002 obligations in 2009, all debt associated with the Convention Centre was retired on 3/1/2012.
- Original debt service on the 1990 obligations was \$1,000,000 per year. Debt service was reduced to about \$800,000 per year after the Series 2005 refunding.







## HOT Revenue Bond Scenarios

**South Padre Island Convention Centre Expansion Project**  
**Revenue and Coverage Projections: Moderate Growth**  
**Hotel Occupancy Tax Revenue Bonds, Series 2013**

**DRAFT - For Discussion Purposes**

	[A]	[B]	[C]	[D]			[E]	[A]-[D]+[E]	[C] / [D]	[(C)+[E)] / [D]																			
				<table border="1"> <tr> <td>Delivery Date:</td> <td colspan="2">4/19/2013</td> </tr> <tr> <td>Bond Proceeds<sup>(1)</sup>:</td> <td>\$</td> <td>32,501,468</td> </tr> <tr> <td>Project Fund Deposit:</td> <td>\$</td> <td>30,000,000</td> </tr> <tr> <td>DS Reserve Fund Deposit<sup>(2)</sup>:</td> <td>\$</td> <td>2,099,550</td> </tr> <tr> <td>Est. Total Costs of Issuance<sup>(3)</sup>:</td> <td>\$</td> <td>401,918</td> </tr> <tr> <td>Interest Rate<sup>(4)</sup>:</td> <td colspan="2">4.49%</td> </tr> </table>			Delivery Date:	4/19/2013		Bond Proceeds <sup>(1)</sup> :	\$	32,501,468	Project Fund Deposit:	\$	30,000,000	DS Reserve Fund Deposit <sup>(2)</sup> :	\$	2,099,550	Est. Total Costs of Issuance <sup>(3)</sup> :	\$	401,918	Interest Rate <sup>(4)</sup> :	4.49%		DSRF Investment Earnings & Use <sup>(6)</sup>	Residual Revenue (Including Beach Erosion)	D/S Coverage	D/S Coverage Including DSRF	FYE 9/30
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FYE 9/30	Pro Forma 8-1/2% HOT Revenue	Est. Growth Rate	Pro Forma 1/2% HOT Revenue for Beach Erosion	Pro Forma 8% HOT Revenue Pledge	Principal	Interest	Total																						
2013	\$ 6,589,323 <sup>(5)</sup>	3.00%	\$ 387,607	\$ 6,201,716	\$ -	\$ 518,173	\$ 518,173	\$ 10,498	\$ 6,081,648	11.97 X	11.99 X	2013																	
2014	6,787,003	3.00%	399,235	6,387,768	100,000	1,413,200	1,513,200	10,498	5,284,301	4.22 X	4.23 X	2014																	
2015	6,990,613	3.00%	411,213	6,579,401	300,000	1,410,700	1,710,700	10,498	5,290,411	3.85 X	3.85 X	2015																	
2016	7,200,332	3.00%	423,549	6,776,783	400,000	1,403,200	1,803,200	10,498	5,407,629	3.76 X	3.76 X	2016																	
2017	7,416,342	3.00%	436,255	6,980,086	500,000	1,393,200	1,893,200	10,498	5,533,639	3.69 X	3.69 X	2017																	
2018	7,638,832	3.00%	449,343	7,189,489	720,000	1,378,200	2,098,200	10,498	5,551,130	3.43 X	3.43 X	2018																	
2019	7,867,997	3.00%	462,823	7,405,173	740,000	1,356,600	2,096,600	10,498	5,781,895	3.53 X	3.54 X	2019																	
2020	8,104,037	3.00%	476,708	7,627,329	765,000	1,330,700	2,095,700	10,498	6,018,834	3.64 X	3.64 X	2020																	
2021	8,347,158	3.00%	491,009	7,856,149	795,000	1,303,925	2,098,925	10,498	6,258,731	3.74 X	3.75 X	2021																	
2022	8,597,573	3.00%	505,740	8,091,833	820,000	1,276,100	2,096,100	10,498	6,511,970	3.86 X	3.87 X	2022																	
2023	8,597,573	0.00%	505,740	8,091,833	850,000	1,247,400	2,097,400	10,498	6,510,670	3.86 X	3.86 X	2023																	
2024	8,597,573	0.00%	505,740	8,091,833	880,000	1,217,650	2,097,650	10,498	6,510,420	3.86 X	3.86 X	2024																	
2025	8,597,573	0.00%	505,740	8,091,833	910,000	1,186,850	2,096,850	10,498	6,511,220	3.86 X	3.86 X	2025																	
2026	8,597,573	0.00%	505,740	8,091,833	940,000	1,155,000	2,095,000	10,498	6,513,070	3.86 X	3.87 X	2026																	
2027	8,597,573	0.00%	505,740	8,091,833	975,000	1,119,750	2,094,750	10,498	6,513,320	3.86 X	3.87 X	2027																	
2028	8,597,573	0.00%	505,740	8,091,833	1,015,000	1,083,188	2,098,188	10,498	6,509,883	3.86 X	3.86 X	2028																	
2029	8,597,573	0.00%	505,740	8,091,833	1,050,000	1,045,125	2,095,125	10,498	6,512,945	3.86 X	3.87 X	2029																	
2030	8,597,573	0.00%	505,740	8,091,833	1,090,000	1,005,750	2,095,750	10,498	6,512,320	3.86 X	3.87 X	2030																	
2031	8,597,573	0.00%	505,740	8,091,833	1,135,000	962,150	2,097,150	10,498	6,510,920	3.86 X	3.86 X	2031																	
2032	8,597,573	0.00%	505,740	8,091,833	1,180,000	916,750	2,096,750	10,498	6,511,320	3.86 X	3.86 X	2032																	
2033	8,597,573	0.00%	505,740	8,091,833	1,230,000	869,550	2,099,550	10,498	6,508,520	3.85 X	3.86 X	2033																	
2034	8,597,573	0.00%	505,740	8,091,833	1,295,000	801,900	2,096,900	10,498	6,511,170	3.86 X	3.86 X	2034																	
2035	8,597,573	0.00%	505,740	8,091,833	1,365,000	730,675	2,095,675	10,498	6,512,395	3.86 X	3.87 X	2035																	
2036	8,597,573	0.00%	505,740	8,091,833	1,440,000	655,600	2,095,600	10,498	6,512,470	3.86 X	3.87 X	2036																	
2037	8,597,573	0.00%	505,740	8,091,833	1,520,000	576,400	2,096,400	10,498	6,511,670	3.86 X	3.86 X	2037																	
2038	8,597,573	0.00%	505,740	8,091,833	1,605,000	492,800	2,097,800	10,498	6,510,270	3.86 X	3.86 X	2038																	
2039	8,597,573	0.00%	505,740	8,091,833	1,695,000	404,525	2,099,525	10,498	6,508,545	3.85 X	3.86 X	2039																	
2040	8,597,573	0.00%	505,740	8,091,833	1,785,000	311,300	2,096,300	10,498	6,511,770	3.86 X	3.87 X	2040																	
2041	8,597,573	0.00%	505,740	8,091,833	1,885,000	213,125	2,098,125	10,498	6,509,945	3.86 X	3.86 X	2041																	
2042	8,597,573	0.00%	505,740	8,091,833	1,990,000	109,450	2,099,450	2,104,799	8,602,921	3.85 X	4.86 X	2042																	
<b>Total</b>	<b>\$ 247,490,660</b>		<b>\$ 14,558,274</b>	<b>\$ 232,932,386</b>	<b>\$ 30,975,000</b>	<b>\$ 28,888,936</b>	<b>\$ 59,863,936</b>		<b>\$ 190,035,957</b>																				

(1) Includes par amount and expected premium. First interest payment on 9/1/13 and each 3/1 and 9/1 thereafter. Principal payments on 9/1 in the year shown.  
(2) Debt service reserve fund (DSRF) deposit equal to maximum annual debt service (MADS).  
(3) Includes estimated costs of issuance and underwriters' discount.  
(4) Assumes current market A underlying uninsured rates (1/22/13) plus about 50 bps. Assumes that the bonds will be rated A / A2 from S&P and Moody's.  
(5) Estimated HOT revenue from 8.5% City HOT. Assumes that 8.0% of the City's 8.5% HOT is pledged to the Bonds, subject to bond counsel review.  
(6) Assumes interest earnings on DSRF of 0.5%.

**South Padre Island Convention Centre Expansion Project**  
**Revenue and Coverage Projections: No Growth**  
**Hotel Occupancy Tax Revenue Bonds, Series 2013**

**DRAFT - For Discussion Purposes**

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Principal	Interest	Total																												
2013	\$ 6,397,401 <sup>(5)</sup>	0.00%	\$ 376,318	\$ 6,021,084	\$ -	\$ 518,173	\$ 518,173	\$ 10,498	\$ 5,889,726	11.62 X	11.64 X	2013																		
2014	6,397,401	0.00%	376,318	6,021,084	100,000	1,413,200	1,513,200	10,498	4,894,699	3.98 X	3.99 X	2014																		
2015	6,397,401	0.00%	376,318	6,021,084	300,000	1,410,700	1,710,700	10,498	4,697,199	3.52 X	3.53 X	2015																		
2016	6,397,401	0.00%	376,318	6,021,084	400,000	1,403,200	1,803,200	10,498	4,604,699	3.34 X	3.34 X	2016																		
2017	6,397,401	0.00%	376,318	6,021,084	500,000	1,393,200	1,893,200	10,498	4,514,699	3.18 X	3.19 X	2017																		
2018	6,397,401	0.00%	376,318	6,021,084	720,000	1,378,200	2,098,200	10,498	4,309,699	2.87 X	2.87 X	2018																		
2019	6,397,401	0.00%	376,318	6,021,084	740,000	1,356,600	2,096,600	10,498	4,311,299	2.87 X	2.88 X	2019																		
2020	6,397,401	0.00%	376,318	6,021,084	765,000	1,330,700	2,095,700	10,498	4,312,199	2.87 X	2.88 X	2020																		
2021	6,397,401	0.00%	376,318	6,021,084	795,000	1,303,925	2,098,925	10,498	4,308,974	2.87 X	2.87 X	2021																		
2022	6,397,401	0.00%	376,318	6,021,084	820,000	1,276,100	2,096,100	10,498	4,311,799	2.87 X	2.88 X	2022																		
2023	6,397,401	0.00%	376,318	6,021,084	850,000	1,247,400	2,097,400	10,498	4,310,499	2.87 X	2.88 X	2023																		
2024	6,397,401	0.00%	376,318	6,021,084	880,000	1,217,650	2,097,650	10,498	4,310,249	2.87 X	2.88 X	2024																		
2025	6,397,401	0.00%	376,318	6,021,084	910,000	1,186,850	2,096,850	10,498	4,311,049	2.87 X	2.88 X	2025																		
2026	6,397,401	0.00%	376,318	6,021,084	940,000	1,155,000	2,095,000	10,498	4,312,899	2.87 X	2.88 X	2026																		
2027	6,397,401	0.00%	376,318	6,021,084	975,000	1,119,750	2,094,750	10,498	4,313,149	2.87 X	2.88 X	2027																		
2028	6,397,401	0.00%	376,318	6,021,084	1,015,000	1,083,188	2,098,188	10,498	4,309,712	2.87 X	2.87 X	2028																		
2029	6,397,401	0.00%	376,318	6,021,084	1,050,000	1,045,125	2,095,125	10,498	4,312,774	2.87 X	2.88 X	2029																		
2030	6,397,401	0.00%	376,318	6,021,084	1,090,000	1,005,750	2,095,750	10,498	4,312,149	2.87 X	2.88 X	2030																		
2031	6,397,401	0.00%	376,318	6,021,084	1,135,000	962,150	2,097,150	10,498	4,310,749	2.87 X	2.88 X	2031																		
2032	6,397,401	0.00%	376,318	6,021,084	1,180,000	916,750	2,096,750	10,498	4,311,149	2.87 X	2.88 X	2032																		
2033	6,397,401	0.00%	376,318	6,021,084	1,230,000	869,550	2,099,550	10,498	4,308,349	2.87 X	2.87 X	2033																		
2034	6,397,401	0.00%	376,318	6,021,084	1,295,000	801,900	2,096,900	10,498	4,310,999	2.87 X	2.88 X	2034																		
2035	6,397,401	0.00%	376,318	6,021,084	1,365,000	730,675	2,095,675	10,498	4,312,224	2.87 X	2.88 X	2035																		
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2039	6,397,401	0.00%	376,318	6,021,084	1,695,000	404,525	2,099,525	10,498	4,308,374	2.87 X	2.87 X	2039																		
2040	6,397,401	0.00%	376,318	6,021,084	1,785,000	311,300	2,096,300	10,498	4,311,599	2.87 X	2.88 X	2040																		
2041	6,397,401	0.00%	376,318	6,021,084	1,885,000	213,125	2,098,125	10,498	4,309,774	2.87 X	2.87 X	2041																		
2042	6,397,401	0.00%	376,318	6,021,084	1,990,000	109,450	2,099,450	2,104,799	6,402,750	2.87 X	3.87 X	2042																		
<b>Total</b>	<b>\$ 191,922,042</b>		<b>\$ 11,289,532</b>	<b>\$ 180,632,510</b>	<b>\$ 30,975,000</b>	<b>\$ 28,888,936</b>	<b>\$ 59,863,936</b>		<b>\$ 134,467,340</b>																					

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**South Padre Island Convention Centre Expansion Project**  
**Revenue and Coverage Projections: Higher Growth**  
**Hotel Occupancy Tax Revenue Bonds, Series 2013**

**DRAFT - For Discussion Purposes**

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FYE 9/30	Revenue	Rate	HOT Revenue for Beach Erosion	HOT Revenue Pledge	Principal	Interest	Total																							
2013	\$ 6,653,297 <sup>(5)</sup>	4.00%	\$ 391,370	\$ 6,261,927	\$ -	\$ 518,173	\$ 518,173	\$ 10,498	\$ 6,145,622	12.08 X	12.10 X	2013																		
2014	6,919,429	4.00%	407,025	6,512,404	100,000	1,413,200	1,513,200	10,498	5,416,727	4.30 X	4.31 X	2014																		
2015	7,265,401	5.00%	427,377	6,838,024	300,000	1,410,700	1,710,700	10,498	5,565,199	4.00 X	4.00 X	2015																		
2016	7,628,671	5.00%	448,745	7,179,926	400,000	1,403,200	1,803,200	10,498	5,835,969	3.98 X	3.99 X	2016																		
2017	8,010,104	5.00%	471,183	7,538,922	500,000	1,393,200	1,893,200	10,498	6,127,402	3.98 X	3.99 X	2017																		
2018	8,330,509	4.00%	490,030	7,840,479	720,000	1,378,200	2,098,200	10,498	6,242,806	3.74 X	3.74 X	2018																		
2019	8,663,729	4.00%	509,631	8,154,098	740,000	1,356,600	2,096,600	10,498	6,577,627	3.89 X	3.89 X	2019																		
2020	9,010,278	4.00%	530,016	8,480,262	765,000	1,330,700	2,095,700	10,498	6,925,076	4.05 X	4.05 X	2020																		
2021	9,370,689	4.00%	551,217	8,819,472	795,000	1,303,925	2,098,925	10,498	7,282,262	4.20 X	4.21 X	2021																		
2022	9,745,517	4.00%	573,266	9,172,251	820,000	1,276,100	2,096,100	10,498	7,659,915	4.38 X	4.38 X	2022																		
2023	9,745,517	0.00%	573,266	9,172,251	850,000	1,247,400	2,097,400	10,498	7,658,615	4.37 X	4.38 X	2023																		
2024	9,745,517	0.00%	573,266	9,172,251	880,000	1,217,650	2,097,650	10,498	7,658,365	4.37 X	4.38 X	2024																		
2025	9,745,517	0.00%	573,266	9,172,251	910,000	1,186,850	2,096,850	10,498	7,659,165	4.37 X	4.38 X	2025																		
2026	9,745,517	0.00%	573,266	9,172,251	940,000	1,155,000	2,095,000	10,498	7,661,015	4.38 X	4.38 X	2026																		
2027	9,745,517	0.00%	573,266	9,172,251	975,000	1,119,750	2,094,750	10,498	7,661,265	4.38 X	4.38 X	2027																		
2028	9,745,517	0.00%	573,266	9,172,251	1,015,000	1,083,188	2,098,188	10,498	7,657,827	4.37 X	4.38 X	2028																		
2029	9,745,517	0.00%	573,266	9,172,251	1,050,000	1,045,125	2,095,125	10,498	7,660,890	4.38 X	4.38 X	2029																		
2030	9,745,517	0.00%	573,266	9,172,251	1,090,000	1,005,750	2,095,750	10,498	7,660,265	4.38 X	4.38 X	2030																		
2031	9,745,517	0.00%	573,266	9,172,251	1,135,000	962,150	2,097,150	10,498	7,658,865	4.37 X	4.38 X	2031																		
2032	9,745,517	0.00%	573,266	9,172,251	1,180,000	916,750	2,096,750	10,498	7,659,265	4.37 X	4.38 X	2032																		
2033	9,745,517	0.00%	573,266	9,172,251	1,230,000	869,550	2,099,550	10,498	7,656,465	4.37 X	4.37 X	2033																		
2034	9,745,517	0.00%	573,266	9,172,251	1,295,000	801,900	2,096,900	10,498	7,659,115	4.37 X	4.38 X	2034																		
2035	9,745,517	0.00%	573,266	9,172,251	1,365,000	730,675	2,095,675	10,498	7,660,340	4.38 X	4.38 X	2035																		
2036	9,745,517	0.00%	573,266	9,172,251	1,440,000	655,600	2,095,600	10,498	7,660,415	4.38 X	4.38 X	2036																		
2037	9,745,517	0.00%	573,266	9,172,251	1,520,000	576,400	2,096,400	10,498	7,659,615	4.38 X	4.38 X	2037																		
2038	9,745,517	0.00%	573,266	9,172,251	1,605,000	492,800	2,097,800	10,498	7,658,215	4.37 X	4.38 X	2038																		
2039	9,745,517	0.00%	573,266	9,172,251	1,695,000	404,525	2,099,525	10,498	7,656,490	4.37 X	4.37 X	2039																		
2040	9,745,517	0.00%	573,266	9,172,251	1,785,000	311,300	2,096,300	10,498	7,659,715	4.38 X	4.38 X	2040																		
2041	9,745,517	0.00%	573,266	9,172,251	1,885,000	213,125	2,098,125	10,498	7,657,890	4.37 X	4.38 X	2041																		
2042	9,745,517	0.00%	573,266	9,172,251	1,990,000	109,450	2,099,450	2,104,799	9,750,866	4.37 X	5.37 X	2042																		
<b>Total</b>	<b>\$ 276,507,960</b>		<b>\$ 16,265,174</b>	<b>\$ 260,242,786</b>	<b>\$ 30,975,000</b>	<b>\$ 28,888,936</b>	<b>\$ 59,863,936</b>		<b>\$ 219,053,258</b>																					

(1) Includes par amount and expected premium. First interest payment on 9/1/13 and each 3/1 and 9/1 thereafter. Principal payments on 9/1 in the year shown.  
(2) Debt service reserve fund (DSRF) deposit equal to maximum annual debt service (MADS).  
(3) Includes estimated costs of issuance and underwriters' discount.  
(4) Assumes current market A underlying uninsured rates (1/22/13) plus about 50 bps. Assumes that the bonds will be rated A / A2 from S&P and Moody's.  
(5) Estimated HOT revenue from 8.5% City HOT. Assumes that 8.0% of the City's 8.5% HOT is pledged to the Bonds, subject to bond counsel review.  
(6) Assumes interest earnings on DSRF of 0.5%.

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