

June 14, 2015



Hidalgo County, Texas

Pricing Results

Certificates of Obligation, Series 2016

ESTRADA • HINOJOSA
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Financing Team

Financing Team

ISSUER

HIDALGO COUNTY, TEXAS

FINANCIAL ADVISOR

Estrada Hinojosa & Company, Inc.

BOND COUNSEL

The J. Ramirez Law Firm

UNDERWRITERS

JP Morgan (senior)

RBC Capital Markets (co-manager)

Stifel Nicolaus & Company, Inc. (co-manager)

UNDERWRITERS' COUNSEL

Locke Lord LLP

PAYING/ESCROW AGENT

Bank of New York Mellon Trust Company

POS Cover

PRELIMINARY OFFICIAL STATEMENT DATED JUNE 6, 2016

DEBENT

NEW ISSUE - Book-Entry-Only

RATINGS:
Moody's: "Applied For"
S&P: "Applied For"
(See "OTHER INFORMATION - Ratings" hereina.)

In the opinion of Bond Counsel, assuming continuing compliance by the County after the date of initial delivery of the Certificate with certain covenants contained in the Certificate Order and subject to the matters set forth under "LITIGATION" herein, interest on the Certificate for federal income tax purposes under existing tax laws, regulations, published rulings, and court decisions (1) will be excludable from the gross income of the owners thereof pursuant to section 105 of the Internal Revenue Code of 1986, as amended to the date of initial delivery of the Certificate, and (2) will not be included in computing the alternative minimum taxable income of individuals or, except as described herein, corporations. See "LITIGATION" herein.



\$34,315,000*
HIDALGO COUNTY, TEXAS
CERTIFICATES OF OBLIGATION, SERIES 2016

Date: June 1, 2016

Interest Accrues: Date of Initial Delivery

PAYMENT TERMS: Interest on the \$34,315,000 Hidalgo County Term Certificate of Obligation, Series 2016 (the "Certificate") will accrue from the date of initial delivery of the Certificate to the date of maturity. Interest on the Certificate will be payable semi-annually on August 15 and February 15 of each year, beginning on August 15, 2017, and will be payable to the book-entry system. The definitive Certificate are initially issuable only to Cede and Co, the nominee of The Depository Trust Company ("DTC"), New York, New York, pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Certificate may be acquired in denominations of \$5,000 or integral multiples thereof. No physical delivery of the Certificate will be made to the purchaser thereof. Principal of and interest on the Certificate will be payable by The Bank of New York Mellon Trust Company, N.A., Dallas, Texas, the initial Paying Agent, Registrar, to Cede & Co., which will make distribution of the amounts so paid to participating members of DTC for subsequent payment to the beneficial owners of the Certificate (see "THE CERTIFICATES - Book-Entry-Only System" herein).

STATED MATURITY SCHEDULE, INTEREST RATES, INITIAL YIELDS, CUSIP NUMBERS,
AND REDEMPTION PROVISIONS

CUSIP Prefix: 439326		CUSIP ⁽¹⁾		CUSIP ⁽²⁾	
Maturity (August 15)	Principal Amount	Interest Rate	Initial Yield	Principal Amount	Interest Rate
2017	\$ 1,975,000	2023	1.725,000	2027	\$ 1,642,000
2018	1,060,000	2028	1,725,000		
2019	1,110,000	2029	1,810,000		
2020	1,170,000	2030	1,900,000		
2021	1,225,000	2031	1,892,000		
2022	1,290,000	2032	2,092,000		
2023	1,350,000	2033	2,200,000		
2024	1,420,000	2034	2,310,000		
2025	1,490,000	2035	2,430,000		
2026	1,565,000	2036	2,550,000		

(Interest to accrue from Date of Initial Delivery)

⁽¹⁾ Cusip numbers are included solely for the convenience of owners of the Certificate. CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by S&P Capital IQ on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. None of the County, the Financial Advisor, nor the Underwriter is responsible for the selection or correctness of the CUSIP numbers set forth herein.

SECURITY: The Certificates are payable from annual ad valorem taxes levied against all taxable property in Hidalgo County, Texas (the "Property Taxes - Constitutional Tax Limitation") and "PAY RATE LIMITATIONS" - General Operations and Debt" herein). The Certificates are additionally payable from not more than \$1,000 derived from surplus net revenues from the operation of the County's paid system.

OPTIONAL REDEMPTION: The County reserves the right, at its option, to redeem the Certificate having stated maturities on and after August 15, 2017, in whole or in part, on August 15, 2017, or any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption (see "THE CERTIFICATES - Optional Redemption").

LEGALITY: The Certificates are offered for delivery when, as, and if issued and received by the original purchaser (the "Underwriter"), and subject to the approval of the Attorney General of the State of Texas and the legal opinion of the Underwriter, J.P. Morgan & Co., Bond Counsel, Locks Lord LLP, Dallas, Texas.

DELIVERY: It is expected that the Certificate will be tendered for delivery to the Underwriter through the services of DTC on or about July 12, 2016.

REC CAPITAL MARKETS

*Preliminary, subject to change

J.P. MORGAN

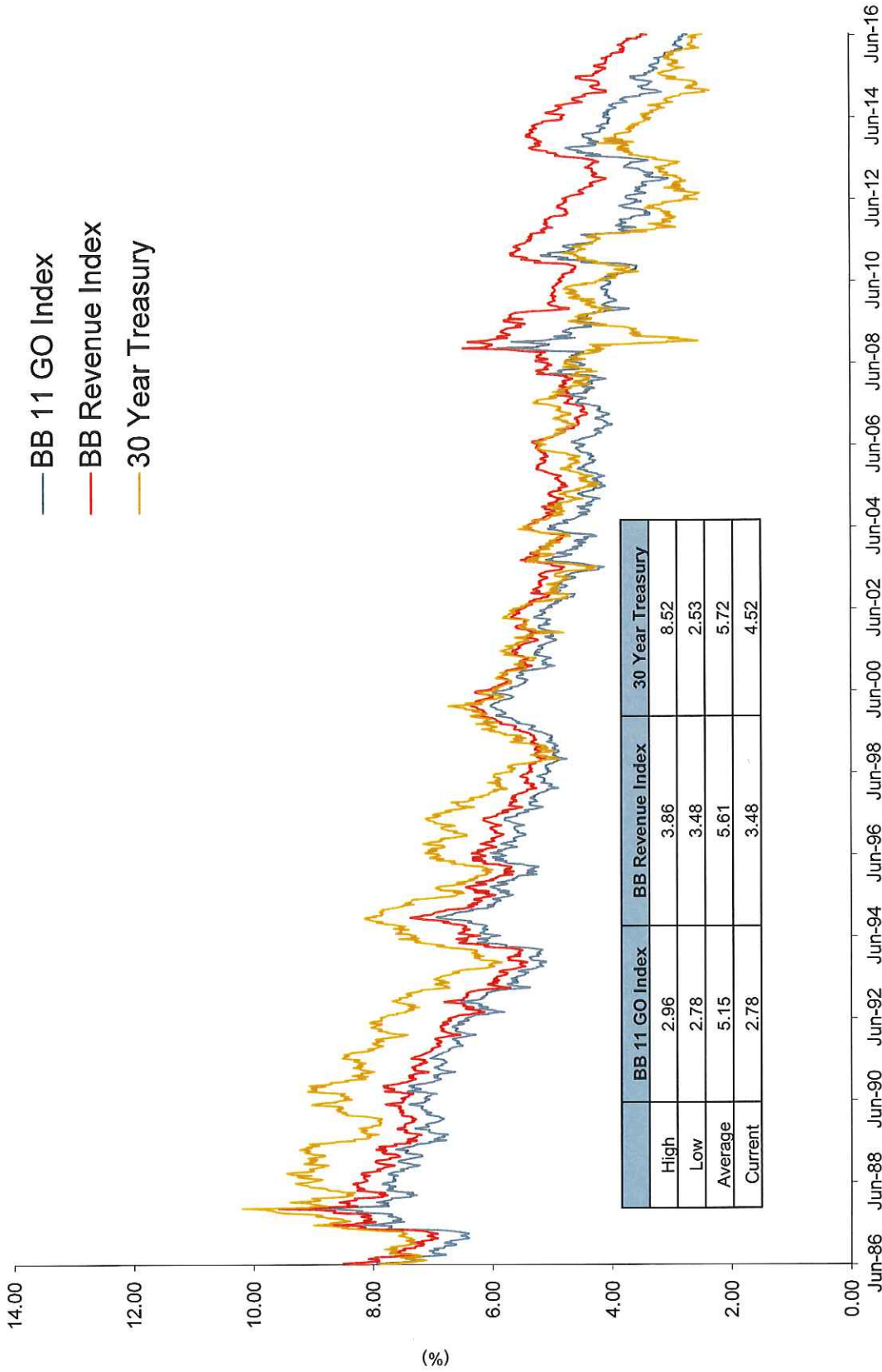
STETTL, NICOLAUS & COMPANY, INCORPORATED



Historical Analysis

Historical Analysis

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



Source: Bond Buyer



Pricing Results

Sources and Uses of Funds

Series 2016 Certificates

Sources:	
Par Amount	\$ 35,045,000.00
Net Premium	5,331,320.15
Total Sources of Funds	<u>\$ 40,376,320.15</u>
Uses:	
Project Fund Deposit	\$ 39,959,000.00
Cost of Issuance	232,784.17
Underwriters' Discount	184,535.98
Total Sources of Funds	<u>\$ 40,376,320.15</u>

COs, Series 2016 – Projects By Precinct/Purpose

The list below shows project candidates. \$39.9 million in projects will be funded with the Series 2016 COs.

2016 COs Project Summary List			
Department	Category	Notes	Project Amount
County Wide	Building	Courthouse Related Expenses	\$ 9,000,000
		County Courthouse	\$ 9,000,000
County Wide	Building	County Wide Mechanic Shop	\$ 1,200,000
County Wide	Equipment	Voting Machines	\$ 5,759,000
County Wide	Equipment	Fleet Vehicle Replacement	\$ 1,500,000
		Other County Wide	\$ 8,459,000
Sheriff	Equipment	Fleet	\$ 2,500,000
		TOTAL Sheriff	\$ 2,500,000
PCT 1	Equipment	Various	\$ 750,000
PCT 1	Road	Various	\$ 3,500,000
		TOTAL PCT 1	\$ 4,250,000
PCT 2	Building	Palmer Pavilion Renovations	\$ 1,200,000
PCT 2	Equipment	Various	\$ 750,000
PCT 2	Park	Regional Linear Park Project	\$ 1,514,263
PCT 2	Road	Various	\$ 4,785,737
		TOTAL PCT 2	\$ 8,250,000
PCT 3	Infrastructure	La Joya Watershed - Penitas Basin	\$ 3,000,000
PCT 3	Road	Various	\$ 2,035,591
		TOTAL PCT 3	\$ 5,035,591
PCT 4	Equipment	Various	\$ 1,261,203
PCT 4	Road	Various	\$ 1,203,206
		TOTAL PCT 4	\$ 2,464,409
		GRAND TOTAL	\$ 39,959,000

Financing Assumptions – Progression of Borrowing Costs for 2016 COs

Date	Purpose	Borrowing Cost for 2016 COs*
3/31/2016	Plan of Finance presentation	3.34%
5/26/2016	Rating Agency presentation	3.20%
6/8/2016	Plan of Finance update	2.98%
6/10/2016	Consensus scale	2.69%
6/13/2016	Final Pricing	2.74%
6/14/2016	Approve Sale of COs	2.74%

* - True Interest Cost

Preliminary Tax Rate Impact: Prior to 2016 COs

FINAL

A B C=A+B D E=C+D

FYE 12/31	NAV Net Assessed Valuation	NAV Growth	2016 COs			2016 COs		Transfers from Other Sources		Total Net Tax Supported Debt Service	Estimated Required I&S Tax Rate ⁽²⁾	Marginal Tax Rate	FYE 12/31
			Existing Debt Service ⁽²⁾	Principal	Interest	Debt Service	Debt Service	Debt Service					
2016	\$28,227,766,805 ⁽¹⁾		\$ 20,476,751	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 20,476,751	\$ 0.0675	(0.0039)	2016	
2017	29,215,738,643	3.5%	19,240,034						19,240,034	0.0636	(0.0038)	2017	
2018	29,800,053,416	2.0%	18,523,229						18,523,229	0.0598	0.0005	2018	
2019	30,396,054,484	2.0%	19,043,714						19,043,714	0.0604		2019	
2020	31,003,975,574	2.0%	18,505,799						18,505,799	0.0573		2020	
2021	31,469,035,208	1.5%	19,067,187						19,067,187	0.0583		2021	
2022	31,941,070,736	1.5%	18,446,892						18,446,892	0.0554		2022	
2023	32,420,186,797	1.5%	15,367,296						15,367,296	0.0448		2023	
2024	32,744,388,665	1.0%	15,368,160						15,368,160	0.0443		2024	
2025	33,071,832,551	1.0%	11,663,413						11,663,413	0.0323		2025	
2026	33,071,832,551	0.0%	11,667,256						11,667,256	0.0227		2026	
2027	33,071,832,551	0.0%	8,593,995						8,593,995	0.0227		2027	
2028	33,071,832,551	0.0%	8,588,640						8,588,640	0.0227		2028	
2029	33,071,832,551	0.0%	5,682,803						5,682,803	0.0137		2029	
2030	33,071,832,551	0.0%	4,818,412						4,818,412	0.0110		2030	
2031	33,071,832,551	0.0%	2,810,275						2,810,275	0.0047		2031	
2032	33,071,832,551	0.0%	2,799,725						2,799,725	0.0047		2032	
2033	33,071,832,551	0.0%	2,809,975						2,809,975	0.0047		2033	
2034	33,071,832,551	0.0%	2,802,850						2,802,850	0.0047		2034	
2035	33,071,832,551	0.0%	1,139,000						1,139,000	(0.0005)		2035	
2036	33,071,832,551	0.0%	1,138,000						1,138,000	(0.0005)		2036	
2037	33,071,832,551	0.0%	1,140,600						1,140,600	(0.0005)		2037	
2038	33,071,832,551	0.0%	1,141,600						1,141,600	(0.0005)		2038	
2039	33,071,832,551	0.0%	1,141,000						1,141,000	(0.0005)		2039	
2040	33,071,832,551	0.0%	1,138,800						1,138,800	(0.0005)		2040	
2041	33,071,832,551	0.0%										2041	
2042	33,071,832,551	0.0%										2042	
2043	33,071,832,551	0.0%										2043	
2044	33,071,832,551	0.0%										2044	
2045	33,071,832,551	0.0%										2045	
2046	33,071,832,551	0.0%										2046	
2047	33,071,832,551	0.0%										2047	
2048	33,071,832,551	0.0%										2048	
2049	33,071,832,551	0.0%										2049	
2050	33,071,832,551	0.0%										2050	
Total			\$ 233,115,407	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 233,115,407	\$ -			

⁽¹⁾ Certified Freeze Adjusted TAV. Average annual growth rate of 3.0% over the last 5 years and 12.7% over the last 10 years.

⁽²⁾ Calculated approximately I&S tax rate except 2016. Includes estimated freeze adjustment starting at \$1,199,668.

Preliminary Tax Rate Impact: After Issuance of 2016 COs

FINAL

FYE 12/31	(NAV) Net Assessed Valuation	NAV Growth	Existing Debt Service (2)	2016 COs			Debt Service	Total New Debt Service	Transfers from Other Sources	Total Net Tax Supported Debt Service	Estimated Required I&S Tax Rate (2)	Marginal Tax Rate	FYE 12/31
				Principal	Interest	Debt Service							
2016	\$28,227,766,805 (1)		\$ 20,476,751	\$ -	\$ -	\$ -	\$ 20,476,751	\$ -	\$ 20,476,751	\$ 0.0675	0.0675	2016	
2017	29,215,738,643	3.5%	19,240,034	2,285,000	1,646,452	3,931,452	23,171,486		23,171,486	0.0775	0.0100	2017	
2018	29,800,053,416	2.0%	18,523,229	1,090,000	1,462,500	2,552,500	21,075,729		21,075,729	0.0686	(0.0088)	2018	
2019	30,396,054,484	2.0%	19,043,714	1,135,000	1,418,900	2,553,900	21,597,614		21,597,614	0.0690	0.0004	2019	
2020	31,003,375,574	2.0%	18,505,799	1,190,000	1,362,150	2,552,150	21,057,949		21,057,949	0.0658		2020	
2021	31,469,035,208	1.5%	19,067,187	1,250,000	1,302,650	2,552,650	21,619,837		21,619,837	0.0667		2021	
2022	31,941,070,736	1.5%	18,446,892	1,315,000	1,240,150	2,555,150	21,002,042		21,002,042	0.0637		2022	
2023	32,420,186,797	1.5%	15,367,296	1,380,000	1,174,400	2,554,400	17,921,696		17,921,696	0.0529		2023	
2024	32,744,388,665	1.0%	15,368,160	1,450,000	1,105,400	2,555,400	17,923,560		17,923,560	0.0524		2024	
2025	33,071,832,551	1.0%	11,663,413	1,520,000	1,032,900	2,552,900	14,216,313		14,216,313	0.0403		2025	
2026	33,071,832,551	0.0%	11,667,256	1,595,000	956,900	2,551,900	14,219,156		14,219,156	0.0403		2026	
2027	33,071,832,551	0.0%	8,593,995	1,675,000	877,150	2,552,150	11,146,145		11,146,145	0.0307		2027	
2028	33,071,832,551	0.0%	8,588,640	1,760,000	793,400	2,553,400	11,142,040		11,142,040	0.0307		2028	
2029	33,071,832,551	0.0%	5,682,803	1,850,000	705,400	2,555,400	8,238,203		8,238,203	0.0216		2029	
2030	33,071,832,551	0.0%	4,818,412	1,940,000	612,900	2,552,900	7,371,312		7,371,312	0.0189		2030	
2031	33,071,832,551	0.0%	2,810,275	2,040,000	515,900	2,555,900	5,366,175		5,366,175	0.0127		2031	
2032	33,071,832,551	0.0%	2,799,725	2,140,000	413,900	2,553,900	5,353,625		5,353,625	0.0126		2032	
2033	33,071,832,551	0.0%	2,809,975	2,225,000	328,300	2,553,300	5,363,275		5,363,275	0.0127		2033	
2034	33,071,832,551	0.0%	2,802,850	2,315,000	239,300	2,554,300	5,357,150		5,357,150	0.0126		2034	
2035	33,071,832,551	0.0%	1,139,000	2,410,000	146,700	2,556,700	3,695,700		3,695,700	0.0075		2035	
2036	33,071,832,551	0.0%	1,138,000	2,480,000	74,400	2,554,400	3,692,400		3,692,400	0.0074		2036	
2037	33,071,832,551	0.0%	1,140,600				1,140,600		1,140,600	(0.0005)		2037	
2038	33,071,832,551	0.0%	1,141,600				1,141,600		1,141,600	(0.0005)		2038	
2039	33,071,832,551	0.0%	1,141,000				1,141,000		1,141,000	(0.0005)		2039	
2040	33,071,832,551	0.0%	1,138,800				1,138,800		1,138,800	(0.0005)		2040	
2041	33,071,832,551	0.0%										2041	
2042	33,071,832,551	0.0%										2042	
2043	33,071,832,551	0.0%										2043	
2044	33,071,832,551	0.0%										2044	
2045	33,071,832,551	0.0%										2045	
2046	33,071,832,551	0.0%										2046	
2047	33,071,832,551	0.0%										2047	
2048	33,071,832,551	0.0%										2048	
2049	33,071,832,551	0.0%										2049	
2050	33,071,832,551	0.0%										2050	
Total			\$ 233,115,407	\$ 35,045,000	\$ 17,409,752	\$ 52,454,752	\$ 285,570,158	\$ -	\$ 285,570,158				

(1) Certified Freeze Adjusted NAV. Average annual growth rate of 3.0% over the last 5 years and 12.7% over the last 10 years.

(2) Calculated approximately I&S tax rate except 2016. Includes estimated freeze adjustment starting at \$1,199,668.

Preliminary Tax Rate Impact: After 2016 COs, 2017 Courthouse COs, Future CIP

FINAL

FYE 12/31	(NAV) Net Assessed Valuation	NAV Growth	2016 COs		2017 Courthouse COs ⁽²⁾			Future CIP COs ⁽²⁾		Total New Debt Service	Additional County Contributions	Total Net Tax Supported Debt Service	Estimated Required I&S Tax Rate ⁽⁴⁾	Marginal Tax Rate	FYE 12/31
			Existing Debt Service ⁽²⁾	Debt Service	Debt Service	Net Debt Service	Debt Service	Debt Service	Debt Service						
2016	\$28,227,766,805 ⁽¹⁾		\$ 20,476,751	-	-	-	-	-	\$ 20,476,751	\$ -	\$ 20,476,751	\$ 0.0675		2016	
2017	29,215,738,643	3.5%	19,240,034	3,931,452	8,157,573	4,849,130	662,209	662,209	23,171,486	-	23,171,486	0.0775	0.0100	2017	
2018	29,800,053,416	2.0%	18,523,229	2,552,500	7,066,650	3,758,207	1,596,228	1,596,228	26,587,068	(75,000)	26,512,068	0.0875	0.0100	2018	
2019	30,396,054,484	2.0%	19,043,714	2,553,900	7,076,650	3,768,207	1,596,228	1,596,228	26,952,049	(1,000,000)	25,952,049	0.0838	(0.0037)	2019	
2020	31,003,975,574	2.0%	18,505,799	2,552,150	6,932,150	3,623,707	2,637,650	2,637,650	27,458,906	(1,000,000)	26,458,906	0.0838		2020	
2021	31,469,035,208	1.5%	19,067,187	2,552,650	6,932,150	3,623,707	2,637,650	2,637,650	27,881,194	(1,000,000)	26,881,194	0.0839		2021	
2022	31,941,070,736	1.5%	18,446,892	2,555,150	7,620,150	4,311,707	2,633,250	2,633,250	27,946,999	(1,000,000)	26,946,999	0.0828		2022	
2023	32,420,186,797	1.5%	15,367,296	2,554,400	8,821,150	5,512,707	2,636,450	2,636,450	26,067,853	(1,000,000)	25,067,853	0.0756		2023	
2024	32,744,388,665	1.0%	15,368,160	2,555,400	8,821,850	5,514,407	2,630,750	2,630,750	26,067,717	(1,000,000)	25,067,717	0.0748		2024	
2025	33,071,832,551	1.0%	11,663,413	2,552,900	8,819,750	5,511,307	2,631,450	2,631,450	22,359,070	(1,000,000)	21,359,070	0.0625		2025	
2026	33,071,832,551	0.0%	11,667,256	2,551,900	8,819,550	5,511,107	2,637,950	2,637,950	22,368,213	(1,000,000)	21,368,213	0.0625		2026	
2027	33,071,832,551	0.0%	8,593,995	2,552,150	8,820,650	5,512,207	2,634,650	2,634,650	19,293,002	(1,000,000)	18,293,002	0.0530		2027	
2028	33,071,832,551	0.0%	8,588,640	2,553,400	8,822,450	5,514,007	2,631,850	2,631,850	19,287,897	(1,000,000)	18,287,897	0.0529		2028	
2029	33,071,832,551	0.0%	5,682,803	2,555,900	8,824,350	5,515,907	2,634,250	2,634,250	16,388,360	(1,000,000)	15,388,360	0.0439		2029	
2030	33,071,832,551	0.0%	4,818,412	2,552,900	8,820,750	5,512,307	2,631,250	2,631,250	15,514,869	(1,000,000)	14,514,869	0.0412		2030	
2031	33,071,832,551	0.0%	2,810,275	2,555,900	8,821,350	5,512,907	2,627,850	2,627,850	13,506,932	(1,000,000)	12,506,932	0.0349		2031	
2032	33,071,832,551	0.0%	2,799,725	2,553,900	8,820,250	5,511,807	2,633,750	2,633,750	13,498,182	(1,000,000)	12,498,182	0.0349		2032	
2033	33,071,832,551	0.0%	2,809,975	2,553,900	8,821,850	5,513,407	2,633,050	2,633,050	13,509,732	(1,000,000)	12,509,732	0.0349		2033	
2034	33,071,832,551	0.0%	2,802,850	2,554,300	8,820,250	5,511,807	2,634,900	2,634,900	13,503,857	(1,000,000)	12,503,857	0.0349		2034	
2035	33,071,832,551	0.0%	1,139,000	2,556,700	8,819,850	5,511,407	2,632,100	2,632,100	11,839,207	(1,000,000)	10,839,207	0.0297		2035	
2036	33,071,832,551	0.0%	1,138,000	2,554,400	8,819,750	5,511,307	2,633,100	2,633,100	11,836,807	(1,000,000)	10,836,807	0.0297		2036	
2037	33,071,832,551	0.0%	1,140,600	-	8,824,050	5,515,607	2,633,450	2,633,450	9,289,657	(1,000,000)	8,289,657	0.0218		2037	
2038	33,071,832,551	0.0%	1,141,600	-	8,821,550	5,513,107	2,106,600	2,106,600	8,761,307	(1,000,000)	7,761,307	0.0201		2038	
2039	33,071,832,551	0.0%	1,141,000	-	8,823,300	5,514,857	-	-	7,888,257	(1,000,000)	6,888,257	0.0174		2039	
2040	33,071,832,551	0.0%	1,138,800	-	8,822,050	5,513,607	-	-	6,652,407	(1,000,000)	5,652,407	0.0136		2040	
2041	33,071,832,551	0.0%	-	-	8,823,300	5,513,857	-	-	5,513,857	(1,000,000)	4,513,857	0.0100		2041	
2042	33,071,832,551	0.0%	-	-	8,823,300	5,514,857	-	-	5,514,857	(1,000,000)	4,514,857	0.0100		2042	
2043	33,071,832,551	0.0%	-	-	8,819,300	5,514,857	-	-	5,514,857	(1,000,000)	4,514,857	0.0100		2043	
2044	33,071,832,551	0.0%	-	-	8,823,900	5,515,457	-	-	5,515,457	(1,000,000)	4,515,457	0.0100		2044	
2045	33,071,832,551	0.0%	-	-	8,819,500	5,511,057	-	-	5,511,057	(1,000,000)	4,511,057	0.0100		2045	
2046	33,071,832,551	0.0%	-	-	8,820,200	5,511,757	-	-	5,511,757	(1,000,000)	4,511,757	0.0100		2046	
2047	33,071,832,551	0.0%	-	-	8,819,200	7,319,200	-	-	7,319,200	(1,000,000)	6,319,200	0.0156		2047	
2048	33,071,832,551	0.0%	-	-	-	-	-	-	-	-	-	-	-	2048	
2049	33,071,832,551	0.0%	-	-	-	-	-	-	-	-	-	-	-	2049	
2050	33,071,832,551	0.0%	-	-	-	-	-	-	-	-	-	-	-	2050	
Total			\$ 233,115,407	\$ 52,454,752	\$ 257,385,623	\$ (97,444,847)	\$ 159,940,776	\$ 52,997,887	\$ 498,508,821	\$ (29,075,000)	\$ 469,433,821				

⁽¹⁾ Certified Freeze Adjusted TAV. Average annual growth rate of 3.0% over the last 5 years and 12.7% over the last 10 years.

⁽²⁾ Assumes current market (6-13-2016) + 100bps.

⁽³⁾ Combination of City of Edinburg contributions (\$1.5MM/year) + Courthouse Filing Fees.

⁽⁴⁾ Calculated approximately I&S tax rate except 2016. Includes estimated freeze adjustment starting at \$1,199,668.

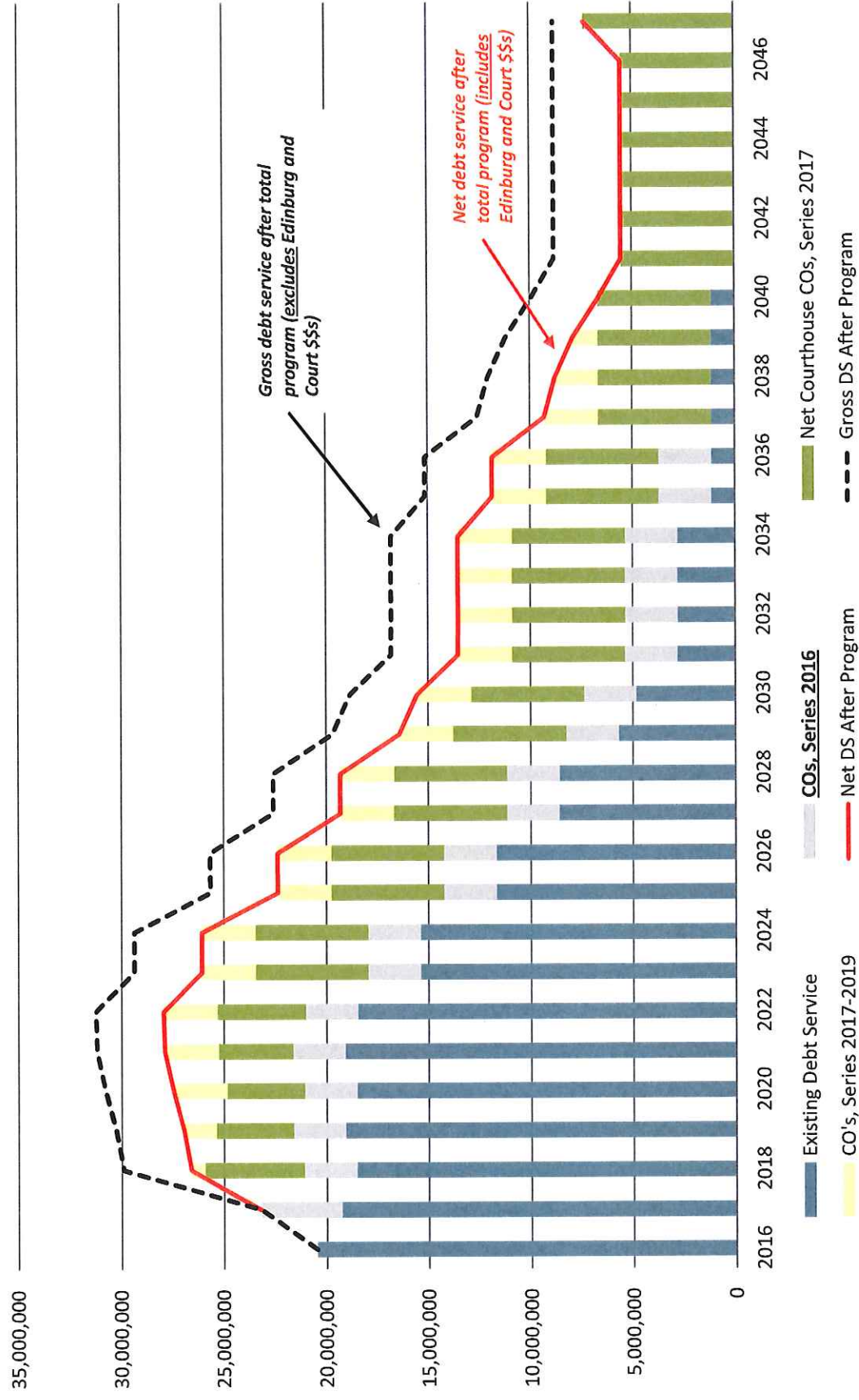
Debt Service Schedules

FINAL

FYE	2016 CIP ⁽¹⁾ COS			2017 Courthouse COS			2017 General Purpose CIP			2018 General Purpose CIP			2019 General Purpose CIP			Total		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2016	-	1,646,452	3,931,452	-	8,157,573	8,157,573	100,000	422,240	522,240	-	-	139,969	-	-	139,969	-	-	3,931,452
2017	2,285,000	1,462,500	2,552,500	-	6,766,650	7,066,650	185,000	326,300	521,300	305,000	572,600	877,600	-	-	877,600	-	-	3,214,709
2018	1,090,000	1,418,900	2,508,900	300,000	6,751,650	7,051,650	195,000	327,050	522,050	310,000	563,450	873,450	430,000	807,250	1,237,250	197,328	197,328	4,150,128
2019	1,190,000	1,362,150	2,552,150	325,000	6,732,150	7,057,150	210,000	315,350	525,350	330,000	547,950	877,950	440,000	794,350	1,234,350	5,190,300	12,122,450	12,261,778
2020	1,250,000	1,302,650	2,552,650	200,000	6,720,150	6,920,150	220,000	302,750	522,750	345,000	528,150	873,150	465,000	772,350	1,237,350	5,188,400	12,808,550	12,808,550
2021	1,315,000	1,240,150	2,555,150	900,000	6,666,150	7,566,150	235,000	289,550	524,550	370,000	507,450	877,450	490,000	744,450	1,234,450	5,190,850	14,012,000	14,012,000
2022	1,380,000	1,174,400	2,554,400	2,155,000	6,536,850	8,691,850	245,000	275,450	520,450	390,000	485,250	875,250	520,000	715,050	1,235,050	5,186,150	14,008,000	14,008,000
2023	1,450,000	1,105,400	2,555,400	2,285,000	6,398,750	8,683,750	260,000	260,750	520,750	415,000	461,850	876,850	550,000	663,650	1,233,650	5,184,350	14,004,100	14,004,100
2024	1,520,000	1,032,900	2,552,900	2,420,000	6,254,550	8,674,550	280,000	245,150	525,150	440,000	436,950	876,950	585,000	650,850	1,235,850	5,183,400	14,009,400	14,009,400
2025	1,595,000	956,900	2,551,900	2,565,000	6,100,650	8,666,650	295,000	228,350	523,350	465,000	410,550	875,550	620,000	615,750	1,235,750	5,182,800	14,007,450	14,007,450
2026	1,675,000	877,150	2,552,150	2,720,000	5,937,450	8,657,450	310,000	210,650	520,650	495,000	362,650	877,650	655,000	578,550	1,235,550	5,182,250	14,007,700	14,007,700
2027	1,760,000	793,400	2,553,400	2,885,000	5,764,350	8,649,350	330,000	192,050	522,050	525,000	352,950	877,950	685,000	539,250	1,234,250	5,181,650	14,014,000	14,014,000
2028	1,850,000	705,400	2,555,400	3,060,000	5,580,750	8,641,750	350,000	172,250	522,250	555,000	321,450	876,450	735,000	497,550	1,232,550	5,181,150	14,004,900	14,004,900
2029	1,940,000	612,900	2,552,900	3,240,000	5,386,350	8,626,350	370,000	151,250	521,250	585,000	288,150	876,150	780,000	453,450	1,233,450	5,183,750	14,005,700	14,005,700
2030	2,040,000	515,900	2,555,900	3,435,000	5,182,550	8,617,550	390,000	129,050	519,050	620,000	253,050	873,050	830,000	406,650	1,232,650	5,187,650	14,007,900	14,007,900
2031	2,140,000	413,900	2,553,900	3,640,000	4,969,150	8,609,150	395,000	105,350	500,350	660,000	215,850	876,850	880,000	356,850	1,233,850	5,186,350	14,008,200	14,008,200
2032	2,245,000	309,300	2,554,300	3,860,000	4,731,850	8,591,850	415,000	84,600	500,000	700,000	176,250	876,250	930,000	304,050	1,234,050	5,189,200	14,009,450	14,009,450
2033	2,315,000	239,300	2,554,300	4,090,000	4,484,850	8,574,850	440,000	62,600	502,600	735,000	141,250	876,250	885,000	248,250	1,233,250	5,188,800	14,006,650	14,006,650
2034	2,410,000	146,700	2,556,700	4,335,000	4,224,750	8,559,750	460,000	39,600	500,000	770,000	104,500	874,500	1,035,000	199,000	1,234,000	5,187,500	14,007,250	14,007,250
2035	2,480,000	74,400	2,554,400	4,595,000	3,949,050	8,544,050	485,000	20,200	505,200	810,000	66,000	876,000	1,085,000	147,250	1,232,250	2,633,450	10,427,500	10,427,500
2036	-	-	-	4,875,000	3,666,550	8,541,550	505,000	-	505,000	840,000	33,600	873,600	1,140,000	93,000	1,233,000	2,106,600	10,555,700	10,555,700
2037	-	-	-	5,165,000	3,398,300	8,563,300	-	-	-	-	-	-	1,185,000	47,400	1,232,400	-	-	8,822,050
2038	-	-	-	5,425,000	3,127,050	8,552,050	-	-	-	-	-	-	-	-	-	-	-	8,823,300
2039	-	-	-	5,695,000	2,842,300	8,537,300	-	-	-	-	-	-	-	-	-	-	-	8,819,300
2040	-	-	-	5,980,000	2,543,300	8,523,300	-	-	-	-	-	-	-	-	-	-	-	8,823,900
2041	-	-	-	6,280,000	2,229,300	8,509,300	-	-	-	-	-	-	-	-	-	-	-	8,819,500
2042	-	-	-	6,590,000	1,933,900	8,523,900	-	-	-	-	-	-	-	-	-	-	-	8,820,200
2043	-	-	-	6,990,000	1,414,500	8,404,500	-	-	-	-	-	-	-	-	-	-	-	8,819,200
2044	-	-	-	7,405,000	970,200	8,375,200	-	-	-	-	-	-	-	-	-	-	-	-
2045	-	-	-	7,850,000	499,200	8,349,200	-	-	-	-	-	-	-	-	-	-	-	-
2046	-	-	-	8,320,000	-	8,320,000	-	-	-	-	-	-	-	-	-	-	-	-
2047	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2048	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2049	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2050	35,045,000	17,409,752	52,454,752	117,585,000	139,800,823	257,385,823	6,285,000	4,170,540	10,455,540	10,585,000	6,989,869	17,654,869	15,035,000	9,852,478	24,887,478	105,452,638	362,838,261	362,838,261

⁽¹⁾ Includes \$9 million for Courthouse.

Pro Forma Debt Profile After 2016



Ratings

The **Hidalgo County Certificates of Obligation, Series 2016** received the following ratings:

Agency	Rating
S&P	AA- / Stable Outlook
Moody's	Aa2 / No Outlook

These ratings represent high quality ratings from each of the rating agencies.

Note, the County also maintains a rating from AA- from Fitch Ratings on other outstanding bonds.



Rating Reports

CREDIT OPINION

7 June 2016

New Issue

Rate this Research >>

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Hidalgo (County of) TX

New Issue: Moody's assigns Aa2 to Hidalgo County, TX's GOLT CO's

Summary Rating Rationale

Moody's Investors Service has assigned a Aa2 rating to Hidalgo County, TX's \$33.4 million Certificates of Obligation, Series 2016. Concurrently, we maintain the Aa2 rating on \$177.4 million of outstanding parity debt.

The Aa2 rating reflects the county's large and stable tax base; historically weak socioeconomic profile, including below average resident wealth levels, low full value per capita and considerable segment of the population at or below the US poverty level. The rating incorporates the county's stable financial operations, healthy reserves and liquidity, and manageable debt profile that is expected to increase in the near term given plans for additional borrowing in 2017.

Credit Strengths

- » Large, stable tax base and regionally important economy
- » Stable financial operations
- » Manageable debt, pension burdens

Credit Challenges

- » Weak socioeconomic profile for the rating category
- » Debt structure for proposed courthouse

Rating Outlook

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

Factors that Could Lead to an Upgrade

- » Significantly improved socioeconomic profile, including a reduction of the county's unemployment rate, increased resident wealth levels and improved full value per capita
- » Trend of accelerating annual tax base growth
- » Materially strengthened reserves and liquidity from a multi-year trend of surplus financial operations

Factors that Could Lead to a Downgrade

- » Weakened socioeconomic profile that is increasingly outsized for the rating category
- » Continued trend of structurally imbalanced operations and declining reserves
- » Substantial reduction of full valuation
- » Significantly elevated debt position from additional borrowing absent corresponding tax base growth

Key Indicators

Exhibit 1

Hidalgo (County of) TX	2010	2011	2012	2013	2014
Economy/Tax Base					
Total Full Value (\$000)	\$ 27,491,085	\$ 27,420,238	\$ 27,044,262	\$ 27,320,029	\$ 27,911,368
Full Value Per Capita	\$ 35,483	\$ 34,526	\$ 33,531	\$ 33,481	\$ 33,585
Median Family Income (% of US Median)	54.2%	54.2%	55.2%	57.0%	57.8%
Finances					
Operating Revenue (\$000)	\$ 217,840	\$ 210,212	\$ 206,835	\$ 216,447	\$ 224,650
Fund Balance as a % of Revenues	24.1%	27.0%	28.6%	26.3%	19.8%
Cash Balance as a % of Revenues	67.8%	76.8%	78.9%	76.5%	59.9%
Debt/Pensions					
Net Direct Debt (\$000)	\$ 202,691	\$ 189,224	\$ 177,934	\$ 172,272	\$ 184,945
Net Direct Debt / Operating Revenues (x)	0.9x	0.9x	0.9x	0.8x	0.8x
Net Direct Debt / Full Value (%)	0.7%	0.7%	0.7%	0.6%	0.7%
Moody's - adjusted Net Pension Liability (3-yr average) to Revenues (x)	N/A	N/A	0.7x	0.9x	1.0x
Moody's - adjusted Net Pension Liability (3-yr average) to Full Value (%)	N/A	N/A	0.6%	0.7%	0.8%

Source: Moody's Investors Service

Recent Developments

Since we last rated the county on September 8, 2015 county officials report an unaudited \$1.8 million increase in General Fund balance for fiscal 2015. Additionally the county's debt profile has increased marginally with this issuance. While additional debt for the new courthouse will be issued, officials continue to finalize specific plans for the issuance.

Detailed Rating Considerations

Economy and Tax Base: Large Border County with Below Average Socioeconomic Indicators

We expect the county's large \$30.7 billion tax base will continue growing in the near term. Over the last five years, the county's full valuation increased an average 2.3% annually, including a 7.1% increase in 2016 due to new development and appreciation of single-family residential property values. Hidalgo County is located in the Rio Grande Valley of south Texas along the Mexico border and is supported by cross-border trade and manufacturing operations across the border in Reynosa Mexico. Taxpayer concentration is modest, as the 10 largest property taxpayers account for 3.6% of fiscal 2016 full valuation. Management expects the recently opened University of Texas Rio Grande Valley will perpetuate the county's economic growth in the medium term. Ongoing development of several big box stores and retail outlets in Edinburg will also foster continued tax base growth in the near term.

Historically, the county's socioeconomic profile has lagged well behind state and national averages, which is credit weakness. Resident wealth levels are weak with median family income levels equivalent to 61% of the state and 57.8% of the nation. A large 35% of the county's population of 774,769 residents is impoverished, compared to 13.8% for the nation. The county's full value per capita is small

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the ratings tab on the issuer/entity page on www.moody.com for the most updated credit rating action information and rating history.

for the rating category at \$39,561. At 7.5% in February, unemployment in Hidalgo County was above the state (4.3%) and nation (5.2%) for the same period.

Financial Operations and Reserves: Healthy Reserve Levels With Stable Operations

The county's General Fund reserves and liquidity positions are expected to remain healthy in the near term after two years of structurally imbalanced financial operations that are expected to end in fiscal 2015, based on unaudited results. Through fiscal 2012, the county historically adopted imbalanced General Fund budgets and successfully closed the budget gaps at year-end due to controlled spending, few unexpected expenditures, and conservative revenue forecasts. In fiscal years 2013 and 2014, the county's General Fund balance declined in each year as expenditures related to detention facility repairs and the Medicaid 1115 waiver program outpaced annual revenues. At year-end 2014, the county reported a total General Fund balance of \$44.9 million, which is a healthy 25.5% of General Fund revenues. Of the total fund balance, \$19.7 million is unassigned and a smaller, but adequate 11.2% of revenues. Fiscal year 2014 General Fund revenues were primarily derived from taxes (83.3% of total General Fund revenues) and charges for services (9.6%). Despite two consecutive operating deficits, the county's financial operations have historically been stable, characterized by an operating history score of 1.01 times. In addition, the county's unassigned General Fund balance has historically exceeded management informal target of 10% to 15% of budgeted expenditures.

Despite budgeting for a General Fund reduction of approximately \$1.5 million, the county expects to add \$1.8 million to General Fund balance based on unaudited results. Future reviews will focus on the county's ability to continue structurally balanced financial operations. Continued reductions of General Fund reserves or an inability to maintain reserves in excess of management's informal target minimum of 10% of budgeted expenditures could lead to downward pressure on the rating.

LIQUIDITY

The county's liquidity is expected to remain healthy in the near term. At year-end 2014, the General Fund reported net cash and investments of \$122.9 million, representing a very strong 69.8% of revenues. Property taxes, the county's largest revenue source, are due at the end of each calendar year, which inflates the county's General Fund cash position. Net cash and investments in the Operating Fund (consisting of the General Fund, Debt Service Fund, and Road and Bridge Fund) totaled \$134.6 million and a strong 59.9% of Operating Fund revenues.

Debt and Pensions

The county's debt position is expected to increase given plans to issue additional GOLT debt in the near term, yet remain manageable given fast principal amortization and growing full valuation. The direct debt burden is below average at 0.7% of full valuation and increases to 7.8% after incorporating the overlapping debt from the various municipalities within the county, including general obligation (GO) bonds issued by Hidalgo County Drainage District #1. We exclude the district's GO bonds from the county's direct debt burden because they are separately secured by an unlimited tax on all taxable property within the district. The county plans to issue an estimated \$141 million of GOLT debt in 2017 to construct a new courthouse; however, the project cost and timeline of issuing the additional debt may change. Amortization is moderate with 66.4% of principal repaid within 10 years. Debt service on the county's outstanding GOLT debt represented a 9.1% of fiscal 2014 operating fund expenditures. All of the county's debt is fixed rate.

DEBT STRUCTURE

All of the county's outstanding debt is fixed rate. The county has two short term obligations with \$537,000 outstanding at year-end 2014 and represents a very small 0.3% of total debt outstanding.

DEBT-RELATED DERIVATIVES

The county is not exposed to derivatives

PENSIONS AND OPEB

Hidalgo County has a manageable pension burden based on unfunded liabilities from its participation in the Texas County and District Retirement System, a multi-employer defined benefit agent plan. The county consistently makes the full annual contribution, which amounted to \$13.2 million in fiscal year 2014, a manageable 5.7% of operating expenditures. Reported unfunded liabilities as of December 31, 2013, were \$50.9 million. Moody's adjusted net pension liability (ANPL) for the county, under our methodology for adjusting reported pension data, is \$202.1 million as of fiscal year 2014, a below average 0.90 times operating revenues. The county's three-year average ANPL to operating revenues is manageable at 0.97 times while the three year average ANPL to full value is 0.71%.

Moody's uses the adjusted net pension liability to improve comparability of reported pension liabilities. The adjustments are not intended to replace the county's reported liability information, but to improve comparability with other rated entities. We determine the county's share of liability for the state-run plan in proportion to its contribution to the plan.

The county has a single employer defined benefit OPEB plan that is funded on a pay-as-you-go basis. The county's contribution of \$820,000 in 2014 represented a modest 0.4% of operating expenditures and 53.2% of the annual OPEB cost. The net OPEB obligation is \$8.3 million and the unfunded liability is \$12.2 million. Including debt service and pension contributions, the county's total fixed costs accounted for \$35.2 million, or a manageable 15.1% of 2014 operating fund expenditures.

Management and Governance

Created in 1852, the county is governed by a Commissioners Court consisting of a county judge and four county commissioners, one for each of the four precincts. The county judge is elected for a term of four years and the commissioners served staggered four-year terms. Management has an informal policy to maintain an unassigned General Fund balance equal to 10% to 15% of budgeted expenditures, which is low for the rating category. The county historically adopts structurally imbalanced General Fund budgets, which, until fiscal 2013, it successfully closed at fiscal year-end.

Texas counties have an institutional framework score of "Aaa," or very strong. Counties rely on highly predictable, property taxes for 70%-80% of their operating revenues, while 10%-20% comes from less predictable services charges. Counties maintain high flexibility to raise property taxes, as most are well below the state mandated cap of \$8 per \$1,000 of AV, with no more than \$4 for debt. Expenditures primarily consist of personnel and judicial costs, which are highly predictable. Counties have high flexibility in reducing expenditures given a weak union presence.

Legal Security

The bonds and certificates are secured by an annual ad valorem tax levied against all taxable property in the county, within the limits prescribed by law. The certificates are additionally secured by a limited pledge (not to exceed \$1,000) of surplus net revenues of the county's park system.

Use of Proceeds

Proceeds from the 2016 CO's will be used for infrastructure projects through out the county.

Obligor Profile

Hidalgo County is located in south Texas along the Mexico border in the Rio Grande Valley. The county encompasses 1,570 square miles and its population of 774,769 residents as of the 2010 US Census reflects a 36.1% increase since 2000.

Methodology

The principal methodology used in this rating was US Local Government General Obligation Debt published in January 2014. Please see the Rating Methodologies page on www.moody's.com for a copy of this methodology.

Ratings

Exhibit 2

Hidalgo (County of) TX

Issue	Rating
Certificates of Obligation, Series 2016	Aa2
Rating Type	Underlying LT
Sale Amount	\$33,415,000
Expected Sale Date	06/09/2016
Rating Description	General Obligation Limited Tax

Source: Moody's Investors Service

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REPORT NUMBER 1028144

RatingsDirect®

Summary:

Hidalgo County, Texas; General Obligation

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Joshua Travis, Dallas; joshua.travis@spglobal.com

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Summary:

Hidalgo County, Texas; General Obligation

Credit Profile

US\$34.315 mil certs of oblig ser 2016 dtd 06/01/2016 due 08/15/2036

Long Term Rating

AA-/Stable

New

Rationale

S&P Global Ratings assigned its 'AA-' long-term rating to Hidalgo County, Texas' series 2016 certificates of obligation. At the same time, S&P Global Ratings affirmed its 'AA-' long-term rating on the county's general obligation (GO) debt. The outlook is stable.

The certificates and bonds are secured by an ad valorem tax levied against all taxable property in the county within limits prescribed by law. The state constitutional limit is 80 cents per \$100 of assessed value (AV). Presently, the county levies a total tax rate of 59 cents per \$100 of AV. Given the county's tax rate flexibility and very strong liquidity, we have not notched down the rating. Surplus revenues from the operations of county parks, not to exceed \$1,000, further secure the certificates. We view the county's limited tax pledge to be the stronger of the two pledges. Proceeds from the certificates will finance various county projects.

The rating reflects our assessment of the following factors for the county:

- Weak economy, with market value per capita of \$35,131 and projected per capita effective buying income at 52.1%, but that is benefitting from access to a broad and diverse metropolitan statistical area (MSA);
- Strong management, with good financial policies and practices under our Financial Management Assessment (FMA) methodology;
- Adequate budgetary performance, with an operating deficit in the general fund but an operating surplus at the total governmental fund level in fiscal 2014;
- Very strong budgetary flexibility, with an available fund balance in fiscal 2014 of 20% of operating expenditures;
- Very strong liquidity, with total government available cash at 41.6% of total governmental fund expenditures and 5.8x governmental debt service, and access to external liquidity that we consider strong;
- Weak debt and contingent liability position, with debt service carrying charges at 7.1% of expenditures and net direct debt that is 92.5% of total governmental fund revenue, as well as significant medium-term debt plans; and
- Strong institutional framework score.

Weak economy

We consider the county's economy weak. Hidalgo County, with an estimated population of 872,465, is located in the McAllen-Edinburg-Mission MSA, which we consider to be broad and diverse. The county has a projected per capita effective buying income of 52.1% of the national level and per capita market value of \$35,131. Overall, the county's

market value grew by 7.1% over the past year to \$30.7 billion in 2016. The county unemployment rate was 7.9% in 2015.

The 1,583-square-mile county encompasses McAllen, Pharr, Edinburg (the county seat), Mission, Weslaco, and Mercedes, with McAllen, Edinburg, and Mission being the largest municipalities and economic centers. With five international ports of entry for commercial and pedestrian traffic, international trade with Mexico dominates the area's economy. The concentration of twin plants, or maquiladoras, in Mexico fuels commercial traffic into the U.S. In addition, agribusiness, tourism, and limited mineral production (oil and natural gas), continue to support the county's economic base. Higher-education opportunities include the University of Texas-Rio Grande Valley (UT-RGV) and South Texas College. A merger between UT-Brownsville and UT-Pan American and UT-RGV formally opened in August with an enrollment of slightly more than 29,000. The university's school of medicine's first class is set for the fall of 2016.

County officials indicate economic conditions remain favorable noting continued residential and commercial development. Given current growth patterns, the county anticipates AV to increase approximately 3%-5% per year within the next two years. Unemployment rates in the county have remained relatively stable; averaging 7.4% in the last three months, from February to April, and well below its annual peak of 11% in 2011.

Strong management

We view the county's management as strong, with good financial policies and practices under our FMA methodology, indicating financial practices exist in most areas, but that governance officials might not formalize or monitor all of them on a regular basis.

The county uses conservative revenue and expenditure assumptions based on five-year historical trend analysis in collaboration with the county auditor. It also reports budget-to-actual performance to the governing body monthly and has the ability to make amendments as needed with the commissioners court approval. The county also maintains a formal debt management policy and a reserve policy (10% of general fund expenditures) and has plans to correct any problems should the need arise. We understand the county continues to work on its long-term financial plan and has updated its capital plan which details each project's time frame and funding source. The investment policy complies with the state statutes, and the county treasurer reports on holdings, performance, and maturity to the legislature at least quarterly.

Adequate budgetary performance

Hidalgo County's budgetary performance is adequate in our opinion. The county had deficit operating results in the general fund of negative 2.8% of expenditures, but a surplus result across all governmental funds of 2.2% in fiscal 2014.

Overall the county's budgetary performance has been adequate in the last three fiscal years with general fund operating results near break-even with slightly deficits in fiscals 2013 and 2014. After adjusting for one-time expenses and utilization of bond proceeds, total governmental results have trended slightly negative, although also near break-even. In order to maintain a stable tax-rate, county officials opted to utilize available resources in fiscal 2014 which result in the general fund deficit of slightly more than \$5 million.

While county official had anticipated a slight general fund deficit in fiscal 2015, unaudited results in fiscal 2015's reflect

a slight operating surplus. Total governmental results are anticipated to be near break-even after adjusting for use of bond proceeds and one-time expenses. County officials indicate the current budget is trending favorably and estimate a slight general fund surplus by year-end. Should the county's fiscal 2015 performance carry forward through fiscal 2016, and we anticipate it is likely sustainable, we could reassess our view of the county's budgetary performance to strong levels.

Very strong budgetary flexibility

Hidalgo County's budgetary flexibility is very strong, in our view, with an available fund balance in fiscal 2014 of 20% of operating expenditures, or \$37 million. Coinciding with the county's adequate budgetary performance, available reserves have remained characteristically very strong and flat. For fiscal 2015, estimates reflect available reserves are estimated to increase to \$46.7 million, \$26.3 million of which is unassigned. We understand the county plans to utilize a portion of its assigned resources over the next four-to-five years to supplement capital outlays, notably for its planned new courthouse. Given our anticipation that the county's budgetary performance will remain, at least, adequate; we anticipate the county's available reserves will remain above very strong levels, greater than 15% of expenditures, within our two-year outlook horizon.

Very strong liquidity

In our opinion, Hidalgo County's liquidity is very strong, with total government available cash at 41.6% of total governmental fund expenditures and 5.8x governmental debt service in 2014. In our view, the county has strong access to external liquidity if necessary. We anticipate that the county's total government cash position will remain very strong. The county's investments are held predominantly in mutual funds and other cash-equivalent instruments. Our opinion that the county maintains strong access to external liquidity is based on the county's issuance of GO bonds and certificates of obligation. At this time, we understand the county does not have contingent liabilities that, in our opinion, could cause immediate or future liquidity pressures. Our assessment reflects the removal of the county's restricted bond proceeds from the county's total government cash.

Weak debt and contingent liability profile

In our view, Hidalgo County's debt and contingent liability profile is weak. Total governmental fund debt service is 7.1% of total governmental fund expenditures, and net direct debt is 92.5% of total governmental fund revenue. Negatively affecting our view of the county's debt profile is its significant medium-term debt plans.

The county is in the process of formalizing plans for a new county courthouse with an estimated cost of \$150 million. At this time, county officials anticipate to finance the project with the support of the city of Edinburg and county court fees, in addition to its ad valorem taxes. A portion of the current issuance (\$9 million) is be used to support the new courthouse project. County officials anticipate issuing certificates of obligation in 2017 to finance the project. Moreover, the county plans to issue approximately \$7 million in 2017 and \$12 million in 2018 to support its capital improvement plan. Our assessment of the county's debt and contingent liability profile could change should its carrying charges increase significantly beyond current trends and estimates.

Hidalgo County's combined required pension and actual other postemployment benefits (OPEB) contributions totaled 3.7% of total governmental fund expenditures in 2014. The county made its full annual required pension contribution in 2014.

The county participates in the Texas County & District Retirement System (TCDRS). The county does not offer formal post-employment benefits but allows retirees to participate in the county's health benefits program (implicit rate subsidy) with retirees paying premiums which are then deposited in the county's insurance fund.

Strong institutional framework

The institutional framework score for Texas counties is strong.

Outlook

The stable outlook reflects our view that, within our two year outlook horizon, the county will sustain at least adequate budgetary performance and very strong budgetary flexibility. Moreover, it reflects our view that the county's economic metrics will continue to improve given current growth patterns.

Upside scenario

A significant improvement in the county's wealth and income levels would likely bolster upward rating potential.

Downside scenario

Should the county's budgetary performance weaken to weak or very weak levels without a corrective plan, we would likely lower the rating, although we do not anticipate this would occur within our two-year horizon.

Related Criteria And Research

Related Criteria

- USPF Criteria: Local Government GO Ratings Methodology And Assumptions, Sept. 12, 2013
- USPF Criteria: Financial Management Assessment, June 27, 2006
- USPF Criteria: Debt Statement Analysis, Aug. 22, 2006
- USPF Criteria: Limited-Tax GO Debt, Jan. 10, 2002
- USPF Criteria: Methodology: Rating Approach To Obligations With Multiple Revenue Streams, Nov. 29, 2011
- USPF Criteria: Assigning Issue Credit Ratings Of Operating Entities, May 20, 2015
- Criteria: Use of CreditWatch And Outlooks, Sept. 14, 2009

Related Research

S&P Public Finance Local GO Criteria: How We Adjust Data For Analytic Consistency, Sept. 12, 2013

Ratings Detail (As Of June 7, 2016)

Hidalgo Cnty GO		
<i>Long Term Rating</i>	AA-/Stable	Affirmed
Hidalgo Cnty GO		
<i>Long Term Rating</i>	AA-/Stable	Affirmed
Hidalgo Cnty GO		
<i>Long Term Rating</i>	AA-/Stable	Affirmed
Hidalgo Cnty GO (ASSURED GTY)		
<i>Unenhanced Rating</i>	AA-(SPUR)/Stable	Affirmed

Hidalgo Cnty GO

Ratings Detail (As Of June 7, 2016) (cont.)

<i>Unenhanced Rating</i>	AA-(SPUR)/Stable	Affirmed
<i>Long Term Rating</i>	AA-/Stable	Affirmed

Many issues are enhanced by bond insurance.

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at www.standardandpoors.com for further information. Complete ratings information is available to subscribers of RatingsDirect at www.globalcreditportal.com. All ratings affected by this rating action can be found on the S&P Global Ratings public website at www.standardandpoors.com. Use the Ratings search box located in the left column.

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