

**Southwest Texas Junior College District
\$10MM Combined Fee Revenue Bonds
Series 2014**

Assessment of Capital Condition

Standard & Poors Rating Call Preparation

SWTJC Management

The seven member Board of Trustees for SWTJC is locally elected to six year, staggered terms. Years of service range from seven to thirty-nine years.

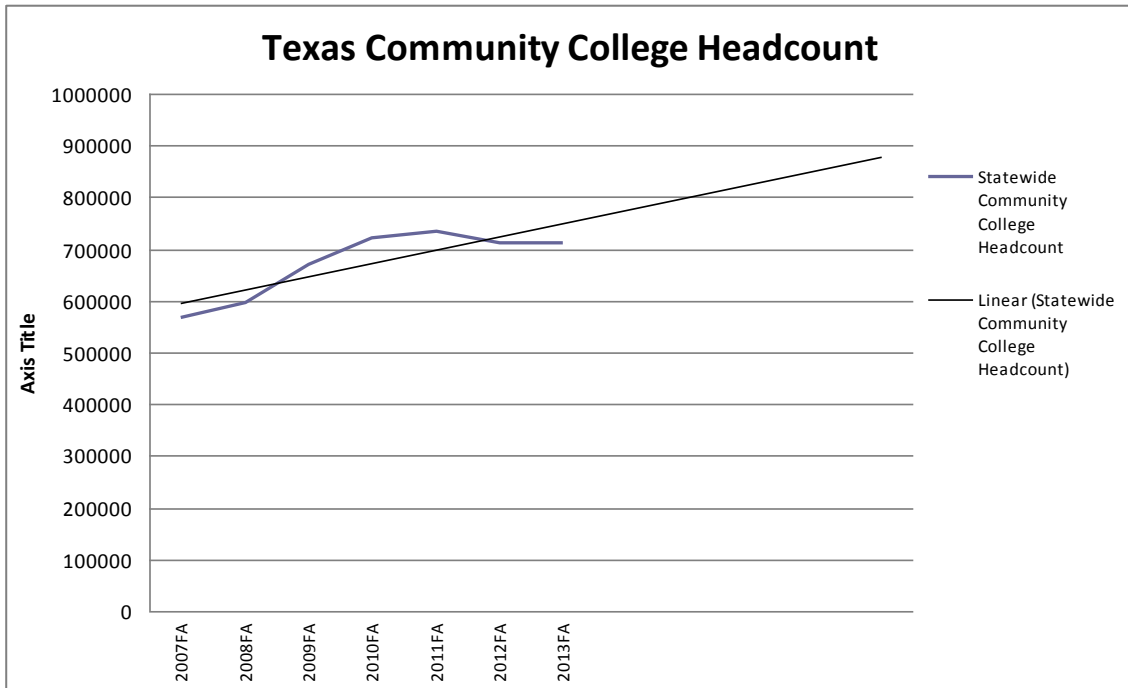
Dr. Hector Gonzales was appointed President of SWTJC in August, 2013. Previous to that, Dr. Gonzales was acting as President Elect for a year and before that, he was Dean of Instructional Services and Chief Financial Officer for nine years. Upon his presidency, Dr. Gonzales implemented a significant reorganization in order to provide a more focused approach to communication and management. It should be noted however, that while there was a substantial amount of organizational change, it was accomplished by repositioning staff, not hiring new staff. That is to say, virtually each administrative position was filled with SWTJC employees, most of who were in existing leadership positions. So, while the structure has changed, the people haven't.

The President's Cabinet consists of the four Vice Presidents (Academic Affairs, Student Services, Administrative Services, and Finance); four Associate Vice Presidents (Institutional Effectiveness, Outreach, Del Rio and Eagle Pass); and three Deans (Liberal Arts, Applied Science, and Workforce). These twelve members meet once a week to provide the strategic planning for the College.

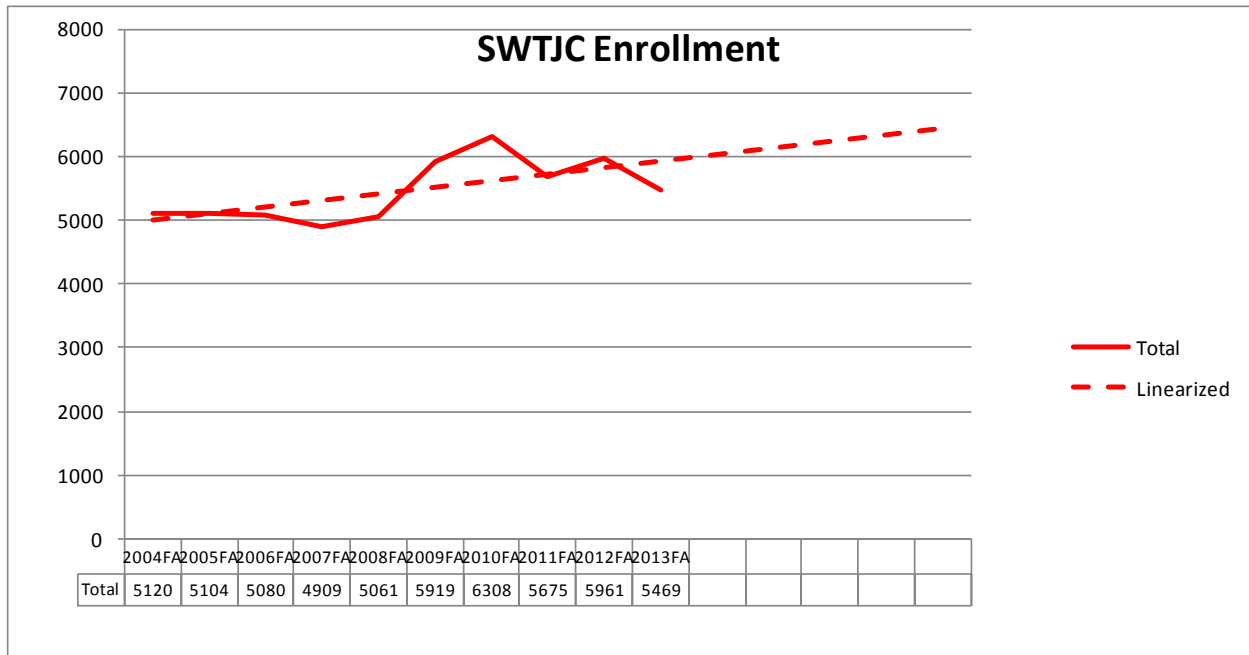
Strategic Planning: Presently, the SWTJC Cabinet is conducting an intensive review and update of the college's Five Year (2011-2015) Strategic Plan. Central to this process are our projections for growth in Eagle Pass and the response to Eagle Ford Shale production in the Crystal City area.

Existing Capital Projects: Currently, SWTJC is finishing two new buildings on the Del Rio campus (an administration building, and a classroom building,). This was financed by a \$7.5 MM bond issue in 2012. The construction is on-time, on-budget and 79% complete.

Enrollment



As the state of Texas continues to place emphasis on affordable education and the improvement of technical skills, SWTJC anticipates a continued increase in enrollment.



Workforce Development Updates: SWTJC’s Workforce division continues to see new developments. Project Grow & Project VAST have recently been launched. They both address providing marketable skills to our region’s employment base. Skills Development has grown to include Mobile Welding; Allied Health (Certified Nurse Assistant, Phlebotomy, Certified Medical Assistant, Pharmacy Tech, and Medical Coding); Aviation Mechanics and Fire Arms Manufacturing.

Student Mix Changes: SWTJC’s demographic breakdown has remained relatively static in recent years. It does appear that the “youthful population” (21 and under) has grown from 65% in 2009 to 71% in 2013.

This is a snap-shot of today’s SWTJC student population:

Fall 2013

| | | |
|--|-------|-------|
| Total Headcount | 5,410 | |
| Full-time Equivalent | 3,908 | |
| Full-time/part-time status | | |
| 1-6 hours | 2,271 | 42% |
| 7-11 hours | 1,100 | 20% |
| 12 or more hours | 2,039 | 38% |
| Average semester hours per student 8.7 | | |
| Dual credit students | 1,538 | 28% |
| Average age | 22.0 | |
| Gender | | |
| Female | 3,176 | 59% |
| Male | 2,234 | 41% |
| Ethnicity | | |
| Hispanic | 4,490 | 83.0% |
| White, non-Hispanic | 718 | 13.3% |
| Black, non-Hispanic | 70 | 1.3% |
| Other | 132 | 2.4% |

Tuition status

| | | |
|---------------------------|-------|-----|
| In-district | 1,242 | 23% |
| Out-of-district | 3,965 | 73% |
| Non-resident | 149 | 3% |
| Tuition exemption/waivers | 54 | 1% |

Basis of admission

| | | |
|-----------------------|-------|-----|
| First-time-in-college | 781 | 14% |
| Continuing students | 4,522 | 84% |
| Transfer student | 107 | 2% |

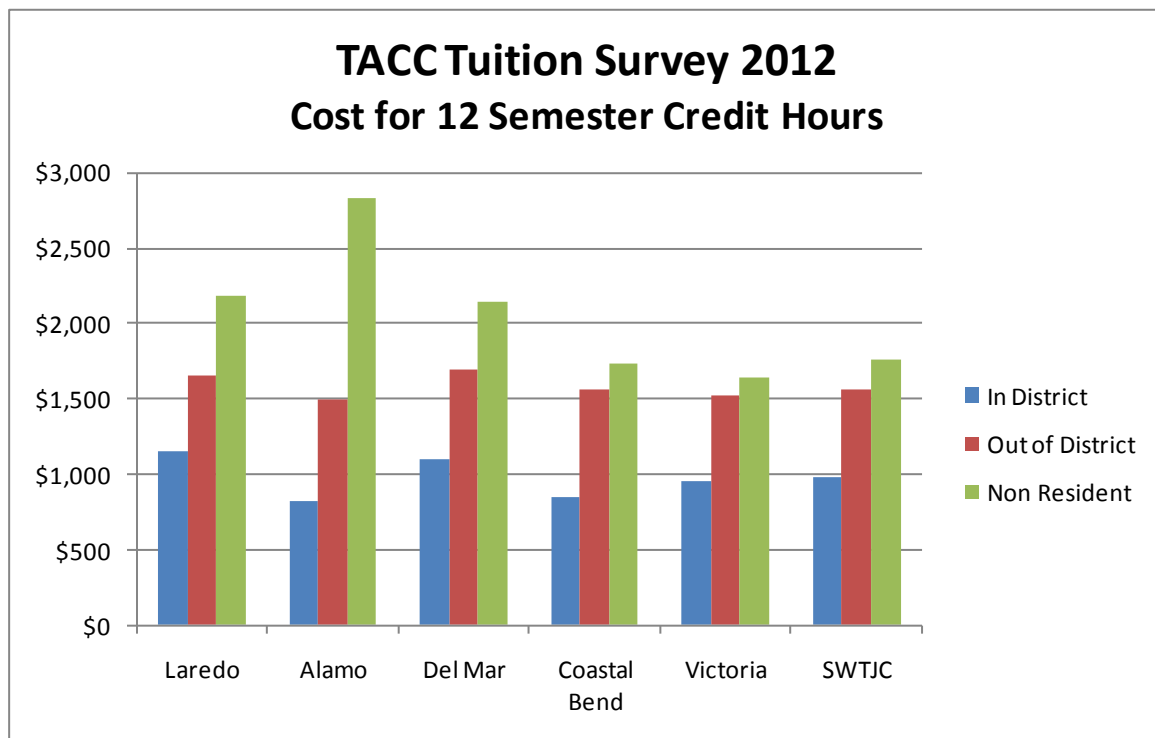
Tuition and Fees

SWTJC anticipates no tuition increases for the next two to three years. The current tuition accommodates strategic objectives identified in our Five Year Strategic Plan.

In fall 2013 64% of the SWTJC student population qualified for Pell Grants.

SWTJC 2011 2yr Official Cohort Rate for student loan default is 18.4. WISS Default Management Solutions has been engaged to assist us in reducing our default rate. Under the agreement WISS will:

- Attempt to assist students in bringing their student loan account current or prevent their default
- Attempt to locate students who have moved without a forwarding address or telephone number
- Provide SWTJC with a monthly summary of students that WISS is tracking and has assisted.

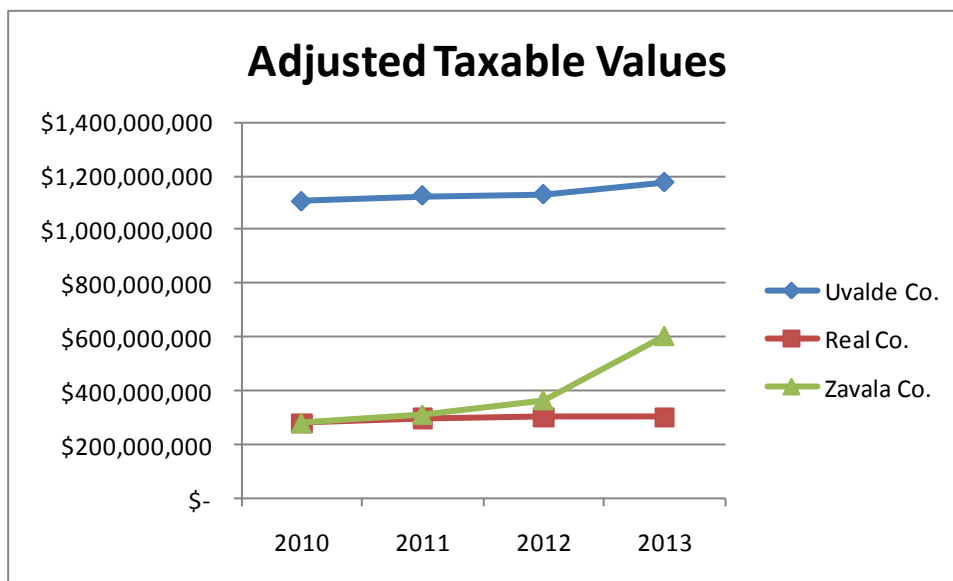


Local Economy Updates

Taxable Assessed Valuation:

2013

| | Valuation | Tax |
|---------------|-------------------------|---------------------|
| Uvalde | \$ 1,174,994,740 | \$ 1,527,493 |
| Real | \$ 302,327,221 | \$ 393,025 |
| Zavala | \$ 604,767,980 | \$ 786,198 |
| | <u>\$ 2,082,089,941</u> | <u>\$ 2,706,717</u> |



Local Area Employment Trends:

As of November 2013 employment rates were:

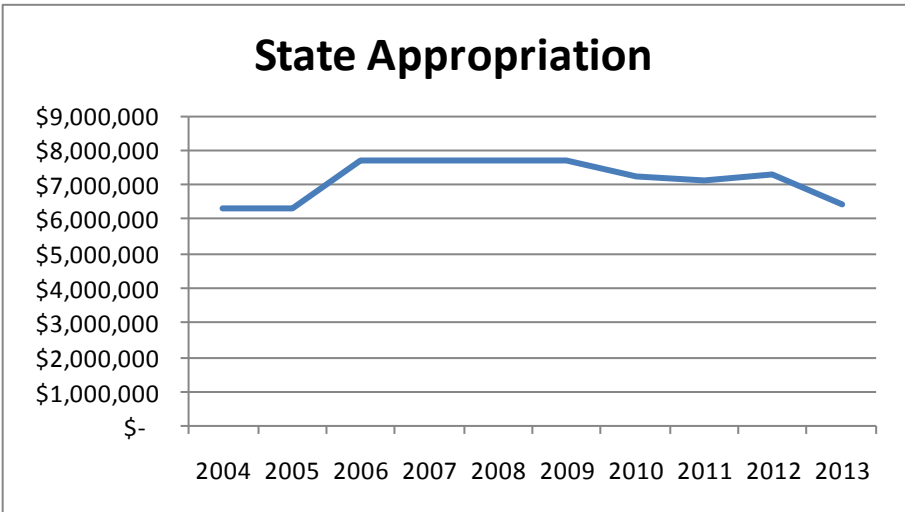
| | |
|------------------|-------|
| Uvalde | 6.5% |
| Real | 6.3% |
| Zavala | 14.0% |
| Val Verde | 7.0% |
| Maverick | 11.8% |

Property Tax Updates: SWTJC anticipates no increases in property tax rates for the next two to three years. The current rate and anticipated increase in property value accommodates strategic objectives identified in our Five Year Strategic Plan.

State Appropriations

State funding has recently changed in Texas. Before 2013, community colleges were funded based solely on total contact hours. The 83rd Regular Session of the Texas State Legislature modified the formula for funding community colleges. Each College will receive \$500,000 per year as core funding. The remaining amount will be based 90% on contact hours and 10% on success points. A success point is awarded when a student passes a milestone in his/her educational endeavors. These milestones are completing developmental math and English, achieving 15 and 30 credit hours, finishing all core requirements, transferring, and graduation.

In addition, the Legislature agreed to drop the required re-allocation of formula funding on a yearly basis and passed a law requiring a 50/50 cost of employee benefits split between the state and the colleges. SWTJC administration believes these changing will be stabilizing and result in better projection and planning for the community colleges.



State Appropriation

| | |
|------|-------------|
| 2004 | \$6,298,468 |
| 2005 | \$6,298,364 |
| 2006 | \$7,704,532 |
| 2007 | \$7,704,532 |
| 2008 | \$7,704,532 |
| 2009 | \$7,704,531 |
| 2010 | \$7,221,296 |
| 2011 | \$7,153,135 |
| 2012 | \$7,304,514 |
| 2013 | \$6,422,513 |

Financial Results

Please find attached the 2014 balanced Budget file which was approved by our Board of Trustees.

Please find attached the December 2013 Year to Date (unaudited) Financial Statements.

Other Updates

In the previous two years, SWTJC has been the recipient of endowments from two donors – in the amounts of approximately \$850,000 and \$550,000.

The College is also a yearly recipient of gift from two external foundations – FAN and The Palomino Fest.

In 1989, Southwest Texas Junior College Foundation was established as a separate nonprofit organization for the purpose of providing/acquiring facilities to allow the College to serve the educational needs of communities outside of the College's taxing district. The governing Board of the Foundation and the College are the same; therefore the College can and does exercise oversight responsibility. Additionally, services rendered by the Foundation are provided entirely or almost entirely to the College. The Foundation is considered as a "component unit" of the College and its financial statements are audited and presented with those of the College.

Southwest Texas Junior College pays monthly rent to the Foundations for the buildings in Del Rio and Eagle Pass. These rents were calculated to enable the Foundation to make payments on the building loans. Once a loan was repaid, the College continued to make payments in order to enable the Foundation to provide additional buildings. By preserving this income stream SWTJC has been able to identify money to fund the repayment of this bond issue.

Prior to this issue SWTJC paid rent of \$79,682 per month to the Foundation. Due to the retirement of debt, after the issuance of the bonds SWTJC will pay \$15,176 per month. The savings of \$774,072 (12 months at \$64,506 savings) will be available as a cash stream.

New Bond Issue

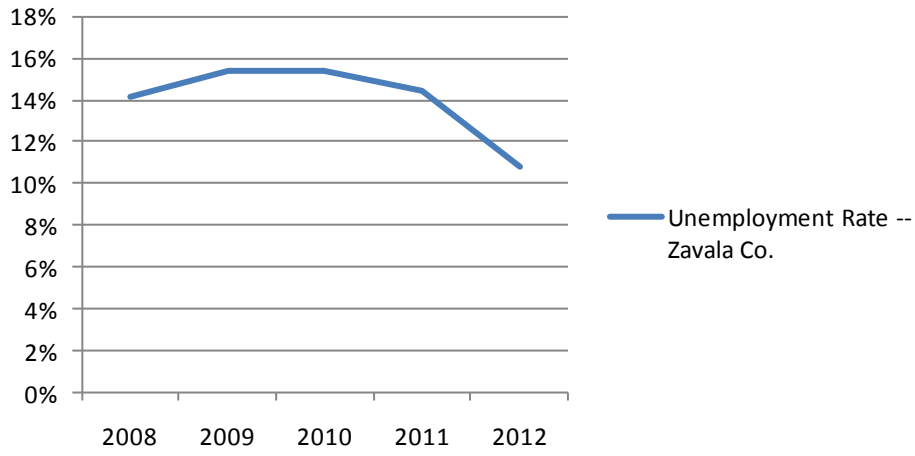
Proposed Construction Project Scope

Crystal City (Zavala County) – We propose to add a library facility, a technical programs lab area, technical programs classroom and a wellness center. The City of Crystal City has shown willingness to assist with our expansion in the form of donating a 10, 000 square foot building to be used for the technical programs lab area. They have also indicated that they would consider the conveyance of the property located in front of our existing center. We will work with our architects to develop a site layout for the presentation to the city council. Our idea is to place the library in the front-adjacent to our existing building and redesign the front area to maximize the parking available. Our plan includes the utilization of a donated building (on vacant property the college currently owns) and pursuing the acquisition of an existing building adjacent to the property to remodel into the technical classroom and wellness center. We estimate a project cost of \$1,500,000.

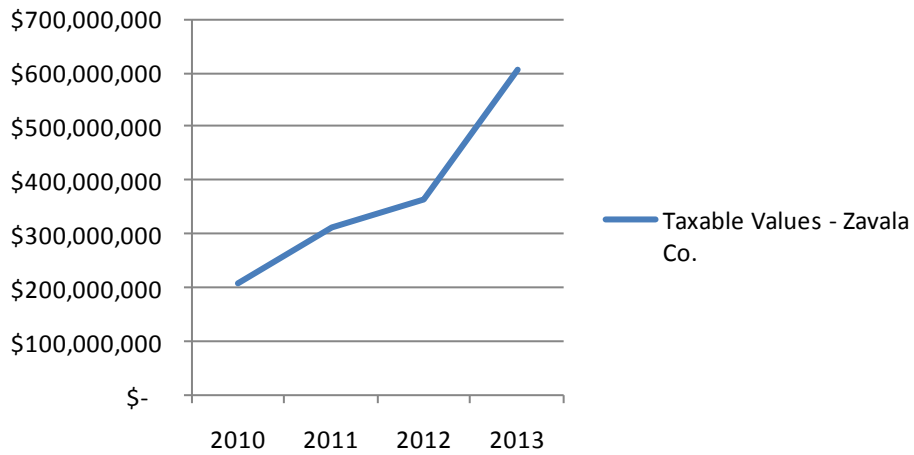
The Eagle Ford Shale development has greatly affected the entire county. Property values have dramatically increased – increasing tax revenue. The unemployment rate has significantly decreased and the demand for workers with technical certificates in the diesel mechanic, welding and commercial truck driving fields skyrocketed. The College believes that this technical addition to the offerings in Crystal City will be timely and very well received.

Programs specific to Eagle Ford Shale production have grown significantly in the past two years. These technical programs include: welding, diesel mechanics, truck driving and some of the allied health and nursing offerings. Presently these programs are located at one of our main campuses (Uvalde, Eagle Pass and/or Del Rio). In order to provide better access to prospective students who live and work in the Eagle Ford Shale region (southern region of SWTJC), we want to offer more of these programs in Crystal City. This will necessitate the development of a Technical Program facility.

Unemployment Rate -- Zavala Co.



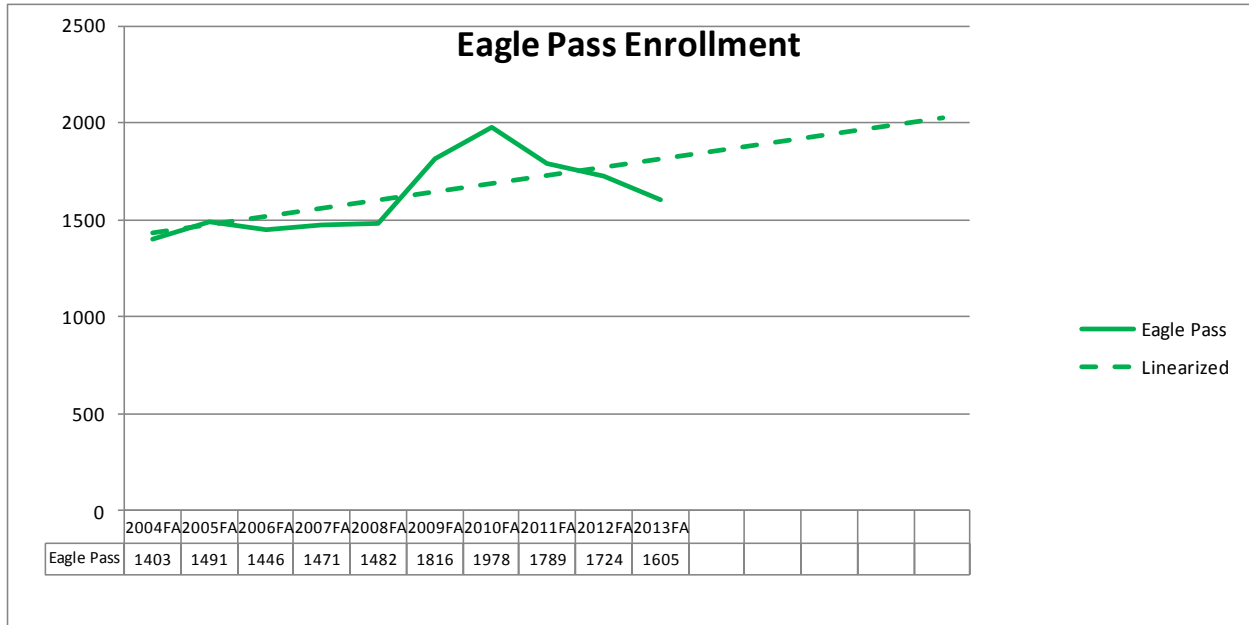
Taxable Values - Zavala Co.



Eagle Pass (Maverick County) – The proposed scope for the Eagle Pass expansion includes the following: adding 15 classrooms, 8 offices, a larger library facility, conference rooms, an area for the bookstore, and a snack bar area. The plan includes a redesign of the front parking and approach to the campus to better utilize the existing space. We estimate a project cost of \$5,500,000.

While Maverick County is not in SWTJC's taxing authority, it has experienced significant growth. The taxable value in 2000 was \$931,218,564 and in 2012 it was \$2,020,055,872 (a 117% increase).

- Enrollment in Eagle Pass has been consistent over time however, the ability to increase enrollment has been constricted by our space limitations.
- Our facilities at Eagle Pass are at maximum capacity. For the past five years we have leased all available classroom space from the Eagle Pass ISD at the cost of close to \$50,000 per year.
- Eagle Pass' contribution to the overall SWTJC enrollment has grown from 30% in 2004 to 36% in 2013.
- It is also important to highlight the population growth that has occurred in Eagle Pass over the recent past. From 2000 to 2010, the population in Eagle Pass increased 15%. Enrollment in Eagle Pass ISD increased by 1,000 students from 2008 to 2013. In the cross border city of Piedras Negras, the population increased by 30,000 in the past 10 years (31%).
- The recent privatization of oil and gas exploration in Northern Mexico has the potential to position Eagle Pass as the hub of these activities.



Uvalde (Uvalde County) – This project includes the installation of an elevator for the library in addition to accelerating the remodel of the Hubbard Hall dorm suites. The administration also proposed to redesign and upgrade the cafeteria line and snack bar area, dining area, and upgrade the existing restrooms to ADA standards. We estimate a project cost of \$2,350,000.

Timing of Rating

SOUTHWEST TEXAS JUNIOR COLLEGE DISTRICT

December 12, 2013 (Thursday) Regular scheduled Board Meeting to authorize a Plan of Finance for Revenue Bonds.

December 31, 2013 (Tuesday) Distribute 1st draft of the Preliminary Official Statement (POS) to bond counsel.

January 6, 2014 (Monday) Receive comments on the first draft of the POS.

January 13, 2014 (Monday) Distribute 2nd draft of the POS and bond documents to bond counsel.

January 17, 2014 (Friday) Receive comments on 2nd draft of the POS and bond documents.

January 21, 2014 (Tuesday) Distribute 3rd draft of POS to entire working group.

Ratings and Insurance Calls.

February 6, 2014 (Thursday) Receive comments on FINAL draft of POS.

February 10, 2014 (Monday) Print and distribute POS.

February 14, 2014 (Friday) Receive Ratings and Premiums for Bond Insurance.

February 18, 2014 (Tuesday) Price the Bonds.

February 20, 2014 (Thursday) Regular Scheduled meeting to consider sale of Bonds.

February 21, 2014 (Friday) Distribute 1st draft of Final Official Statement. (FOS)
Submit documents to Texas Attorney General.

February 24, 2014 (Monday) Comments due on 1st draft of FOS.

February 26, 2014 (Wednesday) Distribute sign-off draft of FOS to working group.

February 27, 2014 (Thursday) Comments due from sign-off draft.

March 3, 2014 (Monday) Print and distribute FINAL OS.

March 5, 2014 (Wednesday) Distribute 1st draft of closing memo.

March 10, 2014 (Monday) Comments due from 1st draft of closing memo.

March 12, 2014 (Wednesday) Distribute 2nd draft of closing memo.

March 14, 2014 (Friday) Comments due from 2nd draft of closing memo.

March 18, 2014 (Tuesday) Receive approval from Texas Attorney General.

March 20, 2014 (Thursday) Close on financing. College District receives their funds.

* Preliminary, subject to change.