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500 North Akard Street
Lincoln Plaza, Suite 3200
Dallas, TX 75201
tel 214 871-1402
reference no.: 40063637

June 23, 2009

City of Harlingen
118 East Tyler
Harlingen, TX 78551
Attention: Mr. Craig Lonon, City Manager

Re: ***City of Harlingen, Texas, Outstanding General Obligation Bonds, Various Series, (MBIA), (MBIA of Illinois)***

Dear Mr. Lonon:

Standard & Poor's has reviewed the Standard & Poor's underlying rating (SPUR) on the above-referenced obligations. After such review, we have changed the rating to "AA-" from "A+" while affirming the stable outlook. A copy of the rationale supporting the rating and outlook is enclosed.

The rating is not investment, financial, or other advice and you should not and cannot rely upon the rating as such. The rating is based on information supplied to us by you or by your agents but does not represent an audit. We undertake no duty of due diligence or independent verification of any information. The assignment of a rating does not create a fiduciary relationship between us and you or between us and other recipients of the rating. We have not consented to and will not consent to being named an "expert" under the applicable securities laws, including without limitation, Section 7 of the Securities Act of 1933. The rating is not a "market rating" nor is it a recommendation to buy, hold, or sell the obligations.

This letter constitutes Standard & Poor's permission to you to disseminate the above-assigned rating to interested parties. Standard & Poor's reserves the right to inform its own clients, subscribers, and the public of the rating.

Standard & Poor's relies on the issuer/obligor and its counsel, accountants, and other experts for the accuracy and completeness of the information submitted in connection with the rating. To maintain the rating, Standard & Poor's must receive all relevant financial information as soon as such information is available. Placing us on a distribution list for this information would facilitate the process. You must promptly notify us of all material changes in the financial information and the documents. Standard & Poor's may change, suspend, withdraw, or place on CreditWatch the rating as a result of changes in, or unavailability of, such information. Standard & Poor's reserves the right to request additional information if necessary to maintain the rating.

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Public Finance Department
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New York, NY 10041-0003

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Mr. Craig Lonon
Page 2
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tel 214 871-1402
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June 23, 2009

City of Harlingen
118 East Tyler
Harlingen, TX 78551
Attention: Mr. Craig Lonon, City Manager

Re: ***City of Harlingen, Texas, Outstanding General Obligation Bonds, Various Series, (FSA)***

Dear Mr. Lonon:

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500 North Akard Street
Lincoln Plaza, Suite 3200
Dallas, TX 75201
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reference no.: 40148148

June 23, 2009

City of Harlingen
118 East Tyler
Harlingen, TX 78551
Attention: Mr. Craig Lonon, City Manager

Re: ***City of Harlingen, Texas, Outstanding General Obligation Bonds, Various Series, (AMBAC)***

Dear Mr. Lonon:

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June 23, 2009

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19 Municipalities in Alabama, Louisiana, Mississippi, Oklahoma, and Texas are Upgraded After Review of Credit Strength

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Publication Date
June 24, 2009

Standard & Poor's Ratings Services has raised the ratings on the general obligation bonds of 19 municipalities in Alabama, Louisiana, Mississippi, Oklahoma, and Texas, based on a qualitative assessment in conjunction with credit ratio analysis.

The municipalities in table 1 are issuers whose credit profiles we consider to be generally stronger than a review of just their applicable credit ratios might otherwise indicate. In our criteria review dated April 2, 2008, "Key General Obligation Ratio Credit Ranges – Analysis Vs. Reality," Standard & Poor's described how we look beyond the levels of commonly used ratios to better understand credit performance. We believe that ratios, while useful and, in fact, essential to the analysis of municipal credit quality, do not always present a complete credit picture. In our view, often a more qualitative assessment can be appropriate in capturing some of the strengths and weaknesses inherent in the state and local government sector.

Reading Beyond The Ratios

Reading beyond the numbers is an important part of our ratings analysis. This applies to economic data, financial metrics, and administrative and debt factors. For instance, a city's general fund balance may be below the median for a rating category, but we might still consider the balance to be very strong. We believe that analytical discretion points to the fact that while a fund balance of 20% of expenditures may be below a median for the rating category, it may nevertheless provide what we consider a sufficient reserve position based on the entity's cash flow cycle, and therefore the credit may be well within range for its category despite the deviation from the median in absolute terms. Likewise, a household effective buying income of 90% of the U.S. level is below the median, but may in our view be high enough to support a typical tax burden. We believe the rating should focus primarily on this question of sufficiency.

Having said that, there will continue to be cases, however, when our ratings are tied more closely to an issuer's median ratios. Such would be the case if fund balances were low and we considered revenue to be volatile, or if household incomes were low in conjunction with elevated debt levels.

Consistent with this approach, Standard & Poor's has identified a number of municipal credit ratings that we believe should be upgraded at this time.

A More-Balanced Opinion

Broadly speaking, these are issuers that we believe to be fundamentally strong, at least in the 'A' category or better, and that we believe merit ratings higher than what their key ratios might otherwise imply. For instance, the municipalities in table 1 are issuers that, while we consider them to be strong, may have certain ratios that historically have been below a median for their rating category. Our assessment aims to evaluate strong credits, notwithstanding some below-median characteristics such as income levels or fund balances.

Issuer Review

Table 1

Issuer Review

Issuer	New Rating	Previous Rating	Analyst	Comment
Alabama				
Dothan	AA-	A+	Scott Sagen	Dothan is the retail, service, and industrial center of a primarily agricultural area in southeastern Alabama. The population has grown slowly to an estimated 64,790, and officials expect the trend to continue. The city's position as a retail hub contributes to per capita retail sales equal to 216% of the nation. Dothan's financial position is in our view strong, as evidenced by a trend of what we consider very strong reserves. The city ended fiscal 2008 with $23.5 million, or in our view a very strong 27% of expenditures. Sales tax revenue, which accounts for a large 77% of general fund revenues, has been a steady source of income, increasing 53% over the past four years.
Hoover	AA+	AA	Daniel Cuddy	Hoover, with an estimated population of 71,356, is located 10 miles south of Birmingham and is its largest and most affluent suburban center. The Riverchase Galleria, the state's largest shopping mall, is an economic staple for the region, accounting for over 30% of Hoover's sales tax revenues. While the city has lost a few major retail establishments, including Circuit City and Linens 'n Things, the city is scheduled to open a SuperTarget in October. Sales tax revenues, which account for 70% of the general revenues, are up $93,000 over the city's projections for the year thus far; however, revenues are down $2 million from the year-earlier period. The unreserved general fund balance has historically remained very strong in our view, and is currently at $30.8 million, or a very strong 34.7% of expenditures. Overall net debt levels are a high $6,743 per capita and a moderate 5.1% of market value. City officials currently have all of the approved capital projects fully funded, and we understand do not have any plans to issue additional debt in the next three years.
Opelika	AA-	A+	Scott Sagen	Opelika, with an estimated population of 29,000, is located just east of Auburn in eastern Alabama. The city serves as regional retail center, as evidenced by what we consider a strong 179% retail sales per capita, and its strong market value per capita reflects in our view healthy industrial investment and development. Following three consecutive years of general fund surpluses equal to at least $4 million, we believe the city's financial position is solid with very strong reserves equal to 61% of expenditures. We understand that management does not plan to draw down reserves, and has an informal reserve target equal to 20% of expenditures. The city has historically funded its capital needs on a pay-as-you-go basis, so debt levels are in our view moderate. City officials indicate they plan to issue debt in 2011.
Louisiana				

Table 1

Issuer Review (cont.'d)

Covington	A+	A-	Sarah Smaardyk	Covington, with a population of 8,580, is the St. Tammany Parish seat, and is located about 40 miles north of New Orleans. The local economy is centered on government, retailing, and health care. In our opinion, Covington's financial performance has been very strong, as the city has posted unreserved general fund balances in excess of 36% of annual expenditures since fiscal 2002. It closed fiscal 2007 (Dec. 31) with what we consider a strong $11.4 million unreserved fund balance, equal to roughly 79% of operating expenditures. Fiscal 2008 projections reflect a $1.6 million draw, which was transferred to the utility fund. The fiscal 2009 budget is balanced, and we understand that management has no plans to draw down the fund balance. At this time, we understand that Covington has no plans to issue additional debt.
Iberia Parish	A+	A	Daniel Cuddy	Iberia Parish, with an estimated population of 75,125, is located in southern Louisiana, about 140 miles west of New Orleans. The economy is dependent on a volatile oil and gas sector, but commercial development in the Port of Iberia as well as the growth in manufacturing have alleviated some of that dependency. Iberia Parish has constructed three elementary schools in the last year, one of which was relocated due to damage by Hurricane Rita. The unreserved general fund balance at the end of fiscal 2008 decreased slightly to approximately $1.5 million, or in our view a very strong 32.8% of expenditures. The parish's sales tax revenues, which account for 33% of its general fund, increased 37% in 2008 to an unaudited $8.4 million. The overall net debt burden is what we consider a very low $58 per capita and a low 0.1% of market value. We understand that the parish is considering issuing $10 million of debt to finance a road construction project in the next six to 12 months.
Lincoln Parish	A+	A-	Daniel Cuddy	Located in north-central Louisiana, Lincoln Parish, with a population estimate of 42,611, is home to Grambling State University and Louisiana Tech, both located in Ruston, the county seat. While the two universities account for what we consider a significant portion of the employment base, the parish also has an oil and gas component and some manufacturing activities. The parish recently built a Celebrity Theater complex, which will house restaurants and a multiscreen cineplex. The unreserved general fund balance increased in 2008 to $2.49 million, or in our view a very strong 130.5% of expenditures. Sales tax revenues, which have steadily increased since fiscal 2005, reached an unaudited $4.61 million in 2008; however, officials are projecting a slight decrease in 2009. The overall net debt burden is in our view a very low $104 per capita and a low 0.2% of true value. We understand that the parish is considering a $1.5 million issuance to purchase a building adjacent to the courthouse in the next 12 to 18 months.
Natchitoches	A	A-	Daniel Cuddy	Natchitoches, with an estimated population of 16,972, is the chief city in Natchitoches Parish in west-central Louisiana. It is the regional employment, trade, and services anchor for Shreveport and Alexandria along Interstate 49. The city is also home to Northwestern State University, which is a leading employer with an estimated enrollment of 10,200. The city's assessed value (AV) has grown 27% in the past five fiscal years, to about $87.5 million. Natchitoches has an unreserved general fund balance of $1.78 million, or in our view a very strong 15.5% of expenditures. The balance has increased more than 62% since fiscal 2005. Sales tax revenues provide more than 66% of total general revenues. The overall net debt burden is what we consider a very low $432 per capita and a low 1.5% of market value. The city council has approved a proposal to issue $5 million in utility revenue bonds — tentatively set for August — for renovations to the water plant in fiscal 2010.
St. Martin Parish	A+	BBB+	Brian Marshall	St. Martin Parish, with a population estimate of 52,128, is in south-central Louisiana, about 45 miles west of Baton Rouge. The parish is split into distinct portions, with most development occurring in the area north of Iberia Parish. The economy is dependent on oil- and gas-related companies, which are the leading employers and taxpayers. However, there is no concentration among the top 10 taxpayers. Assessed value increased by more than 30% in the past five years, to over $250 million for fiscal 2008. Median household income is adequate at 84% of the national average. According to audited fiscal 2007 (Dec. 31) results, the unreserved general fund balance remains in our view very strong at $2.5 million, or 112% of operations. Officials project ending fiscal 2008 with a modest operating surplus. We understand that parish officials have no immediate debt plans. Debt carrying charges are in our view high at 25%, with all principal retired by 2025. Overall debt levels are what we consider low at around 1% of market value.
Mississippi				

Table 1

Issuer Review (cont.'d)				
Laurel	A+	A-	Daniel Cuddy	Laurel, with an estimated population of 18,594, is the seat of Jones County in southeastern Mississippi. While the economic base has health care and manufacturing components, state and county government jobs account for 18% of employment. The city has seen AV growth of 11% in the past five years; the city believes this growth should continue with the addition of 80-100 houses that are being voluntarily annexed by the city. City officials believe that although sales tax revenues are down 3% from last year, the Dixie Youth World Series in August should boost sales tax revenues. The unaudited unreserved general fund balance increased to $5.02 million, or in our view a very strong 35.1% of expenditures. The city drew $80,000 from its general fund to buy land to build a fire station. The overall net debt burden is what we consider moderate at $2,740 per capita and 4.6% of true value. City officials have indicated the need to issue $1.5 million in the next six months for the construction of the fire station.
Oklahoma				
Jenks	A+	A	James Breeding	The city of Jenks, with nearly 15,000 residents, is a suburb of Tulsa. Recent residential and commercial expansion has led to growth in assessed valuation, although the tax base remains concentrated. High industrial values have also led to high market value per capita indicators, while income levels are in our view good throughout the county. In our opinion, the city's financial position has remained consistently strong with very high reserves. The debt position remains relatively unchanged with what we consider moderate debt ratios and limited capital needs.
Midwest City	A+	A	Sarah Smaardyk	Midwest City is a mature, primarily residential community in eastern Oklahoma County, with good transportation access to diverse employment opportunities in the Oklahoma City area eight miles away. Fiscal 2007 audited results reflect a $2.7 million unreserved general fund balance, or in our view a strong 26% of expenditures. Unaudited results for fiscal 2008 reflect an unreserved general fund balance of $1.75 million. The decline is attributed to the transfer of reserves to a capital fund and disaster relief fund. The fiscal 2009 adopted budget is balanced, and management is projecting break-even operations. We understand that management has no plans to issue additional debt.
Texas				
Baytown	AA	AA-	Sarah Smaardyk	Baytown, with a population of 72,215, is 20 miles east of downtown Houston at the entry of the Houston Ship Channel. Due to the city's location, it has attracted substantial investment in petrochemical-related industries, including Exxon Mobil Corp., Bayer Corp., and Chevron Phillips Corp. AV growth has been steady, increasing an average of 5.6% annually since fiscal 2004, to $2.5 billion in fiscal 2008. Management drew down the fund balance by roughly $3.7 million for one-time capital expenditures in fiscal 2008, bringing the unreserved general fund balance to $15.4 million, or, in our opinion, a very strong 30.6% of expenditures.
Copperas Cove	A+	A-	Brian Marshall	Copperas Cove, with a population of roughly 28,000, is primarily a residential community in Coryell County in central Texas. The city benefits from its close proximity to Fort Hood, the largest military base in the U.S. and an important part of the area economy. The base supports nearly 40,000 military personnel and roughly 15,000 civilian personnel; the base's economic effect reaches deep into a regional economy that is otherwise limited. AV growth has been steady, increasing an average of 8.5% annually to $1.1 billion in fiscal 2009, from $641 million in fiscal 2002. Wealth and income levels remain below average, as demonstrated by a market value per capita of about $30,000. Median household effective buying income is slightly below average at 96% of the nation's average. The city finished fiscal 2008 with an unreserved general fund balance of $3.7 million, or in our view a very strong 25% of operations. Based on unaudited figures, management expects to finish fiscal 2009 with similar reserve levels. Overall debt levels are what we consider low at 2.8% of market value. The amortization schedule is average, with all debt retired in 20 years, and fiscal 2008 carrying charges are moderate at 10%. We understand that the city may issue $4.5 million of debt in the next 12 months.

Table 1

Issuer Review (cont.'d)

Dripping Springs	BBB+	BBB-	Kate Choban	Located in Hays County about 26 miles southwest of Austin, the city has a population of 1,717. Once an agricultural community, it has become an outer-ring bedroom community for Austin. Income levels are in our view strong at 117% of the nation's average and $111,260 per capita. Dripping Springs' financial position has fluctuated over the past several years. In fiscal 2006, the city drew down the general fund balance by $96,000 after $107,000 in transfers to prepay debt service for the following fiscal year. This resulted in a $48,000 unreserved general fund deficit. The city closed fiscal 2007 with a $962,000 operating surplus, which brought the unreserved fund balance to $200,000, or in our view a strong 19% of expenditures. It ended fiscal 2008 with an unreserved fund balance of only $175,000, or 5.6% of expenditures due to a one-time drawdown. The fiscal 2009 budget is balanced. Overall net debt levels are what we consider moderately high at 8.9% of market value and high at $9,937 per capita. Debt service carrying charges accounted for in our view a high 31% of expenditures in fiscal 2007.
Harlingen	AA-	A+	Horacio Aldrete	Located in Cameron County, about 10 miles north of the Mexican border, Harlingen has positioned itself as a trade and health care services hub for the lower Rio Grande Valley, which includes nearby McAllen and Brownsville. The property tax base has experienced steady growth, increasing by an average of 6.2% over the past five years, to $2.5 billion in fiscal 2009 due mainly to new building activity. Harlingen's financial performance and position remain strong in our view. Fiscal 2008 unaudited figures reflect a general fund balance of approximately $11 million, which is slightly lower than the fiscal 2007 level, but still, in our view, very strong at roughly 38% of expenditures. For fiscal 2009, city management is anticipating balanced operations. Sales tax collections, which account for roughly 38% of total revenues, remain in our view strong despite the recession, increasing 4% relative to budget and 6.8% relative to last year's collections through March 2009. Overall net debt levels remain what we consider moderate at $1,718 per capita and 4.2% of market value. We understand that management does not plan to issue additional debt in the next year.
Nacogdoches	A+	A	Jennifer Garza	Nacogdoches is located about 140 miles north of Houston and 90 miles southwest of Shreveport, La. AV has increased by 5% annually since fiscal 2005, to $1.3 billion for fiscal 2009. The city is the industrial and commercial center of Nacogdoches County and home to Stephen F. Austin University. Pilgrim's Pride, a leading employer, filed for Chapter 11 bankruptcy on Dec. 1, 2008, and temporarily shut down one of its production lines. However, the company is now rehiring workers. Management has indicated several economic development opportunities, which once finalized, could add about 1,000 jobs. The city ended fiscal 2008 with a $5.3 million unreserved general fund balance, or in our view a very strong 23% of expenditures, subsequent a $2.7 million drawdown attributable to hurricane expenses and street and drainage improvements. Fiscal 2009 performance is on budget and should break even. The fiscal 2010 budget is balanced and anticipates the use of reserves for capital improvements. We understand that the city does not plan to issue debt in the next 12 months.
Portland	A+	A-	Daniel Cuddy	Portland, with an estimated population of 16,797, is located of the Gulf Coast, approximately seven miles northeast of Corpus Christi. While the local economy is limited, the city benefits from its proximity to Corpus Christi as a regional economic center. The city is anticipating a loss of 1,000 residents for fiscal 2009 resulting from the Base Realignment and Closure of Naval Station Ingleside. The city expects that this loss may be somewhat offset by the opening of a pipe manufacturing company, which the city believes should generate 300 jobs. AV has grown 44% in the last five years, to $782 million. The unreserved general fund balance is in our view a very strong 38.7% of governmental expenditures, which is consistent with a five-year trend. Overall net debt levels are what we consider moderate at $2,511 per capita and 5.4% of total market value. We understand that city officials expect to issue up to $4.5 million in the next four years for street maintenance and construction projects.
Red Oak	A+	A-	Daniel Cuddy	Red Oak, with a population estimate of 6,671, is in Ellis County, about 20 miles south of downtown Dallas. The city is primarily a residential area with direct transportation access to employment opportunities in Dallas. While retail and commercial activity within the city remains limited, Wal-Mart has purchased land in the city for development. The city has annexed two parcels of undeveloped land totaling over 60 acres, and officials are looking to enter into a contract for a comprehensive land use plan within the next 45 days. Total AV has averaged 17% yearly growth over the last five years, to $516 million currently. The general fund balance is down slightly from 2007 but still remains strong, in our view, at 13.8% of governmental expenditures. We find the city's overall net debt levels high at $11,593 per capita and 15% of market value. Red Oak is looking to receive federal stimulus funding for a $6 million street widening project, which we understand may require issuing additional debt.

Table 1

Issuer Review (cont.'d)

San Benito	A-	BBB+	Horacio Aldrete	San Benito has benefited from the increase in trade and economic growth in the Brownsville-Harlingen-San Benito area since the advent of the North American Free Trade Agreement. The city's property tax base continues to demonstrate what we consider solid growth. AV increased by an average of 6.6% annually over the past five years, to more than $551 million for fiscal 2009. For fiscal 2008, management expects the unreserved general fund balance to remain close to fiscal 2007's strong level of $1.9 million, or 20% of expenditure. For fiscal 2009, management expects balanced operations. Most of San Benito's overall net debt is attributable to San Benito Consolidated Independent School District. After accounting for the significant state funding that offsets an estimated 79% of the area's school district debt service, and self-support from the water and sewer system, the overall net debt is reduced to what we consider a moderately high $1,392 per capita and 7.5% of market value. We understand that management does not plan to issue debt in the next year.

Table 2

Selected Credit Ratios

Issuer	Median Househould Effective Buying Income (% of US)	Market Value Per Capita ($)	Unreserved General Fund Balance (% of Operating Expenditures)	Financial Management Assessment	Debt Service Carrying Charge (% of Expenditures)
Alabama					
Dothan	81	77,950	27	Good	9
Hoover	147	133,414	35	Good	10
Opelika	81	72,700	65	Standard	24
Louisiana					
Covington	90	95,769	79	Good	8
Iberia Parish	81	53,002	33	Standard	6
Lincoln Parish	69	53,273	131	Good	4
Natchitoches	62	28,027	16	Standard	8
St. Martin Parish	84	44,112	112	Standard	25
Mississippi					
Laurel	62	62,231	35	Standard	13
Oklahoma					
Jenks	131	124,606	94	Standard	19
Midwest City	82	40,580	26	Standard	5
Texas					

Table 2

Selected Credit Ratios (cont.'d)

Issuer	Median Household Effective Buying Income (% of US)	Market Value Per Capita ($)	Unreserved General Fund Balance (% of Operating Expenditures)	Financial Management Assessment	Debt Service Carrying Charge (% of Expenditures)
Baytown	95	34,217	30	Good	12
Copperas Cove	96	41,165	25	Good	10
Dripping Springs	117	111,260	6	Standard	26
Harlingen	73	40,748	37	Good	12
Nacogdoches	57	41,421	23	Good	5
Portland	114	46,582	39	Good**	14
Red Oak	98	77,326	14	Standard	9
San Benito	61	18,652	21	Standard	10

Contact Information

Table 3

Contact Information

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