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AGENDA ITEM MEMO

BOARD MEETING DATE: May 11, 2026

TO: Board Members

THROUGH: Bryan McMath, Executive Administrator
Ashley Harden, General Counsel
Georgia Sanchez, Chief Financial Officer

FROM: Dain Larsen, Director, Debt and Portfolio Management
Thomas Quick, Financial Analyst, Debt and Portfolio Management

SUBJECT: 2026 State Water Implementation Revenue Fund for Texas (SWIRFT) and General Obligation Bond Sale

ACTION REQUESTED

Consider authorizing the Executive Administrator, Chief Financial Officer, General Counsel, Development Fund Manager, and Director of Debt and Portfolio Management to initiate the 2026 SWIRFT revenue bond and Water Financial Assistance general obligation bond sale and approve the selection of financial advisor, bond counsels, disclosure counsel, senior, and co-managing underwriters.

BACKGROUND

Staff has utilized a long-range planning tool developed by the Board's financial advisor to actively manage the State Water Implementation Fund for Texas (SWIFT) program and guide the implementation of certain credit enhancements to the program. The issuance of general obligation bonds to provide financial assistance for SWIFT projects has been identified as an effective means to enhance capacity within the SWIFT program.

Section 49-d-12 of the Texas Constitution and Texas Water Code, Chapter 15, provide authority to make transfers from SWIFT to the Water Development Fund through the execution of bond enhancement agreements to provide additional security for general obligation bonds that are used to finance projects in the State Water Plan.

Early planning and preparation are necessary to ensure a successful SWIRFT bond sale. Timely selection of the financial advisor, bond counsel, and disclosure counsel provides sufficient time for coordination and preparation of legal and disclosure documents, rating agency processes, investor outreach, and other activities.

KEY ISSUES

Recommendations for a financing team are as follows: Hilltop Securities Inc. as financial advisor; Morgan Stanley & Co. LLC, as senior managing underwriter for the transaction; and recommended co-managing underwriters include BofA Securities, Inc, Estrada Hinojosa & Co. Inc., FHN Financial Capital Markets, Jefferies Financial Group, Inc. J.P. Morgan, Ramirez & Co., Inc., Raymond James Financial Inc., RBC Capital Markets LLC, Siebert Williams Shank & Co., Stifel Nicolaus, & Company, Inc, and Wells Fargo.

Bracewell is recommended as disclosure counsel; McCall, Parkhurst & Horton L.L.P. as bond counsel for the SWIRFT revenue bonds; and Orrick, Herrington & Sutcliffe LLP as bond counsel for the Water Financial Assistance general obligation bonds. Selecting separate bond counsel firms for the revenue and general obligation bonds will facilitate more individual focus on the respective bond series which have different underlying legal requirements.

Upon Board approval, staff will engage the service providers, undertake the debt issuance approval process as required by the Legislative Budget Board and Bond Review Board, and take other necessary steps to prepare the bonds for issuance and sale. The Executive Administrator will return to the Board with a request to adopt the associated bond indenture(s), resolution(s) and other documentation for any series issued under this item.

RECOMMENDATION

The Executive Administrator recommends authorizing the Executive Administrator, Chief Financial Officer, General Counsel, Development Fund Manager, and Director of Debt and Portfolio Management to initiate the 2026 SWIRFT revenue bond and Water Financial Assistance general obligation bond sale; and approving the selection of financial advisor, bond counsels, disclosure counsel, senior underwriter, and co-managing underwriters.