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AGENDA ITEM MEMO

BOARD MEETING DATE: October 1, 2026

TO: Board Members

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

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

SUBJECT: Lending Rates for the Fall 2026 State Water Implementation Fund for Texas Program

ACTION REQUESTED

Consider approving by resolution the establishment of lending rate scales for financial assistance provided under the State Water Implementation Fund for Texas program through the State Water Implementation Revenue Fund for Texas and the Financial Assistance Account of the Texas Water Development Fund II to be effective October 1, 2026.

BACKGROUND

The Texas Water Development Board (TWDB) is authorized to issue revenue bonds associated with State Water Implementation Revenue Fund for Texas (SWIRFT) under Article 3, Section 49-d-13 of the Texas Constitution and Chapter 15, Subchapter H of the Texas Water Code. SWIRFT bonds are issued to provide financial assistance to political subdivisions for projects included in the state water plan through the TWDB's State Water Implementation Fund for Texas (SWIFT) program.

The TWDB is authorized to issue General Obligation (GO) bonds associated with the Texas Water Development Fund II under the Texas Constitution and general laws of the State, including particularly Article III, Sections 49-d-8, and 49-d-11, Texas Constitution; Subchapter L of Chapter 17 of the Texas Water Code, as amended; Chapter 1207, Texas Government Code, as amended, and Chapter 1371, Texas Government Code, as amended.

The SWIFT program offers financial assistance through the purchase of political subdivision obligations through three types of financing structures: 1) low-interest, 2) deferred interest,

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L'Oreal Stepney, P.E., Chairwoman | W. Brady Franks, Board Member | Ashley Morgan, Board Member
Bryan McMath, Executive Administrator

and 3) incremental repurchase for an acquired facility, also known as Board Participation. The TWDB adopted the subsidies applicable to this prioritization cycle on April 16, 2026.

Pursuant to 31 Texas Administrative Code §363.33(b), the TWDB will set new lending rate scales after each bond sale or as necessary to meet changing market conditions.

KEY ISSUES

SWIRFT bonds have provided financing for projects committed in every SWIFT program prioritization cycle since 2015. GO bonds were introduced alongside SWIRFT bonds to fund projects in the 2025 SWIFT prioritization cycle, and both GO and SWIRFT bonds will be used to provide financing for projects closing in the 2026 SWIFT cycle. Separate proposed lending rate scales have been developed for each standard subsidy as applicable and for the unique principal structure needs for certain entities. The tax-exempt rates are based upon the blended yields of the SWIRFT Series 2026 bonds and the GO Series 2026A bonds, the taxable rates are based on the GO Series 2026B bonds, and each scale will be reduced by any applicable subsidy.

The TWDB priced the SWIRFT Series 2026 (Master Trust) on September 23, 2026, and the GO Water Financial Assistance Bonds, Series 2026A (State Water Plan) and GO Water Financial Assistance Bonds, Taxable Series 2026B (State Water Plan) on September 24, 2026, both of which are expected to close on October 9, 2026. Once the lending rate scales are approved, the underlying political subdivisions will commence the process for closing on their obligations by the deadline of December 11, 2026.

RECOMMENDATION

The Executive Administrator recommends approving by resolution the establishment of lending rate scales for financial assistance provided under the State Water Implementation Fund for Texas program through the State Water Implementation Revenue Fund for Texas and the Financial Assistance Account of the Texas Water Development Fund II to be effective October 1, 2026.

Attachment(s):

1. Resolution (26-

A RESOLUTION OF THE TEXAS WATER DEVELOPMENT BOARD
APPROVING THE ESTABLISHMENT OF
LENDING RATE SCALES FOR
THE PROJECT FINANCING ACCOUNT OF
THE STATE WATER IMPLEMENTATION REVENUE FUND FOR TEXAS
AND THE FINANCIAL ASSISTANCE ACCOUNT OF THE
TEXAS WATER DEVELOPMENT FUND II

(26-)

Recitals:

The Texas Water Development Board (TWDB) is the designated agency of the State charged with the responsibility of administering the State Water Implementation Revenue Fund for Texas (SWIRFT) under the provisions of Article 3, Section 49-d-13 of the Texas Constitution and Chapter 15, Subchapter H of the Texas Water Code.

The TWDB is the designated agency of the State charged with the responsibility of administering the Development Fund II (DFund II) under the provisions of Article 3, Sections 49-d-8, 49-d-9, and 49-d-11 of the Texas Constitution and Chapter 17, Subchapter L of the Texas Water Code.

On September 23, 2026, the TWDB priced and sold State Water Implementation Revenue Fund for Texas Revenue Bonds, Series 2026 (Master Trust) (the SWIRFT Revenue Bonds).

On September 24, 2026, the TWDB priced and sold State of Texas Water Financial Assistance Bonds, Series 2026A (State Water Plan) and the State of Texas Water Financial Assistance Bonds, Taxable Series 2026B (State Water Plan) (collectively referred to herein as the GO Bonds).

31 Texas Administrative Code § 363.33 provides that the Board will set the lending rate scale for SWIRFT (which may include an interest rate subsidy for financing from the SWIRFT) with separate lending rate scales for tax-exempt and taxable projects.

31 Texas Administrative Code § 363.1306 also provides that the Executive Administrator will set interest rates for financial assistance from the SWIRFT, identifying the appropriate scale for each political subdivision obligation.

31 Texas Administrative Code § 363.33(b) provides that the TWDB will set lending rate scales after each bond sale for DFund II, or as necessary to meet changing market conditions. The Board will set the lending rate scales for loans and state participation projects based upon cost of funds, risk factors in managing the loan portfolio, and market rate scales.

In conjunction with the September 23, 2026 sale of the SWIRFT Revenue Bonds and the September 24, 2026 sale of the GO Bonds, lending rate scales, as set forth in Exhibit A, have been prepared that will apply to financial assistance from the SWIFT program, including financial assistance from DFund II, and, to which documents express reference is made.

Findings:

The TWDB finds that the establishment of lending rate scales for financial assistance provided from the SWIRFT Revenue Bonds and the GO Bonds is necessary.

NOW, THEREFORE, based on these recitals, the Texas Water Development Board resolves as follows:

The TWDB approves the lending rate scales as set forth in Exhibit A, as attached to this Resolution, effective October 1, 2026 for the lending rates that apply to financial assistance provided from the Project Financing Account of the Series 2026 Bond Indenture of the State Water Implementation Revenue Fund for Texas and the Financial Assistance Account of the Texas Water Development Fund II.

APPROVED and ordered of record this the 1st day of October 2026.

TEXAS WATER DEVELOPMENT BOARD

L'Oreal Stepney, P.E., Chairwoman

DATE SIGNED: _____

ATTEST:

Bryan McMath, Executive Administrator

Texas Water Development Board
2026 SWIFT Funding Cycle Tax-Exempt Interest Rates

		Lending Rates as of October 1, 2026 ¹							
Year	TWDB Yield to Maturity	Board Participation	Deferred	Low-Interest 20-yr Loan	Low-Interest 25-yr Loan	Low-Interest 30-yr Loan	Rural/Agricultural Low-Interest 20-yr Loan	Rural/Agricultural Low-Interest 25-yr Loan	Rural/Agricultural Low-Interest 30-yr Loan
		<i>0.00% Subsidy</i>	<i>0.00% Subsidy</i>	<i>25.00% Subsidy</i>	<i>18.00% Subsidy</i>	<i>14.00% Subsidy</i>	<i>50.00% Subsidy</i>	<i>34.00% Subsidy</i>	<i>27.00% Subsidy</i>
		(YTM + COI)	(YTM + COI)	(YTM + COI)	(YTM + COI)	(YTM + COI)	(YTM + COI)	(YTM + COI)	(YTM + COI)
2027	3.34%	3.38%	3.38%	2.55%	2.78%	2.91%	1.71%	2.24%	2.48%
2028	3.42%	3.46%	3.46%	2.61%	2.84%	2.98%	1.75%	2.30%	2.54%
2029	3.48%	3.52%	3.52%	2.65%	2.89%	3.03%	1.78%	2.34%	2.58%
2030	3.55%	3.59%	3.59%	2.70%	2.95%	3.09%	1.82%	2.38%	2.63%
2031	3.68%	3.72%	3.72%	2.80%	3.06%	3.20%	1.88%	2.47%	2.73%
2032	3.76%	3.80%	3.80%	2.86%	3.12%	3.27%	1.92%	2.52%	2.78%
2033	3.86%	3.90%	3.90%	2.94%	3.21%	3.36%	1.97%	2.59%	2.86%
2034	3.91%	3.95%	3.95%	2.97%	3.25%	3.40%	2.00%	2.62%	2.89%
2035	3.98%	4.02%	4.02%	3.03%	3.30%	3.46%	2.03%	2.67%	2.95%
2036	4.09%	4.13%	4.13%	3.11%	3.39%	3.56%	2.09%	2.74%	3.03%
2037	4.22%	4.26%	4.26%	3.21%	3.50%	3.67%	2.15%	2.83%	3.12%
2038	4.47%	4.51%	4.51%	3.39%	3.71%	3.88%	2.28%	2.99%	3.30%
2039	4.58%	4.62%	4.62%	3.48%	3.80%	3.98%	2.33%	3.06%	3.38%
2040	4.63%	4.67%	4.67%	3.51%	3.84%	4.02%	2.36%	3.10%	3.42%
2041	4.76%	4.80%	4.80%	3.61%	3.94%	4.13%	2.42%	3.18%	3.51%
2042	4.78%	4.82%	4.82%	3.63%	3.96%	4.15%	2.43%	3.19%	3.53%
2043	4.88%	4.92%	4.92%	3.70%	4.04%	4.24%	2.48%	3.26%	3.60%
2044	4.86%	4.90%	4.90%	3.69%	4.03%	4.22%	2.47%	3.25%	3.59%
2045	4.90%	4.94%	4.94%	3.72%	4.06%	4.25%	2.49%	3.27%	3.62%
2046	4.94%	4.98%	4.98%	3.75%	4.09%	4.29%	2.51%	3.30%	3.65%
2047	5.07%	5.11%	5.11%	3.84%	4.20%	4.40%	2.58%	3.39%	3.74%
2048	5.07%	5.11%	5.11%		4.20%	4.40%		3.39%	3.74%
2049	5.14%	5.18%	5.18%		4.25%	4.46%		3.43%	3.79%
2050	5.16%	5.20%	5.20%		4.27%	4.48%		3.45%	3.81%
2051	5.16%	5.20%	5.20%		4.27%	4.48%		3.45%	3.81%
2052	5.22%	5.26%	5.26%		4.32%	4.53%		3.49%	3.85%
2053	5.22%	5.26%	5.26%			4.53%			3.85%
2054	5.27%	5.31%	5.31%			4.57%			3.89%
2055	5.27%	5.31%	5.31%			4.57%			3.89%
2056	5.27%	5.31%	5.31%			4.57%			3.89%
2057	5.30%	5.34%	5.34%			4.60%			3.91%
2058	5.25%	5.29%							
2059	5.25%	5.29%							
2060	5.25%	5.29%							
2061	5.25%	5.29%							

Delivery Date: 10/9/2026

¹Rates are based on TWDB actual cost of funds for the SWIRFT Series 2026 and Water Financial Assistance Series 2026A bonds, which include premiums, and cost of issuance of 0.04%. The rates above reflect conversion of TWDB premium bonds to borrower par bonds.

Texas Water Development Board

2026 SWIFT Funding Cycle Non-Level Tax Exempt Interest Rates

Year	TWDB Yield to Maturity	Lending Rates as of October 1, 2026 ¹	
		Guadalupe Blanco River Authority <i>13.45% Subsidy</i> (YTM + COI)	North Harris Co Regional Water Authority <i>13.85% Subsidy</i> (YTM + COI)
2027	3.34%	2.93%	2.92%
2028	3.42%	3.00%	2.99%
2029	3.48%	3.05%	3.04%
2030	3.55%	3.11%	3.10%
2031	3.68%	3.23%	3.21%
2032	3.76%	3.29%	3.28%
2033	3.86%	3.38%	3.37%
2034	3.91%	3.42%	3.41%
2035	3.98%	3.48%	3.47%
2036	4.09%	3.58%	3.56%
2037	4.22%	3.69%	3.68%
2038	4.47%	3.91%	3.89%
2039	4.58%	4.00%	3.99%
2040	4.63%	4.05%	4.03%
2041	4.76%	4.16%	4.14%
2042	4.78%	4.18%	4.16%
2043	4.88%	4.26%	4.24%
2044	4.86%	4.25%	4.23%
2045	4.90%	4.28%	4.26%
2046	4.94%	4.32%	4.30%
2047	5.07%	4.43%	4.41%
2048	5.07%	4.43%	4.41%
2049	5.14%	4.49%	4.47%
2050	5.16%	4.51%	4.49%
2051	5.16%	4.51%	4.49%
2052	5.22%	4.56%	4.54%
2053	5.22%	4.56%	4.54%
2054	5.27%	4.60%	4.58%
2055	5.27%	4.60%	4.58%
2056	5.27%	4.60%	4.58%
2057	5.30%	4.63%	4.61%

Delivery Date: 10/9/2026

¹Rates are based on TWDB actual cost of funds for the SWIRFT Series 2026 and Water Financial Assistance Series 2026A bonds, which include premiums, and cost of issuance of 0.04%. The rates above reflect conversion of TWDB premium bonds to borrower par bonds.

Texas Water Development Board
2026 SWIFT Funding Cycle Taxable Interest Rates

		Lending Rates as of October 1, 2026 ¹							
Year	TWDB Yield to Maturity	Board Participation <i>0.00% Subsidy</i>	Deferred <i>0.00% Subsidy</i>	Low-Interest 20-yr Loan <i>20.00% Subsidy</i>	Low-Interest 25-yr Loan <i>14.00% Subsidy</i>	Low-Interest 30-yr Loan <i>10.00% Subsidy</i>	Rural/Agricultural Low-Interest 20-yr Loan <i>40.00% Subsidy</i>	Rural/Agricultural Low-Interest 25-yr Loan <i>27.00% Subsidy</i>	Rural/Agricultural Low-Interest 30-yr Loan <i>22.00% Subsidy</i>
		(YTM + COI)	(YTM + COI)	(YTM + COI)	(YTM + COI)	(YTM + COI)	(YTM + COI)	(YTM + COI)	(YTM + COI)
2027	4.97%	5.01%	5.01%	4.02%	4.31%	4.51%	3.02%	3.67%	3.92%
2028	5.02%	5.06%	5.06%	4.06%	4.36%	4.56%	3.05%	3.70%	3.96%
2029	5.10%	5.14%	5.14%	4.12%	4.43%	4.63%	3.10%	3.76%	4.02%
2030	5.15%	5.19%	5.19%	4.16%	4.47%	4.68%	3.13%	3.80%	4.06%
2031	5.20%	5.24%	5.24%	4.20%	4.51%	4.72%	3.16%	3.84%	4.10%
2032	5.32%	5.36%	5.36%	4.30%	4.62%	4.83%	3.23%	3.92%	4.19%
2033	5.37%	5.41%	5.41%	4.34%	4.66%	4.87%	3.26%	3.96%	4.23%
2034	5.45%	5.49%	5.49%	4.40%	4.73%	4.95%	3.31%	4.02%	4.29%
2035	5.52%	5.56%	5.56%	4.46%	4.79%	5.01%	3.35%	4.07%	4.35%
2036	5.52%	5.56%	5.56%	4.46%	4.79%	5.01%	3.35%	4.07%	4.35%
2037	5.58%	5.62%	5.62%	4.50%	4.84%	5.06%	3.39%	4.11%	4.39%
2038	5.67%	5.71%	5.71%	4.58%	4.92%	5.14%	3.44%	4.18%	4.46%
2039	5.75%	5.79%	5.79%	4.64%	4.99%	5.22%	3.49%	4.24%	4.53%
2040	5.80%	5.84%	5.84%	4.68%	5.03%	5.26%	3.52%	4.27%	4.56%
2041	5.85%	5.89%	5.89%	4.72%	5.07%	5.31%	3.55%	4.31%	4.60%
2042	5.93%	5.97%	5.97%	4.78%	5.14%	5.38%	3.60%	4.37%	4.67%
2043	5.93%	5.97%	5.97%	4.78%	5.14%	5.38%	3.60%	4.37%	4.67%
2044	5.93%	5.97%	5.97%	4.78%	5.14%	5.38%	3.60%	4.37%	4.67%
2045	5.93%	5.97%	5.97%	4.78%	5.14%	5.38%	3.60%	4.37%	4.67%
2046	5.93%	5.97%	5.97%	4.78%	5.14%	5.38%	3.60%	4.37%	4.67%
2047	6.21%	6.25%	6.25%	5.01%	5.38%	5.63%	3.77%	4.57%	4.88%
2048	6.21%	6.25%	6.25%		5.38%	5.63%		4.57%	4.88%
2049	6.21%	6.25%	6.25%		5.38%	5.63%		4.57%	4.88%
2050	6.21%	6.25%	6.25%		5.38%	5.63%		4.57%	4.88%
2051	6.21%	6.25%	6.25%		5.38%	5.63%		4.57%	4.88%
2052	6.21%	6.25%	6.25%		5.38%	5.63%		4.57%	4.88%
2053	6.21%	6.25%	6.25%			5.63%			4.88%
2054	6.21%	6.25%	6.25%			5.63%			4.88%
2055	6.21%	6.25%	6.25%			5.63%			4.88%
2056	6.21%	6.25%	6.25%			5.63%			4.88%
2057	6.21%	6.25%	6.25%			5.63%			4.88%

Delivery Date: 10/9/2026

¹Rates are based on TWDB actual cost of funds for the Water Financial Assistance Taxable Series 2026B bonds, and cost of issuance of 0.04%.

Texas Water Development Board

2026 SWIFT Funding Cycle Non-Level Taxable Interest Rates

Year	TWDB Yield to Maturity	Lending Rates as of October 1, 2026 ¹	
		Brazosport Water Supply Corporation <i>9.90% Subsidy</i> (YTM + COI)	Riverbend <i>9.90% Subsidy</i> (YTM + COI)
2027	4.97%	4.52%	4.52%
2028	5.02%	4.56%	4.56%
2029	5.10%	4.64%	4.64%
2030	5.15%	4.68%	4.68%
2031	5.20%	4.73%	4.73%
2032	5.32%	4.83%	4.83%
2033	5.37%	4.88%	4.88%
2034	5.45%	4.95%	4.95%
2035	5.52%	5.01%	5.01%
2036	5.52%	5.01%	5.01%
2037	5.58%	5.07%	5.07%
2038	5.67%	5.15%	5.15%
2039	5.75%	5.22%	5.22%
2040	5.80%	5.27%	5.27%
2041	5.85%	5.31%	5.31%
2042	5.93%	5.38%	5.38%
2043	5.93%	5.38%	5.38%
2044	5.93%	5.38%	5.38%
2045	5.93%	5.38%	5.38%
2046	5.93%	5.38%	5.38%
2047	6.21%	5.64%	5.64%
2048	6.21%	5.64%	5.64%
2049	6.21%	5.64%	5.64%
2050	6.21%	5.64%	5.64%
2051	6.21%	5.64%	5.64%
2052	6.21%	5.64%	5.64%
2053	6.21%	5.64%	5.64%
2054	6.21%	5.64%	5.64%
2055	6.21%	5.64%	5.64%
2056	6.21%	5.64%	5.64%
2057	6.21%	5.64%	5.64%

Delivery Date: 10/9/2026

¹Rates are based on TWDB actual cost of funds for the Water Financial Assistance Taxable Series 2026B bonds and cost of issuance of 0.04%.