



**Requested Action:**

Review and comment on the fourteen firms deemed qualified to provide interim financing for the next phase of the Sites Project and eligible to continue in the next steps of the procurement process.

**Detailed Description/Background:**

On August 25, 2025, Sites issued an RFQ soliciting firms interested in providing interim/short-term financing for the next phase of the project, including design and early construction. The form of such interim financing could include tax-exempt short-term notes, revolving bank loans, tax-exempt commercial paper or other forms of short-term financing. Sites received a robust response from the marketplace with fourteen firms submitting their qualifications and suggestions. The firms shown below include large money center banks, underwriters and regional and minority owned firms:

|                   |                              |
|-------------------|------------------------------|
| Barclays          | PNC Bank                     |
| Blaylock Van, LLC | Raymond James & Associates   |
| Bank of America   | RBC                          |
| Goldman Sachs     | US Bank                      |
| JP Morgan         | Sumitomo Mitsui Banking Corp |
| Loop Capital      | Truist                       |
| Morgan Stanley    | Wells Fargo                  |

This group of firms provides a wide range of financing products, including direct loans, revolving credit agreements, line of credit, credit support for commercial paper and other variable notes, underwriting for short-term notes and commercial paper dealer service. As such, all fourteen firms are qualified and will be included in the pool of firms that Sites will solicit proposals. The timing for the next step in the procurement process will be determined during the investor commitment period, currently planned for Spring/Summer 2026.

**Benefits and Obligations Contract/Master Resolution Considerations**

One of the purposes of the RFQ was to determine if changes would be required to the April 2025 Draft Benefits & Obligations Contract (B&O) or the November 2022 Draft Master Resolution to ensure that Sites could access financing at the lowest practical cost and to ensure there were not obstacles to commercial and

investment banks providing loans or underwriting services. In general, the responding firms noted the current structure and the take-or-pay nature of the B&O supported a strong credit rating for Sites. Some of the banks suggested that Sites consider some changes to the B&O and Master Resolution that might enhance the banks ability to loan money or underwrite a debt issuance. Such suggestions included:

- a. Adding timelines to the “default waterfall” in the B&O. Sites has provided flexibility in the B&O, but would adopt policies and procedures for implementing the default waterfall, rather than making it a contractual commitment.
- b. Changes to the rate covenant, eliminating amounts held in the Liquidity Reserve as part of coverage. Such a change is not necessary as the Liquidity Reserve is available to pay for debt service if needed, and most firms had no issue with the proposed rate covenant.
- c. Clarifying that Participants who “self-fund” would be a required recipient of the pro-rata allocation in the case where an uncured, unclaimed default exists. This is the intent of the current B&O language and further clarifications will be made to reinforce this point.
- d. Clarifying that Participants in the pooled financing are obligated to meet financing obligations that were issued even if the Project is terminated. This is the intent of the current B&O language, and all Participants would also be responsible for all costs associated with winding up the Project (including remediation and mitigation.)
- e. Change invoicing from 12 months to 18 months before Financing Obligations/Fixed O&M are due. Given the timeframe for those Participants who are utilizing the State Water Project Statements of Charges to pay for their Sites costs, Sites anticipates providing billing information at least two years prior to when Financing Obligations/Fixed O&M are due to provide the Department of Water Resources sufficient time to acquire Sites water and include the amounts in the Statements of Charges, but providing the official invoice one year in advance.

As noted above, it does not appear that these suggestions would necessitate material changes to the B&O or Master Resolution – and the recommended pool includes a number of firms that could loan or underwrite without any change to the B&O/Master Resolution.

**Staff Contact:** Shayleen O’Connell/Brian Thomas

**Primary Service Provider:** Stradling, Montague DeRose

**Attachments:** None.