

**SUBMITTED BY:** Luis Pedroza, Deputy City Manager

**MANAGEMENT TEAM REVIEW:** Ana Urquijo, City Manager

**FOCUS AREA:** Other / NA

**SUBJECT:** **RESOLUTION 25-1689**, A Resolution of the Mayor and Council of the City of Douglas, Cochise County, Arizona, **AUTHORIZING** the **EXECUTION** of a **MASTER UTILITY SERVICE AGREEMENT** with **SUSTAINABILITY PARTNERS, LLC**, that establishes a contract to provide infrastructure as a service type contract or capital recovery service contract for various city infrastructure needs for the City of Douglas.

**EXECUTIVE SUMMARY:**

The city's needs for infrastructure outpace the funding availability and capacity for traditional financing requirements. Sustainability Partners (SP) presents a solution different than financing firms by offering infrastructure as a service, where instead of financing, SP owns the infrastructure and leases to the city.

**BACKGROUND:**

SP specializes in offering "Infrastructure as a Service" where SP pays for the infrastructure cost, owns the asset and allows the city operate it through a lease. Basically, the value of the asset is amortized over a useful period and leased to the city at that time. SP collects 85 basis points for their fee. As an option, SP can include a cost for maintenance of the asset in the lease payment.

SP also offers a "Capital Recovery Service" Program where city can own the assets and SP provides funds directly to the city. The repayment of the funds is based on a percentage of an identified revenue stream. From the accounting perspective, it is reported as a service concession arrangement and not a loan.

Either of these 2 methods does not pledge city sales taxes like traditional financing would. The Master Utilities Service Agreement (M-USA) approves the legal framework but does not bind the city to any particular project. If a particular project is identified, the M-USA allows the city to fund a project through the already established agreement.

Procurement for this contract is done through the Purchasing Cooperative of America, which SP is an approved vendor and the city is part of this purchasing cooperative.

**DISCUSSION:**

The M-USA provides flexibility in providing funding but not pledging city revenue nor it be subject to credit rating and other lengthy traditional financing processes. The city must still identify a funding stream to cover the monthly cost of the agreement. The M-USA does not commit the city to enter into any project funding.

**FISCAL IMPACT:**

None.

**Fiscal Year:** 2025/2026

**Amount Requested:** \$0

**Budgeted:** Y / N

**Account (s):**

**“...I MOVE THAT THE MAYOR AND COUNCIL APPROVE RESOLUTION NO. 25-1689.”**