City of Mountain View

COUNCIL REPORT

DATE: October 28, 2025

CATEGORY: Consent

DEPT.: Public Works

TITLE: Amendment No. 1 to New Memorandum of Understanding between the City of Mountain View and the City of Sunnyvale Relating to the Operation of a Materials Recovery and Transfer Station

RECOMMENDATION

1. Authorize the City Manager or designee to execute Amendment No. 1 to the Memorandum of Understanding between the City of Mountain View and the City Sunnyvale.
2. Appropriate $4 million to the Public Works Department Solid Waste Fund and authorize a $4 million up-front payment to the City of Sunnyvale towards the SMaRT Station Next Gen project so that the City of Mountain View can reduce its financing costs. (Five votes required).
3. Appropriate up to $200,000 into the Solid Waste Fund for annual debt service obligations anticipated to be paid on or before June 30, 2026. (Five votes required).

BACKGROUND

The City of Mountain View has been in partnership with the City of Sunnyvale for recovery of recyclables since the early 1990's. In 1991, the City of Mountain View entered into a short-term First Memorandum of Understanding (MOU) with the City of Sunnyvale for materials recovery. Subsequently, in 1992, City of Mountain View entered into a long-term, 30-year Second MOU with the City of Sunnyvale for construction and operation of a materials recovery and transfer station (SMaRT Station). The City of Palo Alto was also a party to the agreement but withdrew from the partnership in 2021 upon the expiration of its participation under the MOU. This Second MOU expired in 2021.

Following the Second MOU, the current MOU, which is titled the New MOU, was executed between the City of Mountain View and the City of Sunnyvale with a 15-year agreement ending December 31, 2036 (Attachment 1). As part of the MOU, both cities agreed to implement the "Next Gen" Project, which includes major upgrades to the facility's processing equipment. At the time of MOU execution in 2021, the total project cost was estimated at $28 million. The City of Sunnyvale, as the lead agency, solicited proposals using a Request for Proposals (RFP) but received only one response, which was subsequently rejected by the Sunnyvale City Council. Sunnyvale rebid the project in May 2024, and the contract was awarded in 2025 at a total cost of $51 million. Under the terms of the MOU, as a partner agency, the City of Mountain View is responsible for its proportionate share of project costs.

ANALYSIS

The Next Gen project has experienced delays due to the issuance of a second RFP for the project and other planning-related factors. As a result, the project completion timeline has been extended from March 2025 to early 2027. These delays, coupled with inflation and rising construction costs, have increased the total project costs from the 2021 estimate of $21 million to the current project cost of $51 million. In addition, the timing of the debt financing is no longer aligned with the current MOU terms. The City of Sunnyvale, as the lead agency, is requesting that the City of Mountain View agree to participate in the 20-year bond, even though only 11 years remain on the existing 15-year MOU – and approximately 10 years will remain for bond payments at the time of anticipated project completion.

Following multiple conversations with the City of Sunnyvale, staff believes the best and most appropriate approach is to execute an amendment to the MOU that incorporates updated financing terms.

The terms of the amendment are as follows:

- The City will have the ability to decide “partnership” or “merchant” status and to repay Mountain View’s portion of the Next Gen bonds after 2036. An advance notice date of June 2036 gives six months’ notice on the sunset date of December 2036.

    - Continuing in partnership status would require the City to meet obligations such as mandatory repayment of capital costs and debt service for the Next Gen project. If this option is chosen, the agreement term would be amended to coincide with the 2046 bond repayment date.
    - Switching to merchant status would provide some flexibility for the City to not be exposed to future capital cost obligations or additional bond repayment responsibilities. However, the costs to ratepayers may increase. Under this option , the agreement term would also be amended to coincide with the bond repayment date of 2046.
    - The ability to pay the balance of the last nine years (2036-2045) of the bond obligation early if Mountain View decides to exit the agreement with Sunnyvale at the end of the 2036 term.

- Clarifies that the City of Mountain View will provide an up-front payment of $4 million, and that any savings from bond issuance on that lump sum payment will be realized by the City of Mountain View.

- Defines the City of Mountain View's participation in the partner agreement as approximately 27%, as calculated by usage of the facility.

- Sets a cap on the City of Mountain View's partner payment costs based on the cost of the project of $51.54 million.

FISCAL IMPACT

The Next Gen project is a long-term planned capital improvement project and has been included in the City's Solid Waste rate estimates. The total project cost is currently estimated at approximately $51.6 million. The City of Sunnyvale has secured a $6.6 million grant from the State of California's Department of Resources Recycling and Recovery (CalRecycle), which reduces the net project cost for the SMaRT station partners to approximately $45.0 million. Mountain View's share is estimated at 27.7%, or approximately $12.5 million.

The Solid Waste Fund has approximately $4.0 million in available cash reserves to offset the City's financing requirement, resulting in an estimated net financing need of approximately $8.5 million. Based on current market conditions, bonds are anticipated to carry an interest rate between 4.5% and 5.0%, with repayment over a 20-year term. Mountain View's annual debt service payment is estimated to be approximately $610,000. By applying the $4.0 million from the Solid Waste Fund cash reserve as an up-front payment, the City is expected to realize approximately $2.4 million in financing cost savings over the life of the debt.

Debt issuance is expected to occur in November 2025. In the first year, only a partial debt payment of approximately $200,000 will be due by the City of Mountain View. The Solid Waste Fund has sufficient reserves to cover both the one-time $4.0 million contribution and the ongoing annual debt service, as these capital improvement costs have been planned and incorporated into the Solid Waste fund financial forecast.

LEVINE ACT

California Government Code Section 84308 (also known as the Levine Act) prohibits city officials from participating in any proceeding involving a "license, permit, or other entitlement for use" if the official has received a campaign contribution exceeding $500 from a party, participant, or agent of a party or participant within the last 12 months. The Levine Act is intended to prevent financial influence on decisions that affect specific, identifiable persons or participants. For more information see the Fair Political Practices Commission website: www.fppc.ca.gov/learn/pay-to-play-limits-and-prohibitions.html

Please see below for information about whether the recommended action for this agenda item is subject to or exempt from the Levine Act.

EXEMPT FROM THE LEVINE ACT
☒ Contract between two or more state or local government agencies

ALTERNATIVES

1. Use another funding source for the cost increase to the project.

2. Do not extend the MOU and limit the City's financial participation to the term of the current agreement, only paying for debt service though the existing MOU term (December 31, 2036).

3. Provide other direction.

PUBLIC NOTICING—Agenda posting.

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Attachment:

1. New Memorandum of Understanding among the Cities of Mountain View and Sunnyvale Relating to the Operation of a Materials Recovery and Transfer Station