Agenda Item #15.1
For Council Meeting of: July 8, 2025

CITY OF SANTA ROSA
CITY COUNCIL

TO: MAYOR AND CITY COUNCIL
FROM: JENNIFER BURKE, DIRECTOR, SANTA ROSA WATER
SUBJECT: RECOMMENDATION TO WATER ADVISORY COMMITTEE REPRESENTATIVE REGARDING THE PROPOSED WATER SUPPLY AGREEMENT BETWEEN MARIN MUNICIPAL WATER DISTRICT AND SONOMA WATER

AGENDA ACTION: MOTION

RECOMMENDATION

It is recommended by the Board of Public Utilities and Santa Rosa Water that the Council, by motion, consider the proposed water supply agreement by and between Marin Municipal Water District and Sonoma County Water Agency and provide direction to its Water Advisory Committee (WAC) representative for the August 4, 2025, WAC vote regarding the proposed water supply agreement.

EXECUTIVE SUMMARY

The City of Santa Rosa entered into the Restructured Agreement for Water Supply with the Sonoma County Water Agency (Sonoma Water) in 2006 (2006 Restructured Agreement). The 2006 Restructured Agreement created the Water Advisory Committee (WAC), which is an advisory committee to the Sonoma Water Board of Directors and is comprised of elected officials of each of the eight prime contractors that are party to the 2006 Restructured Agreement, including Santa Rosa. Marin Municipal Water District (Marin Water) has a separate existing water supply agreement with Sonoma Water with a term expiring June 30, 2025. Sonoma Water and Marin Water have prepared a draft amended and restated water supply agreement (Draft Agreement), which proposes changes to several key provisions.

The 2006 Restructured Agreement provides for deliveries to Marin Water pursuant to their 1996 water supply agreements, or to amendments to those agreements that have been approved by the WAC, or to subsequent agreements between Sonoma Water and Marin Water approved by the WAC. Therefore, the WAC will be considering approval of the proposed Draft Agreement at a future WAC meeting, currently scheduled for August 4, 2025. Staff are recommending that the City Council provide direction to its WAC

representative, Councilmember Natalie Rogers, regarding the Draft Agreement for Water Supply by and between Marin Water and Sonoma Water.

BACKGROUND

Marin Water currently obtains wholesale water supplies from Sonoma Water pursuant to the 2015 Renewal of the *Third Amended Offpeak Water Supply Agreement and the Amended Agreement for the Sale of Water between the Sonoma County Water Agency and Marin Municipal Water District* (2015 Renewal Agreement). The 2015 Renewal Agreement took effect July 1, 2015, with a ten-year term that expires on June 30, 2025. Exhibit A to the 2015 Renewal Agreement is the *Fourth Amended Offpeak Water Supply Agreement* (Offpeak Agreement), while Exhibit B is entitled *Amendments to Amended Agreement for the sale of Water between Sonoma County water Agency and Marin Municipal Water District* (Water Sale Agreement).

Marin Water and Sonoma Water have drafted a now consolidated, amended, and restated agreement with a proposed 15-year term expiring in 2040 (Draft Agreement). The intent of this Draft Agreement is to provide a single agreement extending and consolidating the terms of the 2015 Renewal Agreement and its Exhibits, while eliminating or changing certain provisions of the 2015 Renewal Agreement that do not serve either party's interests under current conditions.

The Draft Agreement is substantially the same as the 2015 Renewal Agreement, with exception of the following summarized below:

1. A simplification and revision to the seasonal caps on deliveries to Marin Water, eliminating the seasonal acre foot limitations and revising the caps on gallons per day deliveries to Marin Water that are consistent with the 2006 Restructured Agreement. Marin Water's maximum delivery of 14,300-acre feet per year (AFY) and the 5,300 AFY minimum "take-or-pay" amounts remain unchanged.

2. The elimination of the "ramp-up/ramp-down" provision that currently limits Marin Water's purchases based on prior year water purchase amounts.

3. The addition of a "roll-over provision" to address Sonoma Water's potential inability to deliver the 5,300 AFY of minimum take-or-pay water in any given year, which would allow Marin Water to pay for any remaining undelivered balance and take that balance in the following fiscal year, subject to availability.

4. A new lump sum capital payment by Marin Water to Sonoma Water totaling an amount of $12,500,000. Of the $12,500,000, $9,000,000 is to be used by Sonoma Water for regional water resiliency projects and the remaining $3,500,000 for Sonoma Water to improve their capacity and ability to deliver winter water.

5. The elimination of provisions regarding a new segment of aqueduct parallel to the Petaluma Aqueduct. The Draft Agreement instead includes mention of Marin Water's consideration of a proposed new aqueduct from the North Marin Aqueduct to Marin Water's Nicasio and/or Soulajule Reservoirs.

6. The term of the Draft Agreement is proposed to be fifteen (15) years, as opposed to the ten (10) year term of the 2015 Renewal Agreement.

7. A provision that includes Sonoma Water's statement of support for Marin Water's participation in discussions regarding the extension or renewal of the 2006 Restructured Agreement, which will expire simultaneously with the proposed 15-year term of the Draft Agreement.

PRIOR CITY COUNCIL REVIEW

Not applicable.

ANALYSIS

In advance of the 2015 Renewal Agreement's expiration, Marin Water and Sonoma Water met to discuss the extension of the 2015 Renewal Agreement. The initial intent was to extend the agreement for another consecutive 10-year term, but there were several provisions in the 2015 Renewal Agreement that were mutually identified as no longer being in the future best interests of the two parties. Marin Water recently concluded a Water Supply Roadmap Project that, among other things, evaluates opportunities to maximize their storage of winter water for improved water supply resiliency. There are provisions in the 2015 Renewal Agreement that were identified as being too restrictive to allow Marin Water to be able to successfully carry out future conceptual "winter water" supply projects.

The 2015 Renewal Agreement imposes maximum transmission system delivery rates on Marin Water, in alignment with the 2006 Restructured Agreement, that would be simplified and revised by the proposed Draft Agreement. From the months of November through April, the maximum cap on deliveries to Marin Water would be increased, subject to availability and transmission capacity. The proposed Draft Agreement also would eliminate the 2015 Renewal Agreement's mechanisms for ratcheting each year's water availability up or down based on the amount of water delivered to Marin Water the prior year. In practice, the availability of water and transmission system capacity has served as the actual limit on Marin Water's ability to receive Sonoma Water deliveries to the extent it would be requested by Marin Water. These operational changes would have no impact to Santa Rosa Water's priority and contractual amounts and would support Marin Water's ability to pursue a proposed "winter water" supply project identified in their Water Supply Roadmap Project. Further, Marin Water's maximum delivery cap of 14,300 AFY, and their 5,300 AFY minimum take-or-pay requirement remains unchanged in the Draft

Agreement.

In 2023, the North Marin Water District operated portion of the aqueduct experienced a land slide emergency, initiating reduced capacity in that pipeline during the repairs. During this emergency, Marin Water was unable to receive its minimum take-or-pay allotment for the year. To address a future scenario where Sonoma Water is unable to deliver water to Marin Water due to circumstances completely beyond its control, the Draft Agreement includes a "roll-over" provision for Marin Water to receive that water in a future fiscal year, subject to availability. This provision is fair in the spirit of "take-or-pay" requirements and does not change Marin Water's 5,300 AFY minimum take-or-pay requirement.

The Draft Agreement proposes no impacts to the allocation and curtailment process that the 2006 Restructured Agreement outlines. Water allocation during a shortage is critically important to all Sonoma Water's contractors, including Santa Rosa Water. The Draft Agreement would uphold the current allocation and curtailment structure, consistent with the 2006 Restructured Agreement.

The Draft Agreement includes a proposed provision for Marin Water to make an additional lump sum payment in the amount totaling $12,500,000 to support regional water resiliency projects in the Russian River, with $3,500,000 of that total being dedicated to projects that would enhance Sonoma Water's ability to deliver "winter water".

The 2015 Renewal Agreement's Offpeak and Water Sale Agreements included reference to the potential need for Sonoma Water to construct a parallel pipeline roughly adjacent to the Cotati Intertie and Petaluma Aqueduct. The Draft Agreement would omit any reference to this parallel pipeline and instead, the Draft Agreement acknowledges that Marin Water is investigating the potential to build a pipeline from the existing transmission system to their Nicasio or Soulajule reservoirs. This pipeline would convey "winter water" to be available to meet Marin Water's customer needs during dry years.

The proposed term of the Draft Agreement is 15 years, in alignment with the expiration of the term of the 2006 Restructured Agreement. The Draft Agreement includes a provision for Sonoma Water's statement of support for Marin Water's participation in discussions regarding the extension or renewal of the 2006 Restructured Agreement, at the time it expires. Marin Water is not a party to the 2006 Restructured Agreement. This provision provides for Sonoma Water to be supportive of Marin Water participating in future discussions regarding the extension or renewal of the 2006 Restructured Agreement, however, participation will still be subject to approval by all parties to the 2006 Restructured Agreement.

The 2006 Restructured Agreement provides for deliveries to Marin Water pursuant to the *Third Amended Offpeak Water Supply Agreement dated January 25, 1996* and the *Amended Agreement For The Sale of Water Between The Sonoma County Water Agency and the Marin Municipal Water District dated January 25, 1996,* or to amendments to

those agreements that have been approved by the WAC, or to subsequent agreements between Sonoma Water and Marin Water that have been approved by the WAC. Therefore, the WAC will be considering approval of the Draft Agreement at a future WAC meeting, currently scheduled for August 4, 2025.

FISCAL IMPACT

The proposed agreement would have no negative fiscal impacts to Santa Rosa Water or Santa Rosa Water customers. The proposed inclusion of the lump sum payment of $12,500,000 and opportunities for Marin Water to purchase off peak available water could reduce the overall Sonoma Water Transmission System operational cost in the future for all Sonoma Water contractors.

ENVIRONMENTAL IMPACT

The Council finds that pursuant to CEQA Guidelines Section 15378, the proposed action is not a “project” subject to the California Environmental Quality Act (CEQA) because it does not have a potential for resulting in either a direct physical change in the environment or a reasonably foreseeable indirect physical change in the environment. In the alternative, the proposed action is exempt from CEQA pursuant to CEQA Guidelines Section 15061(b)(3) because it can be seen with certainty that there is no possibility that the project may have a significant effect on the environment.

BOARD/COMMISSION/COMMITTEE REVIEW AND RECOMMENDATIONS

On June 2, 2025, the Technical Advisory Committee (TAC) to the Water Advisory Committee (WAC) to Sonoma Water voted unanimously to recommend that the WAC approve the proposed *Amended and Restated Water Supply Agreement by and between the Marin Municipal Water District and the Sonoma County Water Agency.*

On June 5, 2025, the Board of Public Utilities reviewed the proposed *Amended and Restated Water Supply Agreement by and between the Marin Municipal Water District and the Sonoma County Water Agency* and recommended the approval of the agreement, and that the City Council provide direction to its WAC representative for the August 4, 2025 WAC vote regarding the proposed water supply agreement.

NOTIFICATION

Not applicable.

ATTACHMENTS

- Attachment 1 – Marin Water Memorandum summarizing changes in Draft Water Supply Agreement by and between Marin Water and Sonoma Water

- Attachment 2 – Draft Water Supply Agreement by and between Marin Water and Sonoma Water

PRESENTER

Peter Martin, Deputy Director Water Resources