

**MINUTES OF SPECIAL MEETING
OF THE BOARD OF DIRECTORS OF
NORTH MARIN WATER DISTRICT AND
MARIN MUNICIPAL WATER DISTRICT**

May 22, 2007

CALL TO ORDER

North Marin Water District President Steve Petterle called the Special Meeting of the Joint Board of Directors of North Marin Water District and Marin Municipal Water District to order at 7:37 p.m. at the Inn Marin for the purpose of discussion and direction to staff on areas of mutual interest, and the agenda was accepted as presented. Present were North Marin Water District Directors Jack Baker, Rick Fraites, Steve Petterle, Dennis Rodoni and John Schoonover; Marin Municipal Water District President Cynthia Koehler and Directors David Behar, Larry Russell, Alex Forman, and Jack Gibson. Also, present were North Marin Water District General Manager Chris DeGabriele, Secretary Renee Roberts; Marin Municipal Water District General Manager Paul Helliker and Secretary Stephanie Eichner-Gross. There were staff members from both Districts in the audience as were several members of the general public.

OPEN TIME

Marin Municipal Water District President Koehler asked if anyone in the audience or staff wished to bring up an item not on the agenda and there was no comment.

INTERTIE AGREEMENT

Mr. DeGabriele stated that at the previous joint board meeting held in November 2005, there was consensus among both boards that it was time to renegotiate the Intertie Agreement but that discussions have not yet taken place. Mr. DeGabriele stated that he is requesting authorization from both boards to their respective staffs to move forward with the negotiations. He presented a draft of Intertie Agreement Terms for Renegotiation and a hand annotated version of the existing agreement highlighting areas that North Marin staff and Board believe need revising. He said that the original agreement was executed in 1993 and since that time several changes have occurred that necessitates revisions to the agreement, i.e. a new Water Right Order 95-17 on Lagunitas Creek to reference dry year conditions as a trigger for MMWD creek releases; and reorganization of the Hamilton boundaries resolving a long standing boundary dispute. He further noted that there has been no movement in construction of the Sonoma-Marin Aqueduct No. 2 which was contemplated in the Intertie Agreement; and the wheeling charge for delivery of Russian River water to MMWD through North Marin's aqueduct needs to be renegotiated due to cost escalation. He also suggested incorporating appropriate elements of the Hamilton Agreement into the Intertie Agreement.

Mr. Helliker stated that he has not had an opportunity to discuss with his Board, and opined that it makes sense to begin negotiations.

There was consensus of both boards to begin negotiations.

Director Rodoni suggested that a timetable be developed to ensure that the process moves forward in a timely manner and the Boards were in agreement and deferred the decision to the general managers to develop a timetable.

Novato resident Ed Grundstrom addressed the boards and stated that he is concerned that Marin Municipal Water District pay its fair share of water being delivered through the North Marin Aqueduct.

NORTH BAY WATER REUSE AUTHORITY UPDATE

Mr. DeGabriele recapped the presentation by the North Bay Water Reuse Authority (NBWRA) held at the last joint board meeting and summarized the three alternatives: local reuse in the vicinities of the individual wastewater treatment plants to serve primarily urban uses; subregional systems linking regions in the south and north to serve both urban and agricultural uses; and a regional alternative to link all the North Bay wastewater treatment plants to serve the above uses and the Napa Salt Marsh restoration. He informed the MMWD Board that North Marin is sharing costs with Novato Sanitary District (NSD) in the participation in NBWRA to produce and deliver recycled water to various areas of the North Bay. He stated that North Marin has developed a Recycled Water Implementation Plan for Novato and that participation in the NBWRA provides an opportunity to complete the environmental review for the urban reuse alternative process. Mr. DeGabriele advised that there is a bill in Congress (H.R. 236) co-authored by Representatives Thompson and Woolsey that proposes funding the implementation phase.

Mr. Helliker stated that MMWD had a discussion on their water supply analysis and looked at the next stages of the recycled water plan. He said they identified that the most likely candidate for using recycled water from Las Gallinas Valley Sanitary District is the Peacock Gap Golf Course; however, this is expensive and will cost between \$4,000 to \$6,000 per acre foot. He said that recycled water has its advantages to both the water and wastewater agencies and the projects should be mutually funded by both agencies.

Director Behar asked Mr. DeGabriele what is the commitment from Novato Sanitary District to share the cost of building and operating the facility. Mr. DeGabriele responded that North Marin has an Interagency Agreement for development of recycled water and does contemplate expansion in the future. He noted that North Marin has shared in development of planning for recycled water

production and delivery with NSD since 1993 and that Novato Sanitary District is currently starting construction of their treatment plant upgrade.

Mr. DeGabriele provided additional information on North Marin's Recycled Water program and the Marin Board asked for information on the Recycled Water Implementation Plan be provided to them. There was a period of questions, comments and discussion on costs, rates, and use of recycled water for agriculture.

Director Gibson asked if other areas have been identified for recycled water in Novato. Mr. DeGabriele said that the implementation plan identified areas for recycled water in north and central Novato and that in south Novato, the big end user would be the US Coast Guard housing facility. He said that partnering with the federal government would provide more opportunity to explore a joint project with North Marin, Novato Sanitary, Las Gallinas Valley Sanitary District and MMWD. He said North Marin has evaluated Reservoir Hill tank as storage for recycled water in the Hamilton field area.

COLLABORATION ON DROUGHT COMMUNICATIONS

Libby Pischel, MMWD Public Information Officer, reported that at the direction of the Marin board, a message campaign addressing voluntary water conservation measures is being developed. She stated that it is hoped that MMWD and North Marin can work together to get the message out and share costs. She explained the importance of developing a campaign county-wide and composing ads jointly.

Mr. DeGabriele advised that the SCWA is developing ads now and that perhaps the districts can join with them. He said he attended a meeting last week of the North Coast Water Conservation Group and they developed a top ten list of ways for customers to reduce water usage with the priority of reducing irrigation by 20%. He said the plan is to produce ads throughout the region, focusing on three items at a time.

Director Koehler said MMWD's revised Water Conservation Master Plan is about to be released and a part of that is combining a comprehensive conservation plan with a marketing campaign and that she would like North Marin to be a part of that. She said she would like to meet with North Marin to show what MMWD is doing.

Mr. DeGabriele said he would be willing to listen to MMWD's plan, but he noted that North Marin has already plans in place that work well in Novato. He said that North Marin is just one community whereas MMWD covers a wide area with different micro-climates and needs. Director

Koehler said that there are communication outreach opportunities that can be seized countywide, i.e. bus ads, grocery store bags and it would make sense to do these jointly with North Marin.

Director Gibson said the collaboration should start soon, and Ms. Pischel stated that she and Ryan Grisso, North Marin's Water Conservation Coordinator, have been working together on the Marin County Fair "Eco-sperience". Director Rodoni suggested that collaboration between the two districts on rebates would be helpful as the different rebate programs are confusing to customers and retailers.

Mr. DeGabriele handed out a chart depicting the past, present and projected levels of Lake Mendocino noting the flattening of the downward trend, that urban conservation makes sense but it will not have an impact on storage in the lake. He said that lake levels will be controlled by limitation on agricultural use in Ukiah and inflow diversions from Potter Valley.

REGIONAL WATER SUPPLY

Mr. Helliker distributed a chart depicting MMWD historical and actual water demand and Urban Water Management Plan projections to year 2025; and, operational yield with existing facilities not meeting those projections. He stated that MMWD's yield continues to drop and noted that the current deficit of 2,000 afa is projected to grow to 7,000 to 9,000 afa by 2025. He said that demand for water needs to be met either with additional water supply or demand reductions and that the District is looking at alternatives and opportunities to work together with North Marin that would result in water supply demand reductions. Mr. Helliker said Marin's draft environmental impact report would be released shortly and will add to the mix in terms of how desalination could affect supply.

Director Rodoni stated that North Marin has achieved its Senior Water Right on Lagunitas Creek and cautioned that North Marin would most likely oppose any MMWD requested flow reduction in Lagunitas Creek in a dry year because of salinity issues. He further stated that models show that anything below current release levels in a normal year would impact the West Marin water supply.

Director Forman stated that this situation highlights the interdependency of the whole system and exemplifies why the agencies need to work together on regional issues.

SCWA EIR STATUS/BIOLOGICAL OPINION

Mr. Helliker stated that at the April Technical Advisory Committee meeting, the scheduled release for the draft EIR will be in Spring 2008 and the final Water Supply and South Transmission System Improvements EIR completed one year later. He further stated that complications may

arise from the Biological Opinion which has not been released yet. Mr. Helliker said it is expected the Biological Opinion will identify impacts of current operations of SCWA reservoirs and river diversions on endangered species and water supply development but will not contain reasonable and prudent alternatives to mitigate these impacts.

Mr. DeGabriele said that the Biological Opinion will only be released in draft form and there will be time to negotiate the alternatives before the Biological Opinion is finalized. He said the Districts should not expect the process to go quickly and the districts should focus on ways to extend the available water supply as long as possible while SCWA works to resolve the situation.

Mr. Helliker noted there could be some debate on whether the Biological Opinion would have any impact on SCWA operations other than to the extent that operations are identified as creating a "take" of endangered species. He said the National Marine Fisheries Services opinion will have to be included in mitigation measures that SCWA would be required to implement as part of any water rights that would be provided by the State Water Resources Control Board.

Chris DeGabriele said he saw two big risks on the Russian River. He said one is the operation of the rubber dam and whether that impoundment restricts the out-migration of the fish, however there is a plan to put a notch in the dam and the National Marine Fisheries Service may be receptive to that plan. He said the other risk is related to flow in Dry Creek during the summer months when coho salmon are rearing. He said higher flows are needed at Dry Creek in order to meet everyone's needs including instream flows downstream however they can potentially wash out the fish.

Chris DeGabriele raised the question of why MMWD did not opt to become a prime contractor. He said he believed the water will be available and this appears to be the least expensive option to increase operational yield although there is the issue of time. He wanted to know some idea of what direction MMWD was headed in terms of future water supply.

Director Gibson said, regarding the opportunity to become a prime water contractor, there were a number of issues to negotiate that were less than encouraging and there was not a unanimous vote from the other water contractors.

Director Koehler said the question is whether there will be water available and she did not see evidence that SCWA would be successful in securing rights for an additional 26,000 afa of water from the State Water Resources Board.

Chris DeGabriele said proceeding alone with desalination was risky and he believed the South Transmission Project will eventually happen.

Discussion followed on the possibility for a regional desalination option.

GENERAL DISCUSSION - OTHER AREAS OF COOPERATION

The Boards briefly discussed other areas of cooperation. Director Rodoni requested that a roster of the Board of Directors and senior staff of each district be exchanged. Director Forman suggested that the managers meet more often and also to encourage Sonoma County Water Agency to move quicker on items of mutual interest, and Director Koehler encouraged the joint participation in advertising on water conservation.

ADJOURNMENT

President Petterle adjourned the meeting at 9:30 p.m.

Submitted by

Renee Roberts
District Secretary