

AGENDA ITEM SUMMARY

City Council



STAFF

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SUBJECT

Resolution 2024-113 Authorizing the City Manager to Enter into Two Agreements with the Colorado State Forest Service for the Michigan Ditch Pre-Fire Mitigation Project.

EXECUTIVE SUMMARY

The purpose of this item is for Council to authorize the City Manager to execute two agreements with the Colorado State Forest Service (CSFS) for the Michigan Ditch Pre-Fire Mitigation Project: (1) a services agreement to establish roles and responsibilities; and (2) a grant agreement to secure partial funding.

STAFF RECOMMENDATION

Staff recommends adoption of the Resolution.

BACKGROUND / DISCUSSION

The Michigan Ditch is a trans-basin diversion located partially within the Colorado State Forest State Park near Cameron Pass. The ditch conveys water from the upper Michigan River Watershed to the Poudre River Watershed, where it is stored in Joe Wright Reservoir. Releases from Joe Wright Reservoir are used to increase the City's Poudre River Watershed source water supply. The Michigan Ditch and Joe Wright Reservoir are considered critical water supply infrastructure, accounting for approximately 11% of the City's water supply and are valued at approximately \$428 million. The Michigan Ditch was not impacted by the 2020 Cameron Peak Wildfire; however, future large-scale wildfires continue to threaten this infrastructure and water supply. To address this threat, Utilities and several regional partners recently completed a regional collaborative forest fuels mitigation plan that identifies priority forest fuels treatments to reduce the risk of future wildfires to these important assets.

In 2024, the CSFS awarded a \$507,805 grant to the City to support implementation of the Michigan Ditch Pre-Fire Mitigation Project. Because the proposed work will occur on lands managed by CSFS and because CSFS staff have experience and expertise in completing forest fuels reduction work in support of mitigating the risk of future large-scale wildfires, the \$507,805 is considered to be non-passthrough funds and will be administered by CSFS for the Michigan Ditch Pre-Fire Mitigation Project (see Grant Agreement provided as Attachment 2). As the \$507,805 will not be received by the City to manage and fund the Michigan Ditch Pre-Fire Mitigation Project, these funds do not need to be appropriated by City Council.

The Grant Agreement also provides a required match totaling \$1,000,000, with the City funding \$500,000 and the remaining \$500,000 being funded through Congressionally Directed Spending funds awarded to CSFS.

To establish CSFS's role and responsibility in administering the \$507,805 in non-passthrough funds and pre-mitigation services to be provided by CSFS in support of the Michigan Ditch Pre-Fire Mitigation Project, the City and CSFS have negotiated a Services Agreement (Attachment 3). The Scope of Work provided as Exhibit A to the Services Agreement mirrors the Scope of Work included in the Grant Agreement (Attachment 2). The CSFS will administer the project work outlined in the Scope of Work, which proposes completing a total of 150 acres of fuel reduction work in support of protecting the City's Michigan Ditch. Total project costs are estimated at \$1,507,805, with funds coming from the following sources:

- \$507,805 in non-passthrough funds awarded to the City under the Forest Restoration and Wildfire Risk Mitigation Grant program, as addressed in the Grant Agreement;
- \$500,000 in Congressionally Directed Spending funds awarded to CSFS; and
- \$500,000 from the City, to be paid to the CSFS for services provided in 2024 and 2025 pursuant to the Services Agreement.

As provided per **Provision 17 (Appropriation)** of the Services Agreement, the City's financial obligations to the CSFS are contingent upon the annual appropriation, budgeting, and availability of funds to discharge those obligations. Considering the availability of funds by the City, as presented in **Exhibit A - Scope of Work** of the Services Agreement, the CSFS will bill the City for \$360,000 in 2024 and \$140,000 in 2025. These billings are based on meeting **Provision 17 (Appropriation)** of the Services Agreement for services provided by CSFS in support of the Michigan Ditch Pre-Fire Mitigation Project through 2026. The 2024 and 2025 billings to the City, capped at \$500,000, provide \$500,000 in matching funds that fulfills the City's obligation under the Grant Agreement.

Based on the Services Agreement providing the basis of the City meeting the match obligation under the Grant Agreement, staff recommends Council's approval for the City Manager to execute both the Grant and Services Agreements with CSFS.

CITY FINANCIAL IMPACTS

The City is obligated to pay for services rendered by CSFS in support of the Michigan Ditch Pre-Fire Mitigation Project, which are projected at \$360,000 in 2024 and \$140,000 in 2025.

The 2024 funding obligation of \$360,000 will be met using current and prior year appropriations for ongoing Watershed Protection out of the Water Fund. The remaining \$140,000 for 2025 CSFS services is anticipated to be paid from the 2025 ongoing operational budget for Watershed Protection and is therefore contingent upon availability. In the event that 2025 funding is not available, City staff will work with CSFS to revise the scope of work.

Pursuant to terms and conditions of the Grant Agreement and corresponding Services Agreement, the Water Fund reserve balance will be reduced by the \$360,000 in 2024 appropriated funds when the City pays CSFS pursuant to the Services Agreement.

BOARD / COMMISSION / COMMITTEE RECOMMENDATION

Utilities staff presented the Utilities' Watershed Program to the Water Commission at its August 15, 2024, regular meeting. The Water Commission recommended City Council formally approve of Utilities' Watershed Program to enter into the Intergovernmental Agreement Regarding Forest Health and Pre-Fire Mitigation Services through the Colorado State Forest Service and the Colorado State Forest Service Financial Assistance Program for Michigan Ditch Pre-Fire Mitigation.

PUBLIC OUTREACH

None.

ATTACHMENTS

1. Resolution for Consideration
2. Exhibit A to Resolution
3. Exhibit B to Resolution
4. Water Commission Minutes, August 2024, (excerpt)