

**Water Supply Reserve Account – Grant and Loan Program
Water Activity Summary Sheet
Agenda Item 7b**

Applicant: Town of Silverton

Water Activity Name: Molas Lake Ditch Rehabilitation and Diversion Structures

Water Activity Purpose: Structural Water Project

County: San Juan County

Drainage Basin: Animas River

Water Source: Molas Creek

Amount Requested: \$95,000 (Southwest Basin Account)

Matching Funds: Approximately \$1.1 million from the Town of Silverton and grant money have contributed towards the overall project.

Staff Recommendation
The proposed project meets a water supply need in the Southwest Basin. Staff recommends approval of up to \$95,000 from the Southwest Basin Account to help construct improvements to the Molas Lake Ditch and its diversion structures contingent on resolution of the items in the issues/additional needs section.

Water Activity Summary:

The improvements to the Molas Lake Ditch and diversion structures are part of a broader project to rehabilitate Molas Lake, which provides water storage to Silverton and other entities. The ditch and diversion improvements are required to meet Federal and State requirements for the conveyance and measurement of water into and out of Molas Lake. The purpose of the project is to perfect an augmentation water supply for the Town of Silverton, while protecting and enhancing the recreational features of Molas Lake Park. Though not the subject of the current application the other components of the project are complete and include: significant improvements to the Molas Lake Dam to increase water storage, meeting State requirements, campground enhancements and re-vegetation at the adjacent park, mitigation of wetlands, and filing for additional water storage rights for Molas Lake to include augmentation uses.

The complicated nature of the Molas Lake project has brought numerous federal, state, and local partners together. The Town has been working through the permitting and water rights processes since 2006, incurring costs of about \$70,000 to date. All necessary permits are now in place. The subject ditch improvements and diversion structures have been required by the US Forest Service and the Bureau of Land Management. In addition, the Colorado Water Conservation Board Staff is currently negotiating with the Town of Silverton to determine the appropriate mitigation and/or terms and conditions associated with the enlargement of the dam and the inundation of the Board's natural lake water right on Molas Lake.

The originally proposed improvements to the diversion have been modified to include a secondary structure upstream of the original diversion. The requirement of this new structure has doubled the projected cost for the Town. To obtain the Federal approval necessary for the Lake's pending water rights Silverton has agreed to construct the additional diversion structure, but is struggling to fund the additional requirements. Due to

the limitations of Silverton's small annual operating budget, grants have been critical to the Molas Lake project, providing over \$900,000 towards the project.

Although permitting and engineering for the Molas Ditch is complete, the rise in construction costs, combined with unanticipated permitting and legal expenses has left the ditch and diversion improvements unfunded. Silverton is seeking funds to assist with the construction, inspections, and final permitting submittals of the Molas Lake Ditch rehabilitation and diversion structures.

Threshold and Evaluation Criteria

The application/project meets all four Threshold Criteria. No Statewide funds are being requested, therefore the evaluation criteria does not apply.

Funding Overview

Grant funding in the amount of \$95,000 is being requested from the Southwest Basin Account. Funding from the WSRA constitutes about 9% of the overall project cost (\$1,090,999). Funding for the remainder of the project has been secured and spent.

Discussion:

As identified in the SWSI findings, small municipalities such as the Town of Silverton often lack sufficient funding to develop their water supplies and infrastructure without financial aid. As the beneficiary of multiple grants the Molas Lake project has successfully completed most of its objectives with the exception of the ditch and diversion improvements that are the subject of this application. These improvements and structures are critical to the operation and water rights of Molas Lake.

Through the storage of augmentation water and recreation at the Molas Lake Park, the WSRA money would enable the completion of a structural project to meet Silverton's consumptive and non-consumptive needs.

Issues/Additional Needs:

- Staff is aware that negotiations with the CWCB staff regarding the inundation of the Molas Lake natural lake level water right have been inactive for approximately 18 months and encourages the Town to resolve these outstanding issues.
- Please include a more detailed scope of work and budget.
- Please include a project schedule that includes completion dates for key project milestones.

Staff Recommendation:

Staff recommends approval of up to \$95,000 from the Southwest Basin Account to enable the completion of the Molas Lake Ditch rehabilitation and diversion structure construction contingent on resolution of the items in the issues/additional needs section.

All products, data and information developed as a result of this grant must be provided to CWCB in hard copy and electronic format as part of the project documentation. This information will in turn be made widely available to Basin Roundtables and the general public and will help promote the development of a common technical platform.