



STAFF REPORT

To: Honorable Mayor and Members of Town Council

Through: David L. Corliss, Town Manager

From: Mark Marlowe, P.E., Director of Castle Rock Water
Lauren Moore, Water Resources Manager
Zuzana Howard, Water Resources Program Analyst

Title: **Resolution Approving a Spot Water Lease Agreement between the Town of Castle Rock and Climax Molybdenum Company [Chatfield Reservoir, Douglas County]**

Executive Summary

Castle Rock Water is seeking Town Council approval of a resolution (**Attachment A**) for a spot water lease agreement (**Exhibit 1**) with Climax Molybdenum Company (Climax). Climax has filed an Emergency Substitute Water Supply Plan to cover out-of-priority mountain diversions that impact Denver Water. As part of that plan, Climax proposes to lease a portion of the Town's surplus water stored in Chatfield Reservoir and book over the leased water into Denver Water's Chatfield storage account to satisfy its replacement water obligations. While the Town currently owns 848 acre-feet (AF) of storage in Chatfield, the Colorado Water Conservation Board (CWCB) allows for rental of the remaining permitted amount, for a total of 2,000 AF of storage. The Town currently has upwards of 1,827 AF of water stored in the reservoir with additional reusable supplies coming in each day.

If Council approves this lease, the Town will make available a minimum of 400 AF of water from its Chatfield Reservoir storage account for book-over into Denver Water's Chatfield Reservoir storage account during 2026. The initial 400 AF is guaranteed under the agreement and represents the minimum lease quantity and charge. Subject to water availability and at the Town's discretion, an additional quantity may be leased later in the year, for a total potential lease volume of up to 1,500 AF. Releases may occur between May 20, 2026, and December 31, 2026.

The lease rate is \$564 per AF, which was recently revised to reflect competitive raw water lease rates in the region. An initial payment of \$225,600 for the guaranteed 400 AF minimum lease volume will be due within 30 days of lease approval. Any additional quantities leased and released thereafter will be invoiced upon release. Total potential revenue under the agreement is up to \$846,000. The agreement will terminate at the end of 2026.

History of Past Town Council, Boards & Commissions, or Other Discussions

Castle Rock Water Commission will be informed of the lease at their May 27, 2026 meeting.

Discussion

Castle Rock Water has a strategic goal to strive to maintain sustainable rates and fees, and demonstrate fiscal responsibility, accountability, and transparency. One of the tactics to achieve this goal is to maximize leasing opportunities for idle water rights. Over the past eight years, the Town has generated over \$2.018 million by leasing idle water rights to downstream users (see **Table 1** below). Until these water rights can be fully utilized by the Town, Staff will continue to seek out users that can put these rights to beneficial use and generate revenue to the benefit of Castle Rock Water's customers.

Table 1. Revenue generated from leasing idle water rights to downstream users over the past eight years.

Year	Revenue
2018	\$70,699.75
2019	\$30,606.65
2020	\$29,019.13
2021	\$499,449.73
2022	\$531,647.81
2023	\$214,123.90
2024	\$262,490.54
2025	\$380,521.91
TOTAL	\$2,018,559.42

The key terms of the 2026 spot water lease agreement are summarized below:

- Climax will lease up to 1,500 AF of water at a rate of \$564/AF (guaranteed 400 AF min);
- Point of delivery measurement will be a book-over at Chatfield Reservoir into Denver Water's Chatfield Reservoir storage account; and
- The agreement will terminate on December 31, 2026.

As mentioned in the Executive Summary, the Town has been able to store excess supplies in Chatfield Reservoir over the past six years. To support future storage needs, the Town is planning to purchase an additional 129 AF of storage capacity in Chatfield Reservoir in 2026, for a total of 977 AF of storage, ultimately reaching 2,000 AF. Revenue generated through this proposed lease has the potential to recoup approximately 79% of the cost associated with that capacity purchase. This lease therefore provides an opportunity for the Town to maximize the value of its currently available stored supplies while offsetting a substantial portion of the anticipated storage capacity investment.

Budget Impact

If Council approves the agreement, Castle Rock Water would potentially receive \$225,600 \$846,000 of additional revenue in 2026. The revenue will be deposited into the Water Resources Fund Capital Leases account 211-4375-393.70-00.

Staff Recommendation

Staff recommends approval of the resolution as presented.

Proposed Motion

“I move to approve the Resolution as introduced by title.”

Alternative Motions

“I move to approve the resolution as introduced by title, with the following conditions: (list conditions).”

“I move to continue this item to the Town Council meeting on _____ date to allow additional time to (list information needed).”

Attachments

Attachment A: Resolution
Exhibit 1: Agreement