



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
Matt Benak, P.E., Water Resources Manager
Lauren Moore, Water Resources Program Analyst

Title: **A Resolution Approving a Water Rights Lease Agreement between the Town of Castle Rock and Turnpike, LLC. [Weld County, Co]**

Executive Summary

Castle Rock Water is seeking Town Council approval of a resolution (***Attachment A***) for a water rights lease agreement with Turnpike, LLC (Turnpike). Turnpike is a farmer located in Weld County adjacent to the Lost Creek Basin wells we purchased in 2017 as part of our Alternate Source of Supply Project. As part of their 2022 lease, the farmer used 476.23 acre-feet (AF) of water from these wells for irrigation and has paid the Town \$17,895.37. Turnpike is interested in an additional one-year lease of our Lost Creek Basin water rights. The Town of Castle Rock does not plan to export these water rights in 2023 as the infrastructure needed to move the water has not yet been designed or constructed. Turnpike wishes to lease up to 515 AF at a rate of \$36.50 per AF, which could amount to \$18,797.50 in revenue. The price is reasonable for agricultural leased water of this type at this location based on available data regarding other leases in the area. The agreement terminates on November 15, 2023. This lease agreement is consistent with Castle Rock Water's strategic plan. A key tactic in that plan is to maximize leasing opportunities for idle water rights.

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

February 28, 2018, Castle Rock Water Commission unanimously recommended that Town Council approve the 2018 water lease agreement.

March 6, 2018, Town Council unanimously approved the 2018 water lease agreement.

January 23, 2019, Castle Rock Water Commission recommended that Town Council approve the 2019 water lease agreement.

February 5, 2019, Town Council unanimously approved the 2019 water lease agreement.

October 23, 2019, Castle Rock Water Commission recommended that Town Council approve the 2020 water lease agreement.

November 5, 2019, Town Council unanimously approved the 2020 water lease agreement.

July 21, 2020, Town Council approved the First Amendment to the 2020 water lease agreement, increasing the water lease by 30 AF.

February 24, 2021, Castle Rock Water Commission recommended that Town Council approve the 2021 water lease agreement.

March 2, 2021, Town Council unanimously approved the 2021 water lease agreement.

January 26, 2022, Castle Rock Water Commission recommended that Town Council approve the 2022 water lease agreement.

February 15, 2022, Town Council unanimously approved the 2022 water lease agreement

August 23, 2022, Town Council unanimously approved the First Amendment to the 2022 Water Lease Agreement.

August 31, 2022, Castle Rock Water Commission was informed of the First Amendment to the 2022 Water Lease Agreement.

Castle Rock Water staff presented this item to the Castle Rock Water Commission at their meeting held on February 28, 2023, and the Castle Rock Water Commission voted unanimously 7 to 0 to recommend Town Council approval of the Resolution as presented.

Discussion

As part of the Town's hybrid renewable water solution, the Town purchased several Lost Creek Basin wells in 2017 and 2021. These wells came with approximately 1,492 AF (annually) of fully exportable water rights which could be used for municipal and other purposes. Eventually, the Town intends to use these water rights directly or as an augmentation source. However, until infrastructure is built to transport this water to a treatment plant or place of augmentation, leasing this water for other purposes helps to generate some revenue for Castle Rock Water. In 2022, Turnpike used 476.23 AF of water from these wells for irrigation and has paid the Town \$17,895.37, with a lease rate of \$36.50/AF. The farmers are also planning to use this water in 2023.

The key terms of the 2023 water lease agreement are summarized below:

- Agreement will terminate November 15, 2023.
- Turnpike will lease up to 515 AF of water at a rate of \$36.50 per AF.

The following table outlines the wells (**Attachment B**) that will be used and the amount of water we will be leasing to Turnpike.

Well	Maximum Water to be Leased**, AF	Annual Water Rights, AF
31526	250	144.4
31527	150	139.1
31643	115	111.3
14860*	0	74.3
Total	515	469.1

*Well not operational

**Maximum water to be leased may exceed annual water rights of an individual well if banked water is available

As noted in the Executive Summary, maximizing the leasing of idle water rights is part of Castle Rock Water's strategic plan. Revenues from this leasing help to offset the costs for purchasing and developing long-term renewable water supplies. Total revenues from water leases with Turnpike over the last five years are shown in the table below.

Year	AF	\$/AF	Total Revenue
2018	343.28	\$ 35.00	\$ 12,014.80
2019	322.423	\$ 35.00	\$ 11,284.81
2020	466.22	\$ 35.00	\$ 16,317.70
2021	701.60	\$ 36.50	\$ 26,604.40
2022	476.23	\$ 36.50	\$ 17,895.37
Total			\$ 84,117.08

Budget Impact

If Council approves the agreement, Castle Rock Water would receive up to \$18,797.50 in revenue in 2023. The revenue will be deposited into Water Resources Fund Capital Leases account 211-4375-393.70-00 <WRAWL>.

Staff Recommendation

Staff recommends approval of the 2023 Water Rights Lease Agreement with Turnpike for 515 AF of water which will generate a revenue of up to \$18,797.50.

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
Attachment B:	Location Map