



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 2026 Spot Water Lease between the Town of Castle Rock and Dakan Ranch II, LLC** [*Plum Creek Water Reclamation Authority, Douglas County*]

Executive Summary

Castle Rock Water (CRW) is seeking Town Council approval of a resolution (**Attachment A**) for a spot water lease agreement (**Exhibit 1**) with Dakan Ranch II, LLC (Dakan Ranch). Dakan Ranch wishes to fill their pond located along Dry Gulch (tributary to Spring Creek, which is tributary to West Plum Creek, which intersects East Plum Creek at Sedalia). The Division of Water Resources will have to approve the administrative exchange of the Town's fully reusable effluent between the Dakan Ranch Pond and the outfall of Plum Creek Water Reclamation Authority (PCWRA). The distance between PCWRA outfall and the Dakan Ranch's diversion is approximately 19.2 miles.

If Council approves this lease, up to 50-acre feet (AF) of the Town's fully reusable effluent water would be released from the PCWRA outfall to East Plum Creek. This exchange would occur between January 1, 2026 and December 31, 2026. The Town will assess a \$420 per AF lease price for the water. The lease rate was increased by the Consumer Price Index (CPI) based on 2.1% annual increase. Initial payment of \$2,500 for the lease development fee will be required within 30 days from approval of this lease, with the remaining quantity to be paid upon subsequent releases. The potential revenue for this lease is up to \$23,500. CRW will have adequate water supplies available to satisfy this lease commitment without impacting service to existing customers.

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

Castle Rock Water staff presented this item to the Castle Rock Water Commission at their meeting held on October 22, 2025, and the Castle Rock Water Commission voted unanimously 5 to 0 to recommend Town Council approval of the Resolution as presented.

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 close to \$2.25 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.

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 (YTD)	\$609,812.20
TOTAL	\$2,247,849.71

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

- Dakan Ranch will lease up to 50 AF of water at a rate of \$420/AF;
- Point of delivery will be at PCWRA outfall to East Plum Creek;
- Dakan Ranch will assume all transit losses; and
- The agreement will terminate on December 31, 2026.

Budget Impact

If Council approves the agreement, Castle Rock Water would potentially receive up to \$23,500 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