



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 Project Manager
Zuzana Howard, Water Resources Program Analyst

Title: **Resolution Approving the First Amendment to the Spot Water Lease Agreement between the Town of Castle Rock and Central Colorado Water Conservancy District** *[Chatfield Reservoir, Douglas County]*

Executive Summary

Castle Rock Water is seeking Town Council approval of a resolution (***Attachment A***) to amend the Spot Water Lease Agreement with Central Colorado Water Conservancy District (Central). On January 7, 2025 Town Council approved a spot water lease with Central for 400 acre-feet (AF). Central has since exhausted the 400 AF and wishes to lease additional 600 AF of surplus water stored in Chatfield Reservoir, for a total lease to date of 1,000 AF in 2025. This will allow Central to increase their storage supplies within Chatfield and have water upon which to make projections for their well pumping augmentation plans. While the Town currently owns 848 AF of storage in Chatfield, the Colorado Water Conservation Board (CWCB) allows for leasing of the remaining permitted amount, for a total of 2,000 AF of storage. The Town currently has upwards of 1,985 AF of water stored in the reservoir with additional reusable supplies coming in each day.

Upon approval by Town Council for the amendment to this lease, up to 600 AF of additional water may be released from the Town's Chatfield Reservoir storage account as a "book-over" into Central's Chatfield Reservoir storage account during 2025. This release may occur between September 3, 2025 and December 31, 2025. The Town will assess a price of \$110 per AF for the water. This is Castle Rock Water's lease rate for agricultural uses out of Chatfield Reservoir. Payment will be required within 30 days from requested releases. The potential revenue for this lease amendment is up to \$66,000. The agreement will terminate at the end of 2025.

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 water rights that may sit idle. Over the past eight years, the Town has generated over \$1.733 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 and 2025 YTD.

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	\$ 95,069.29
TOTAL	\$ 1,733,106.80

The key terms of the 2025 spot water lease agreement amendment are summarized below:

- Central will lease up to an additional 600 AF of water at a rate of \$110/AF;
- Point of delivery measurement will be a "book-over" at Chatfield Reservoir; and
- The agreement will terminate on December 31, 2025.

As mentioned in the Executive Summary, the Town has been able to store excess supplies in Chatfield Reservoir over the past year, which have exceeded the purchased storage amounts (848 AF). Since the Town does not physically have a way to utilize these excess storage supplies at this point in time, CWCB has developed, and Town Council has approved, a lease agreement with the Town to lease the optioned storage space for \$50/AF. With a current annual lease rate for 1,152 AF (2,000 AF minus 848 AF), the Town will pay the CWCB \$57,600 in 2025. This spot lease with Central would allow the Town to further maximize storage space within the reservoir and will help to cover the annual lease option of storage space with CWCB.

Budget Impact

If Council approves the agreement, Castle Rock Water would potentially receive up to \$66,000 of additional revenue in 2025, for a total lease revenue of up to \$110,000 in 2025. CRW has already received \$44,000 from Central in 2025. 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:	Amended & Original Agreement