



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 the 2026/2027 Water Lease Agreement between the Town of Castle Rock and Central Colorado Water Conservancy District**
[Morgan County, Colorado]

Executive Summary

Castle Rock Water (CRW) is seeking Town Council approval of a Resolution (**Attachment A**) authorizing a Water Lease Agreement (**Exhibit 1**) with Central Colorado Water Conservancy District (Central) to lease the Town's Rothe Recharge Credits acquired with the purchase of the Rothe water rights in 2014. Town Council previously approved the Intergovernmental Agreement Re Sublette Recharge and Chatfield Project (Project IGA) on September 17, 2024, under which the Town may provide Central with 1.5 acre-feet of Town Credits annually for each 1 acre-foot of Central's stored water right in Chatfield Reservoir; however, in periods when Central does not have sufficient water stored in Chatfield Reservoir for the Project IGA to function as intended, the Water Lease Agreement provides an alternative mechanism to meet Central's augmentation needs. The Town will not be able to use the Rothe Recharge Credits in the coming year, and the water cannot be reasonably moved by exchange back upstream to the Town of Castle Rock.

Central proposes to lease up to 491.9 acre-feet (AF) of the recharge credits for use as a projection tool supporting pumping from the hundreds of wells included in its augmentation plan thru March 31, 2027. The Town will charge \$140 per acre-foot, for a total lease value of up to \$68,866, which is reasonable for water of this type and location based on available data from comparable leases in the area.

Discussion

As part of the long-term water supply identified in the Water Resource Strategic Master Plan, the Town purchased the Rothe Recharge property in 2014, and in 2021 the property and its

associated water rights were incorporated into the Box Elder Augmentation Plan (Case No. 19CW3231). The property includes 770 acre-feet (AF) of water rights that may be used as an augmentation water source in conjunction with the Box Elder Creek Well Field for the Town's Box Elder Project.

The general concept of the Rothe Recharge Project is that water can be diverted from the South Platte River at the Riverside Canal which is located east of Greeley under a water right with an effective 1988 priority date (**Attachment B**). This water is delivered from the Riverside Canal into several recharge ponds which then makes its way through the alluvial sands as groundwater return flow to the South Platte River approximately 16 miles downstream of the point where Box Elder Creek theoretically enters the South Platte River. The hydrogeologic transport of this water through the alluvium takes a number of years. The decree in Colorado Water Court Case No. 89CW027 defines the terms and conditions for operation of this project, including the specific timing of the recharge credits. The Town of Castle Rock will not be able to use this water in the next year, and the water cannot currently be reasonably moved by exchange back upstream to the Town of Castle Rock.

The key terms of the Water Lease Agreement are summarized below:

- Central will lease up to 491.4 AF at \$140 per AF;
- Revenue total of up to \$68,866 and
- The lease will terminate on March 31, 2027.

The benefit of this lease agreement is that it allows the Town to generate revenue from Rothe Recharge Credits that would not otherwise be realized under the Project IGA, particularly in circumstances where Central is unable to meet the Project IGA terms due to insufficient stored water. Additionally, this allows the Town to recoup a portion of the 2014 purchase price, thus, decreasing the overall financial impact to the Town. Arrangements like this support the Colorado Water Plan by developing regional cooperation between other water providers and creating ways to utilize existing supplies within the state.

Budget Impact

If Council approves this Water Lease Agreement, Castle Rock Water would receive up to an additional \$68,866 in revenue over the next year. 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
Attachment B: Location Map