



Town of Castle Rock

Agenda Memorandum

Agenda Date: 2/21/2023

Item #: 9. **File #:** RES 2023-016

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

Resolution Approving the First Amendment to the 2022 Town of Castle Rock/Central Colorado Water Conservancy District Spot Water Lease Agreement [Chatfield Reservoir, Douglas County]

Executive Summary

Castle Rock Water is seeking Town Council approval of a resolution (**Attachment A**) to amend a spot water lease with Central Colorado Water Conservancy District (Central). In anticipation of continued drought conditions this spring, Central wishes to lease some of the Town's surplus water stored in Chatfield Reservoir to increase their storage supplies within Chatfield and have additional water upon which to make projections for their well pumping augmentation plans. In the original lease, Central requested 500 AF, which was delivered in early January, but have since requested an additional 500 AF to be delivered this winter/spring, bringing the total lease amount to 1,000 AF. While the Town currently owns 719 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 approximately 475 AF of water stored in the reservoir with additional reusable supplies expected to increase substantially over the winter months. Additionally, in anticipation of the potential for large runoff events this spring, staff would like to leave storage space in Chatfield to allow for the Town to capture as much as possible if free river conditions or our junior water rights apply.

If Council approves the amendment to this lease, up to 500 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 2023. This release may occur between February 21, 2023 and December 31, 2023. The Town will assess a \$90 per AF price for the water, with payment required within 30 days from requested releases. The potential revenue for this lease is up to \$45,000. The agreement will terminate at the end of 2023.

Proposed Motion

Item #: 9. File #: RES 2023-016

“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:	Staff Report
Exhibit 1:	Resolution
	Agreement



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: **Resolution Approving the First Amendment to the 2022 Town of Castle Rock/Central Colorado Water Conservancy District Spot Water Lease Agreement [Chatfield Reservoir, Douglas County]**

Executive Summary

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If Council approves the amendment to this lease, up to 500 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 2023. This release may occur between February 22, 2023 and December 31, 2023. The Town will assess a \$90 per AF price for the water, with payment required within 30 days from requested releases. The potential revenue for this lease is up to \$45,000. The agreement will terminate at the end of 2023. It is important to also understand that Castle Rock is working to develop a partnership with Central as many of our renewable water rights are located in Central's service area in Box Elder Creek and Lost

Creek. There will likely be other opportunities for us to work with Central to share infrastructure and water supplies that will benefit both our customers and theirs.

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

Castle Rock Water Commission was informed of the lease at their October 26, 2022 meeting.

On November 12, 2022, Town Council approved the 2022 Spot Water Lease with Central.

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 five years, the Town has generated over \$1.16 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 five years.

2018	2019	2020	2021	2022
\$29,019.13	\$30,606.65	\$70,699.75	\$499,449.73	\$531,292.81

The Town currently owns 719 AF of storage space in Chatfield Reservoir and plans to eventually reach 2,000 AF of storage by 2034. As part of the option agreement the Town has with CWCB, the Town will purchase blocks of storage over the next 11 years. The Town recently purchased an additional 129 AF of Chatfield storage space in 2022, bringing the Town’s total storage to 719 AF. The Town has two deferrals on purchase of storage remaining over the next 11 years until the full storage space is realized.

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 (719 AF) and will continue to do this each year. 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 1,281 AF (2,000 AF minus 719 AF), the Town will pay the State \$64,050 in 2023. The spot lease with Central would allow the Town to further maximize storage space within the reservoir, and in addition to other similar leases, 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 \$45,000 of additional revenue in 2023. 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

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Alternative Motions

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Attachments

Attachment A: Resolution
Exhibit 1: Agreement