

# Town of Castle Rock



## Agenda Memorandum

**Agenda Date:** 11/5/2019

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**Item #:** 14. **File #:** TMP 2019-846

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**To:** Honorable Mayor and Members of Town Council

**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 Town of Castle Rock/H&H Farms Agricultural Water Lease Agreement**

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### Executive Summary

Castle Rock Water is seeking Town Council approval of a resolution (**Attachment A**) for an agricultural water lease with H&H Farms. H&H Farms 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 2019 lease, the farmer used 142.74 acres-feet (AF) of water from these wells in 2019 for irrigation and has paid the Town \$4,995.94. H&H Farms 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 2020 as the infrastructure needed to move the water is not designed or installed. H&H Farms wishes to lease up to 275 (AF) at a rate of \$35 per acre-foot, which could amount to \$9,625 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, 2020.

### 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.

**Discussion**

As part of the Town’s hybrid renewable water solution, the Town purchased several Lost Creek Basin wells in 2017. These wells came with approximately 1,035 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 2019, H&H Farms used 142.74 AF of water and has paid the Town \$4,995.94. The farmers are also planning to use this water in 2020.

The key terms of the 2020 water lease agreement are summarized below:

- Agreement will terminate November 15, 2020.
- H&H Farms will lease up to 275 AF of water at a rate of \$35 per AF.

The following table outlines the wells that will be used and the amount of water we will be leasing to H&H Farms.

Well	Maximum Water to be Leased, AF	Annual Water Rights, AF
31640	275	297.2
<b>Total</b>	<b>275</b>	<b>297.2</b>

**Budget Impact**

If Council approves the agreement, Castle Rock Water would receive up to \$9,625 in revenue in 2020. 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 2020 agricultural water lease agreement with H&H Farms for 275 acre-feet of water which will generate a revenue of up to \$9,625.

**Proposed Motion**

*“I move to approve the Resolution as introduced by title.”*

**Attachments**

- Attachment A: Resolution
- Exhibit 1: Agreement
- Attachment B: Location Map