



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 Project Manager

Title: **Resolution Approving a Spot Water Lease Agreement between the Town of Castle Rock and Castle Pines Metropolitan District** *[Castle Rock, Douglas County]*

Executive Summary

Castle Rock Water is seeking Town Council approval of a resolution (***Attachment A***) for a spot water lease with Castle Pines Metropolitan District (Castle Pines). In accordance with the Plum Creek Water Reclamation Authority (PCWRA) Establishing Agreement dated January, 1990 and the Intergovernmental Agreement (IGA) between the Town and Castle Pines dated March 21st, 2022, Castle Rock Water is required to provide certain amounts of reusable water supplies for use by the Castle Pines Golf Courses (Castle Pines Golf Club and the Country Club at Castle Pines). In 2024, Castle Rock Water is required to deliver up to 93 acre-feet (AF) of reusable effluent for use by the golf courses. Castle Pines has determined that additional reusable water supplies may be necessary

In anticipation of drought conditions this year as well as an upcoming PGA Tour golf tournament hosted by Castle Pines Golf Club, Castle Pines wishes to lease some of the Town's fully reusable effluent from PCWRA that would otherwise be stored in Castle Rock Reservoir No. 1 (CRR1) or Chatfield Reservoir. While the Town currently owns 719 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 2,000 AF of water stored in the reservoir and 100 AF of water stored in CRR1 with additional reusable supplies expected to increase substantially with spring runoff.

If Council approves this lease, up to 522 AF of additional water may be released from the Town's PCWRA fully reusable effluent and pumped directly from PCWRA for use at Castle Pines Golf Club. This release may occur between May 1, 2024 and December 31, 2024. The Town will assess a \$202.50 per AF price for the water for the first 160 AF of deliveries. This is a discount from our typical lease rate. This discounted rate is proposed because as part of the

2022 IGA with Castle Pines, Castle Rock receives all of Castle Pines winter effluent at no cost. This is expected to be 160 AF in 2024. The remaining deliveries of up to 362 AF will be accessed at the Town’s current lease rate of \$405/AF. The potential revenue for this lease is up to \$179,010. The agreement will terminate at the end of 2024.

Notification and Outreach Efforts

The Town was approached by Castle Pines for this request and no further outreach is needed as part of this action.

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

CRW Staff presented the lease agreement to the Castle Rock Water Commission at their May 22, 2024 meeting. The Castle Rock Water Commission voted unanimously 6 to 0 to recommend Council approval of the lease agreement.

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 six years, the Town has generated over \$1.38M 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 six years.

2018	2019	2020	2021	2022	2023
\$29,019.13	\$30,606.65	\$70,699.75	\$499,449.73	\$531,292.81	\$214,123.89

The key terms of the 2024 spot water lease agreement are summarized below:

- Castle Pines will lease up to 522 AF of water at a rate of \$202.50/AF for the first 160 AF and at a rate of \$405/AF for the remaining 362 AF.
- Quantities will be limited to 5 AF/day during June, July and August between this agreement and section 8.02 of the Establishing Agreement between PCWRA members Castle Pines and the Town of Castle Rock, of which defines the Town’s obligation to deliver treated effluent to Castle Pines which obligation is further clarified in the IGA between the Town and Castle Pines dated March 21, 2022.
- Point of delivery measurement is at the PCWRA outfall.
- The agreement will terminate on December 31, 2024.

The benefit of the lease agreement is that it generates revenue for Castle Rock Water and promotes further collaboration with Castle Pines. Castle Pines and Castle Rock are party to a 2022 IGA, which allows the Town to capture winter effluent that is not used for golf course irrigation typically on the order of 160 AF annually.

Budget Impact

If Council approves the agreement, Castle Rock Water would potentially receive up to \$179,010 of additional revenue in 2024. 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