



Meeting Date: May 4, 2021

MEMORANDUM

To: Honorable Mayor and Members of Town Council

Thru: David 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 2021 Town of Castle Rock/Centennial Water & Sanitation District Spot Water Lease Agreement [*Chatfield Reservoir, Douglas County*]

Executive Summary

Castle Rock Water is seeking Town Council approval of a resolution (**Attachment A**) for a spot water lease with Centennial Water & Sanitation District (Centennial). In anticipation of drought conditions this summer, Centennial wishes to lease some of the Town's surplus water stored in Chatfield Reservoir to increase their storage supplies within Chatfield. Completion of the Chatfield Storage Reallocation Project in 2020 prompted the Colorado Water Conservation Board (CWCB) to allow shareholders access to full storage amounts for the first year of storage. While the Town currently owns 590 acre feet (AF) of storage in Chatfield, storage of up to 2,000 AF was permitted until May 1, 2021. After that date, the Town will rent storage in excess of 590 AF from the CWCB. The Town currently has upwards of 1,600 AF of water stored in the reservoir with additional reusable supplies coming in each day.

If Council approves this lease, up to 1,000 AF of water would be released from the Town's Chatfield Reservoir storage account as a book-over into Centennial's Chatfield Reservoir storage account during 2021. This release would occur between May 5, 2021 and December 31, 2021. The Town will assess a \$340 per AF price for the water, with a minimum lease of 200 AF. Initial payment of the 200 AF lease will be required within 30 days from approval of this lease, with the remaining quantity to be paid upon subsequent releases. The potential revenue for this lease is up to \$340,000. The agreement will terminate at the end of 2021.

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

On April 28, 2021, Castle Rock Water Commission _____ Town Council approval of the 2021 Spot Water Lease with Centennial.

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 three years the Town has generated over \$130,000 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 three years.

2018	2019	2020
\$29,019.13	\$30,606.65	\$70,699.75

The Town currently owns 590 AF of storage space in Chatfield Reservoir and plans to eventually reach 2,000 AF of storage by 2031. As part of the option agreement the Town has with CWCB, the Town will purchase blocks of storage over the next 10 years. Currently, the Town is planning to take a deferral in 2021 and purchase 129 AF in 2022. This will provide 719 AF of total storage by the end of 2022. The Town will then have two deferrals remaining until the full storage space is realized within the 10-year period.

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 (590 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 1,410 AF (2,000 AF minus 590 AF), the Town will pay the State \$70,500 in 2021. The spot lease with Centennial would allow the Town to further maximize storage space within the reservoir and will more than cover the annual lease option of storage space with CWCB.

Budget Impact

If Council approves the agreement, Castle Rock Water would receive between \$68,000 and \$340,000 of additional revenue in 2021. 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”.

Attachments

Attachment A: Resolution
Exhibit 1: Agreement