



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 Central Colorado Water Conservancy District [Chatfield Reservoir, Douglas County]**

Executive Summary

Castle Rock Water is seeking Town Council approval of a resolution (**Attachment A**) for a Spot Water Lease Agreement with Central Colorado Water Conservancy District (Central). 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. While the Town currently owns 848 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 upwards of 1,464 AF of water stored in Chatfield with additional reusable supplies coming in each day.

If Council approves this lease, up to 800 AF of water may be released from the Town's Chatfield Reservoir storage account as a book-over into Central's Chatfield Reservoir storage account during 2024. This release may occur between October 1, 2024 and December 31, 2024. The Town will assess a \$110 per AF price for the water, with payment required within 30 days from requested releases. The potential revenue for this lease is up to \$88,000. The agreement will terminate at the end of 2024.

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

Castle Rock Water staff presented this item to the Castle Rock Water Commission at their meeting held on September 25, 2024, and the Castle Rock Water Commission voted unanimously 5 to 0 to recommend Town Council approval of the Resolution as presented.

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 \$1.38 million by leasing idle water rights to downstream users (see **Table 1** below), with \$42,199 generated to date in 2024. Until these water rights can be fully utilized by the Town, Staff will continue to work with partners 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	\$214,123.90

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

- Central will lease up to 800 AF of water at a rate of \$110/AF;
- Point of delivery measurement will be a book-over at Chatfield Reservoir (accomplished within the official Chatfield accounting check sheet);
- There are no renewal options; and
- The agreement will terminate on December 31, 2024.

The Town has been able to store excess supplies in Chatfield Reservoir over the past year, which have exceeded the purchased storage amounts (848 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 1,152 AF (2,000 AF minus 848 AF), the Town will pay the State \$57,600 in 2024. The spot lease with Central would allow the Town to further maximize storage space within the reservoir and will help to cover the annual lease option of storage space with CWCB, realizing a net revenue of \$30,400.

Budget Impact

If Council approves the agreement, Castle Rock Water would potentially receive up to \$88,000 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