



STAFF REPORT

To: Honorable Mayor and Members of Town Council

Thru: David L. Corliss, Town Manager

From: Mark Marlowe, P.E., Director of Castle Rock Water
Lauren Moore, Water Resources Manager
Zuzana Howard, Water Resources Program Analyst

Title: **Resolution Approving the 2026 Spot Water Lease Agreement Between the Town of Castle Rock and United Water and Sanitation 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 with United Water & Sanitation District (United). United wishes to lease some of the Town's surplus water stored in Chatfield Reservoir to augment their downstream reservoir diversions from the main stem of the South Platte River. While the Town currently owns 848-acre feet (AF) of storage in Chatfield and intends to purchase an additional 129 AF in 2026, 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 1,750 AF of water stored in the reservoir.

If Council approves this lease, up to 200 AF of water would be released from the Town's Chatfield Reservoir storage account into the main stem of the South Platte River. This release would occur between April 22, 2026 and December 31, 2026. The Town will assess a \$420 per AF price for the water, with a minimum lease of 20 AF. Initial payment of \$8,400 for the minimum 20 AF lease will be required 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 \$84,000. The agreement will terminate at the end of 2026.

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

Castle Rock Water Commission was informed of a lease with United at their March 24, 2021 meeting and recommended approval of the 2021 Water Lease Agreement.

On April 6, 2021 Town Council unanimously approved the 2021 Water Lease Agreement.

Castle Rock Water Commission was informed of a lease with United at their February 23, 2022 meeting and recommended approval of the 2022 Water Lease Agreement.

On March 1, 2022, Town Council unanimously approved the 2022 Water Lease Agreement.

On April 15, 2025 Town Council approved a 2025 spot water lease with United.

Castle Rock Water Commission will be informed of the 2026 spot water lease with United at their April 22, 2026 meeting. Information on the lease was sent to Commissioners the week of April 13, 2026.

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 eight years, the Town has generated over \$2.018 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 and generate revenue to the benefit of Castle Rock Water’s customers.

Table 1. Revenue generated from leasing idle water rights to downstream users over the past eight years.

Year	Revenue
2018	\$70,699.75
2019	\$30,606.65
2020	\$29,019.13
2021	\$499,449.73
2022	\$531,647.81
2023	\$214,123.90
2024	\$262,490.54
2025	\$380,521.91
TOTAL	\$2,018,559.42

The key terms of the 2026 spot water lease agreement are summarized below:

- A minimum lease quantity of 20 AF with \$8,400 payable 30 days after execution;
- Up to 200 AF total of water at a lease rate of \$420/AF;
- Point of delivery will be to the main stem of the South Platte River, downstream of Chatfield Reservoir.

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 (848 AF). The Town does not physically have a way to utilize these excess storage supplies at this point in time, and CWCB has developed a lease agreement with the Town to lease the option amount for \$50/AF. The 2026 lease with

CWCB will be at rate of \$51,150 for 1,023 AF (2,000 AF available storage – 848 AF owned storage – 129 AF purchased storage in 2026) of storage space. The spot lease with United 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 \$8,400 and \$84,000 of additional revenue in 2026. 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