



## **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  
Lisa Bright-Unger, Water Resources Program Analyst

**Title:** **Resolution Approving a Water Lease Agreement between the Town of Castle Rock and Dove Meadow Dairy Inc. [located in Weld County, CO]**

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### **Executive Summary**

Castle Rock Water is seeking Town Council approval of a resolution (**Attachment A**) for a water rights lease (**Exhibit 1**) with Dove Meadow Dairy Inc. (Dove Meadow Dairy). Dove Meadow Dairy is a farmer located in Weld County adjacent to the Lost Creek Basin wells the Town purchased in 2017 as part of our Alternate Source of Supply Project. As part of their 2023 lease, the farmer used 58.51 acre-feet (AF) of water from these wells for irrigation and has paid the Town \$2,135.62. Dove Meadow Dairy 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 2024 as the infrastructure needed to move the water has not yet been designed or constructed. Dove Meadow Dairy wishes to lease up to 125 AF at a rate of \$43.60 per AF (an increase from \$36.50/AF), which could amount to \$5,450.00 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 30, 2024. This lease agreement is consistent with Castle Rock Water's strategic plan. A key tactic in that plan is to maximize leasing opportunities for idle water rights.

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

March 7, 2023, Town Council unanimously approved the 2023 water lease agreement with Dove Meadow Dairy.

Castle Rock Water staff presented this item to the Castle Rock Water Commission at their meeting held on February 28, 2024, and the Castle Rock Water Commission voted unanimously 4 to 0 to recommend Town Council approval of the Resolution as presented.

## Discussion

As part of the Town's hybrid renewable water program, the Town purchased several Lost Creek Basin wells in 2017 and 2021. These wells came with approximately 1,492 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 2023, Dove Meadow Dairy used 58.51 AF of water from these wells for irrigation and has paid the Town \$2,135.62, with a lease rate of \$36.50/AF. The farmer is also planning to use this water in 2024.

The key terms of the 2024 Water Rights Lease Agreement are summarized below:

- Agreement will terminate November 30, 2024.
- Dove Meadow Dairy will lease up to 125 AF of water at a rate of \$43.60 per AF.

The following table outlines the wells that will be used and the amount of water we will be leasing to Dove Meadow Dairy. A map of the wells is shown in **Attachment B**.

Well	Maximum Water to be Leased**, AF	Annual Water Rights, AF
12123*	0	163.1
12124	125	106.4
<b>Total</b>	<b>125</b>	<b>269.5</b>

\*Well not operational

\*\*Maximum water to be leased may exceed annual water rights of an individual well if banked water is available

As noted in the Executive Summary, maximizing the leasing of idle water rights is part of Castle Rock Water's strategic plan. Revenues from this leasing help to offset the costs for purchasing and developing long term renewable water supplies. Total revenues from water leases with Dove Meadow Dairy over the last six years are shown in the table below.

Year	AF	\$/AF	Total Revenue
2018	65.10	\$ 35.00	\$ 2,278.50
2019	56.70	\$ 35.00	\$ 1,984.50
2020	99.40	\$ 35.00	\$ 3,479.00
2021	156.60	\$ 36.50	\$ 5,715.90
2022	151.70	\$ 36.50	\$ 5,537.05
2023	58.51	\$ 36.50	\$ 2,135.62
<b>Total</b>			<b>\$ 21,130.57</b>

## Budget Impact

If Council approves the agreement, Castle Rock Water would receive up to \$5,450.00 in revenue in 2024. 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 2024 Water Rights Lease Agreement with Dove Meadow Dairy for 125 AF of water which will generate a revenue of up to \$5,450.00.

**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
- Attachment B: Location Map