



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 Program Analyst

Title: **Resolution Approving the Town of Castle Rock and Sublette, Inc. 2023 Water Lease Agreement** *[Rothe/Sublette Recharge Project, Weld County, CO]*

Executive Summary

Castle Rock Water is seeking Town Council approval of a Resolution (Attachment A) for a water lease with Sublette, Inc. (Sublette). Sublette is interested in leasing a portion of Castle Rock's Recharge Credits associated with the Rothe-Sublette Recharge Project located in eastern Weld County, just north of the South Platte River. Castle Rock is currently leasing 600 acre-feet (AF) of these credits to the Town of Wiggins, Colorado in 2023; however, there are approximately 134 AF of recharge credits that are currently unused. Sublette intends to use a portion of these credits to offset some of their well pumping depletions from crop production.

If Council approves this lease, 134 AF of recharge credits will be leased to Sublette at the rate of \$36.50 per AF, which amounts to \$4,891 in revenue. This is the current agricultural leasing price that the Town has established with other agricultural entities.

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

On April 28, 2021, Castle Rock Water Commission recommended Town Council approval of the 2021 Spot Water Lease with Sublette, Inc.

On May 4, 2021, Town Council approved the 2021 Spot Water Lease with Sublette, Inc.

On May 25, 2022, Castle Rock Water Commission recommended Town Council approval of the 2022 Spot Water Lease with Sublette, Inc.

On June 7, 2022, Town Council approved the 2022 Spot Water Lease with Sublette, Inc.

Castle Rock Water staff presented this item to the Castle Rock Water Commission at their meeting held on April 26, 2023 and the Castle Rock Water Commission voted unanimously 6 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 five years, the Town has generated over \$1.2 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.

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

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

The general concept of the Rothe-Sublette Recharge Project is that water can be diverted from the South Platte River at the Riverside Canal, which is located east of Greeley under a water right with an effective 1988 priority date. This water is delivered from the Riverside Canal into several recharge ponds which then makes its way through the alluvial sands as groundwater return flow to the South Platte River. The hydrogeologic transport of this water through the alluvium takes a number of years. The decree in Colorado Water Court Case No. 89CW027 defines the terms and conditions for operation of this project, including the specific timing of the recharge credits.

The Town's portion of the project includes up to the first 770 acre-feet per year of recharge credits. The Town is currently leasing 600 AF to the Town of Wiggins for the augmentation of several municipal supply wells. Approximately 134 AF of additional recharge credits are available for use in 2023 and a partner in the Rothe-Sublette Recharge Project (Sublette, Inc.) has expressed interest in leasing these excess credits for 2023.

Budget Impact

If Council approves the agreement, Castle Rock Water would receive \$4,891 in additional revenue in 2023 from Sublette. 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