



## 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 Rights Lease Agreement between the Town of Castle Rock and Turnpike, LLC. [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 agreement (**Exhibit 1**) with Turnpike, LLC (Turnpike). Turnpike 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 128.37 acre-feet (AF) of water from these wells for irrigation and has paid the Town \$4,685.51. Turnpike 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. Turnpike wishes to lease up to 650 AF at a rate of \$43.60 per AF (an increase from \$36.50/AF), which could amount to \$28,340.00 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 Turnpike.

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, Turnpike used 128.37 AF of water from these wells for irrigation and has paid the Town \$4,685.51. The farmer is also planning to use this water in 2024 with a lease rate of \$43.60/AF (an increase from \$36.50/AF in 2023).

In 2023, well 31643-FPR collapsed. Turnpike is interested in re-drilling the well about 50 feet south of the current well, but that could cost Turnpike approximately \$60,000. In order to accommodate this situation for Turnpike, Castle Rock Water is adding the following conditions to the 1-year lease agreement based on the final invoice of the cost to re-drill well 31643-FPR:

In the event that, for any reason, the Town of Castle Rock exercises its right to:

- terminate the lease at any time prior to the end of the Initial Term (1-year) or any Option Term (up to five years), or
- not renew the Lease for any Option Term, the Town agrees to pay Turnpike an amount equal to one-sixth of the cost of the re-drill of Well 31643-FPR, as set forth in the Final Invoice, for each year remaining in the Extended Term, as follows:
  - In 2024, Turnpike would receive 5/6 of the cost of the final invoice of the re-drill
  - In 2025, Turnpike would receive 4/6
  - In 2026, Turnpike would receive 3/6
  - In 2027, Turnpike would receive 2/6
  - In 2028, Turnpike would receive 1/6

In addition to the above conditions, the key terms of the 2024 water lease agreement are summarized below:

- Agreement will terminate November 30, 2024.
- Turnpike will lease up to 650 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 Turnpike. A map of the wells is shown in **Attachment B**.

The Lost Creek Basin in Weld County, where these wells are located, allows for three-year modified banking of any unused annual allotment of water. Due to this banking and as shown below, sometimes the maximum amount of water leased may exceed the annual water rights for each well.

<b>Well</b>	<b>Maximum Water to be Leased**, AF</b>	<b>Annual Water Rights, AF</b>
31526	300	144.4
31527	200	139.1
31643***	150	111.3

14860*	0	74.3
<b>Total</b>	<b>650</b>	<b>469.1</b>

\*Well not operational

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

\*\*\*Well collapsed. A replacement well will be redrilled about 50 feet south of the original one.

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 Turnpike over the last six years are shown in the table below.

Year	AF	\$/AF	Total Revenue
2018	343.28	\$ 35.00	\$ 12,014.80
2019	322.423	\$ 35.00	\$ 11,284.81
2020	466.22	\$ 35.00	\$ 16,317.70
2021	701.60	\$ 36.50	\$ 26,604.40
2022	476.23	\$ 36.50	\$ 17,895.37
2023	128.37	\$ 36.50	\$ 4,685.51
<b>Total</b>			<b>\$ 88,802.59</b>

**Budget Impact**

If Council approves the agreement, Castle Rock Water would receive up to \$28,340.00 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 Turnpike for 650 AF of water which would generate a revenue of up to \$28,340.00.

**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