



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 the 2024 Water Lease Agreement between the Town of Castle Rock and the Town of Wiggins** *[Morgan County, Colorado]*

Executive Summary

Castle Rock Water is seeking Town Council approval of a Resolution (**Attachment A**) for a Water Lease Agreement with the Town of Wiggins (Wiggins), which is located in Morgan County, Colorado. Wiggins is interested in entering into another Water Lease Agreement of our Rothe Recharge Credits which came with Castle Rock's purchase of the Rothe water rights in 2014. Wiggins entered into the original three-year lease agreement on January 5, 2016 with subsequent renewals and an additional two-year lease. Their current lease terminates on June 30, 2024. The new lease term will be for one year with 584 AF of lease water available. Wiggins intends to use this water to augment their tributary well pumping while they proceed through water court on other augmentation sources. The Town of Castle Rock will not be able to use this water in the next year and the water cannot be reasonably moved by exchange back upstream to the Town of Castle Rock.

Wiggins wishes to lease 584 AF at \$135 per acre-foot for a total price of \$78,840. The price is reasonable for leased water of this type at this location based on available data regarding other leases in the area. Either party may terminate the agreement with 180 days' notice.

Notification and Outreach Efforts

Wiggins approached the Town with this request and no other parties are impacted by this agreement.

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

December 9, 2015, Utilities Commission unanimously approved the draft lease agreement.

January 5, 2016, Town Council approved the Water Lease Agreement.

February 22, 2017, staff presented the draft amendment to the Water Lease Agreement to Castle Rock Water Commission who unanimously approved this be taken to Town Council for consideration.

March 8, 2017, Wiggins Board of Trustees unanimously approved the Water Lease Agreement.

March 28, 2017, Town Council approved an Ordinance for the First Amendment to the Water Lease Agreement with Wiggins.

May 25, 2022, Water Commission recommended approval of the 2022 Water Lease Agreement.

June 21, 2022, Town Council approved an Ordinance for the 2022 Water Lease Agreement with Wiggins.

Castle Rock Water staff presented this item to the Castle Rock Water Commission at their meeting held on May 22, 2024, and the Castle Rock Water Commission voted XXXX to XXX to recommend Town Council approval of the Resolution as presented.

Discussion

As part of the hybrid solution for long-term water supply in the Water Resource Strategic Master Plan, the Town purchased the Rothe Recharge property in 2014. The property came with 770 AF of water rights which can be used as an augmentation water source in conjunction with the Box Elder Creek Well Field for the Alternative Source of Supply Project hybrid solution.

The general concept of the Rothe 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 (see **Attachment B**). 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 approximately 16 miles downstream of the point where Box Elder Creek theoretically enters 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 of Castle Rock will not be able to use this water in the next year, and the water cannot currently be reasonably moved by exchange back upstream to the Town of Castle Rock.

On January 5, 2016, Castle Rock Water entered into a three-year lease agreement with the Town of Wiggins, with an additional three-year extension. On June 21, 2022, the Town entered into another two-year lease, which terminates on June 30, 2024. The Town of Wiggins would like to enter into a new Water Lease Agreement for 584 AF of Rothe Recharge Credits in the, the detail of which is included in **Exhibit 1**. The key terms of the 2024 Water Lease Agreement are summarized below:

- One-year lease agreement;
- Wiggins will lease 584 AF at \$135/AF which equates to \$78,840 total; and
- Either party may terminate lease with notice.

The benefit of this lease agreement is that it generates revenue for Castle Rock Water that would not otherwise be collected on the current water credits available. This allows the Town to recoup a portion of the 2014 purchase price, thus, decreasing the overall financial impact to the Town. Arrangements like this support the Colorado Water Plan by developing regional cooperation between other water providers and creating ways to utilize existing supplies within the state.

Budget Impact

If Council approves the 2024 Water Lease Agreement, Castle Rock Water would receive an additional \$78,840 in revenue over the next year. 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 water lease agreement with the Town of Wiggins for 584 AF of water over the next year which will generate a revenue of \$78,840.

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