



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 Town of Castle Rock/Colorado Parks & Wildlife Water Lease Agreement** [*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 Colorado Parks & Wildlife (CPW). While the Town currently owns 719 acre-feet (AF) of storage in Chatfield, 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 upwards of 430 AF of water stored in the reservoir with additional reusable supplies coming in each day. In anticipation of drought conditions this summer, CPW wishes to lease some of the Town's surplus water stored in Chatfield Reservoir to fill the hatchery settling ponds as well as the Dog Off Leash Area ponds located within Chatfield's recreation area.

Under this agreement, up to 200 AF of water will be released from the Town's Chatfield Reservoir storage account directly into the fish hatchery pond gate and/or a book over to CWP's Chatfield Storage will occur. This release would occur between May 3 and December 31, 2023. The Town will assess a \$385 per AF price for the water, with payment due upon total quantity released. The potential revenue for this lease is up to \$77,000. The agreement will terminate at the end of 2023.

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

Castle Rock Water Commission was informed of a similar lease with CPW at their March 28, 2021 meeting.

On April 6, 2021, Town Council approved a similar type of spot water lease with CPW.

Castle Rock Water staff presented this new lease with CPW 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

To date in 2023, Castle Rock Water has signed leases worth \$271,546.48. The Town currently owns 719 AF of storage space in Chatfield Reservoir and plans to eventually reach 2,000 AF of storage by 2031. As part of the option agreement the Town has with CWCB, the Town will purchase blocks of storage over the next ten years. The Town recently purchased 129 AF in 2022, bringing the Town's total storage to 719 AF. The Town has one deferral year remaining until the full storage space is realized within the ten-year period.

The Town has been able to store excess supplies in Chatfield Reservoir over the past year, which have exceeded the purchased storage amounts (719 AF). Since the Town does not physically have a way to utilize these excess storage supplies at this point in time, CWCB has developed, and Town Council has approved, a lease agreement with the Town to lease the optioned storage space. With a current annual lease rate of \$50/AF for 1,281 AF (2,000 AF minus 719 AF), the Town will pay the State \$64,050 in 2023.

This spot lease with CPW will allow the Town to further maximize storage space within the reservoir and in addition to other similar leases, will help to cover the annual lease option of storage space with CWCB.

Budget Impact

Castle Rock Water will receive up to \$77,000 of additional revenue in 2023 through this agreement. 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