



STAFF REPORT

To: Honorable Mayor and Members of Town Council

Through: David Corliss, Town Manager

From: Mark Marlowe, P.E., Director of Castle Rock Water
Matt Benak, P.E., Water Resources Manager
Zuzana Howard, Water Resources Program Analyst

Title: **Resolution Approving a First Amendment to the Town of Castle Rock Spot Water Lease Agreement with Dakan Ranch II, LLC**

Executive Summary

Castle Rock Water is seeking Town Council approval of a resolution (***Attachment A***) for a spot water lease agreement first amendment (***Exhibit 1***) with Dakan Ranch II, LLC (Dakan Ranch). Dakan Ranch wishes to lease an additional 60 acre-feet (AF) of water to fill their pond located along Dry Gulch (tributary to Spring Creek, which is tributary to West Plum Creek, which intersects East Plum Creek at Sedalia). Town Council approved the Spot Water Lease Agreement for the initial 60 AF during the meeting on April 15, 2025. The total volume of water leased to Dakan Ranch with approval of this amendment would be up to 120 AF. The Division of Water Resources has approved the administrative exchange of the Town's fully reusable effluent between the Dakan Ranch Pond and the outfall of Plum Creek Water Reclamation Authority (PCWRA). The distance between PCWRA outfall and the Dakan Ranch's diversion is approximately 19.2 miles.

If Council approves this lease amendment, up to 60 AF of the Town's fully reusable effluent water would be released from the PCWRA outfall to East Plum Creek. This exchange would occur between June 3, 2025 and December 31, 2025. The Town will assess a \$411 per AF lease price for the water. The potential revenue for this lease is up to \$24,660. The Town already received a payment of \$27,160 for the initial 60 AF Dakan Ranch leased in May 2025 which included \$2,500 for the lease development fee.

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

Castle Rock Water staff presented this item to the Castle Rock Water Commission at their meeting held on May 28, 2025, 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 seven years, the Town has generated close to \$1.6 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 seven years.

2018	2019	2020	2021	2022	2023	2024
\$70,699.75	\$30,606.65	\$29,019.13	\$499,449.73	\$531,292.81	\$214,123.54	\$262,490.54

The key terms of the 2025 spot water lease agreement amendment are summarized below:

- Dakan Ranch will lease up to 120 AF of water at a rate of \$411/AF;
- Point of delivery will be at PCWRA outfall to East Plum Creek; and
- The agreement will terminate on December 31, 2025.

Budget Impact

If Council approves the agreement, Castle Rock Water would potentially receive up to \$24,660 of additional revenue in 2025. 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 Amendment