



Meeting Date: February 15, 2022

## AGENDA MEMORANDUM

**To:** Honorable Mayor and Members of Town Council

**Thru:** Dave 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/H&H Farms Agricultural Water Lease Agreement [Weld County, Co]

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### Executive Summary

Castle Rock Water is seeking Town Council approval of a resolution (**Attachment A**) for an agricultural water lease with H&H Farms. H&H Farms is a farmer located in Weld County adjacent to the Lost Creek Basin wells we purchased in 2017 as part of our Alternate Source of Supply Project. As part of their 2021 lease, the farmer used 198.6 AF of water from these wells in 2021 for irrigation and has paid the Town \$7,248.90. H&H Farms 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 2022 as the infrastructure needed to move the water has not yet been designed or constructed. H&H Farms wishes to lease up to 275 acre-feet (AF) at a rate of \$36.50 per AF, which could amount to \$10,037.50 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 15, 2022. 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, and Other Discussions

February 28, 2018, Castle Rock Water Commission unanimously recommended that Town Council approve the 2018 water lease agreement.

March 6, 2018, Town Council unanimously approved the 2018 water lease agreement.

January 23, 2019, Castle Rock Water Commission recommended that Town Council approve the 2019 water lease agreement.

February 5, 2019, Town Council unanimously approved the 2019 water lease agreement.

October 23, 2019, Castle Rock Water Commission recommended that Town Council approve the 2020 water lease agreement.

November 5, 2019, Town Council unanimously approved the 2020 water lease agreement.

February 24, 2021, Castle Rock Water Commission recommended that Town Council approve the 2021 water lease agreement.

March 2, 2021, Town Council unanimously approved the 2021 water lease agreement.

January 26, 2022, Castle Rock Water Commission \_\_\_\_\_ that Town Council approve the 2022 water lease agreement.

### **Discussion**

As part of the Town's hybrid renewable water solution, 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 2021, H&H Farms used 198.6 AF of water and has paid the Town \$7,248.90, with a lease rate of \$36.50/AF. The farmers are also planning to use this water in 2022.

The key terms of the 2022 water lease agreement are summarized below:

- Agreement will terminate November 15, 2022.
- H&H Farms will lease up to 275 AF of water at a rate of \$36.50 per AF.

The following table outlines the wells that will be used and the amount of water we will be leasing to H&H Farms.

<b>Well</b>	<b>Maximum Water to be Leased, AF</b>	<b>Annual Water Rights, AF</b>
31640	275	297.2
<b>Total</b>	<b>275</b>	<b>297.2</b>

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 H&H over the last four years are shown in the table below.

<b>Year</b>	<b>AF</b>	<b>\$/AF</b>	<b>Total Revenue</b>
2018	183.55	\$ 35.00	\$ 6,424.25
2019	142.74	\$ 35.00	\$ 4,995.94
2020	198.68	\$ 35.00	\$ 6,953.84
2021	198.60	\$ 36.50	\$ 7,248.90
		<b>Total</b>	<b>\$ 25,622.93</b>

### **Budget Impact**

If Council approves the agreement, Castle Rock Water would receive up to \$10,037.50 in revenue in 2022. The revenue will be deposited into Water Resources Fund Capital Leases account 211-4375-393.70-00 <WRAWL>.

### **Recommendations**

Staff recommends approval of the 2022 agricultural water lease agreement with H&H Farms for 275 acre-feet of water which will generate a revenue of up to \$10,037.50.

### **Proposed Motion**

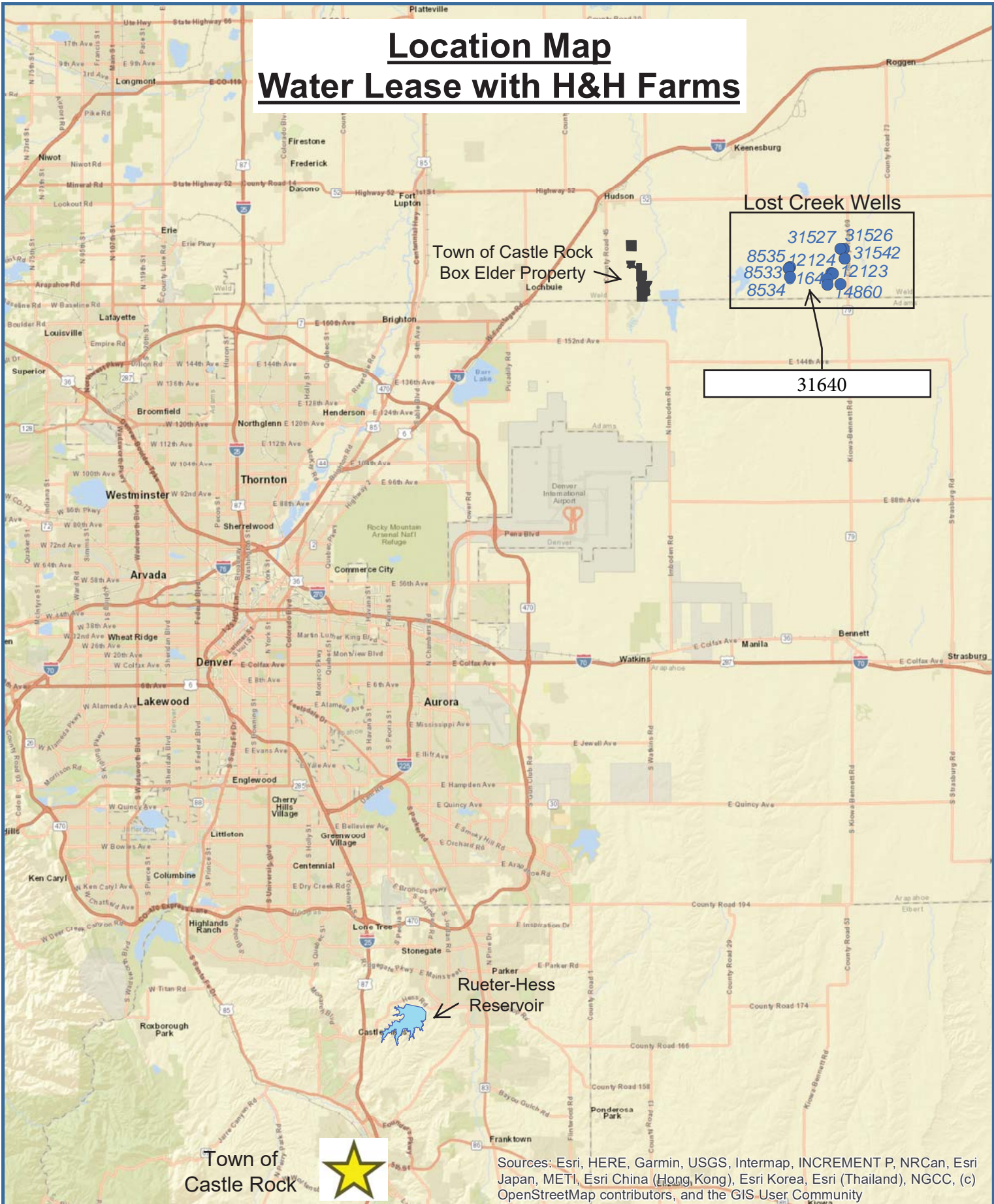
*“I move to approve the Resolution as introduced by title.”*

### **Attachments**

Attachment A: Resolution  
Exhibit 1: Agreement  
Attachment B: Location Map

# Location Map

## Water Lease with H&H Farms



**Lost Creek Wells**

31527 31526  
 8535 12124 31542  
 8533 164 12123  
 8534 14860

31640

Town of Castle Rock  
 Box Elder Property

Rueter-Hess  
 Reservoir

Town of  
 Castle Rock



Sources: Esri, HERE, Garmin, USGS, Intermap, INCREMENT P, NRCan, Esri Japan, METI, Esri China (Hong Kong), Esri Korea, Esri (Thailand), NGCC, (c) OpenStreetMap contributors, and the GIS User Community



Date: 1/21/2022      1 inch = 32,921 feet



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**CASTLE ROCK  
 UTILITIES MAP  
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