



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
Lauren Moore, Water Resources Manager
Zuzana Howard, Water Resources Program Analyst

Title: **Resolution Approving a Spot Water Lease Agreement between the Town of Castle Rock and Highlands Ranch Water [Chatfield Reservoir, Douglas County]**

Executive Summary

Castle Rock Water is seeking Town Council approval of a resolution (**Attachment A**) for a spot water lease agreement (**Exhibit 1**) with Highlands Ranch Water (HRW). HRW wishes to lease some of the Town's surplus water stored in Chatfield Reservoir to increase their storage supplies within Chatfield and have additional water. While the Town currently owns 848 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 1,600 AF of water stored in the reservoir with additional reusable supplies coming in each day.

If Council approves this lease, up to 1,000 AF of water may be released from the Town's Chatfield Reservoir storage account as a book-over into HRW's Chatfield Reservoir storage account during 2026. This release may occur between May 6, 2026 and December 31, 2026. The Town will assess a \$420 per AF price for the water with a minimum lease of 200 AF. The 2026 lease rate was increased by the Consumer Price Index (CPI) based on 2.1% annual increase from \$411 per AF in 2025. Initial payment of \$84,000 for the minimum 200 AF lease will be required within 30 days from approval of this lease, with the remaining quantity to be paid upon subsequent releases. The potential revenue for this lease is up to \$420,000. The agreement will terminate at the end of 2026.

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 April 22, 2026, and the Castle Rock Water Commission voted unanimously 7 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 eight years, the Town has generated over \$2.018 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 and generate revenue to the benefit of Castle Rock Water's customers.

Table 1. Revenue generated from leasing idle water rights to downstream users over the past eight years.

Year	Revenue
2018	\$70,699.75
2019	\$30,606.65
2020	\$29,019.13
2021	\$499,449.73
2022	\$531,647.81
2023	\$214,123.90
2024	\$262,490.54
2025	\$380,521.91
TOTAL	\$2,018,559.42

The key terms of the 2026 spot water lease agreement are summarized below:

- HRW will lease up to 1,000 AF of water at a rate of \$420/AF;
- Point of delivery measurement will be a book-over at Chatfield Reservoir; and
- The agreement will terminate on December 31, 2026.

As mentioned in the Executive Summary, the Town has been able to store excess supplies in Chatfield Reservoir over the past year, which have exceeded the purchased storage amounts (848 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 for \$50/AF. With a current annual lease rate for 1,152 AF (2,000 AF minus 848 AF), the Town will pay the CWCB \$57,600 in 2026. This spot lease with Highlands Ranch would allow the Town to further maximize storage space within the reservoir and will help to cover the annual lease option of storage space with CWCB.

Budget Impact

If Council approves the agreement, Castle Rock Water would potentially receive up to \$420,000 of additional revenue in 2026. 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