



STAFF REPORT

To: Honorable Mayor and Members of Town Council

Thru: David L. Corliss, Town Manager

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

Title: **Resolution Approving the 2025 Town of Castle Rock/United Water & Sanitation District Spot 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 United Water & Sanitation District (United). United wishes to lease some of the Town's surplus water stored in Chatfield Reservoir to augment their downstream reservoir diversions from the main stem of the South Platte River. 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 approximately 2,000 AF of water stored in the reservoir.

If Council approves this lease, up to 500 AF of water would be released from the Town's Chatfield Reservoir storage account into the main stem of the South Platte River. This release would occur between April 16, 2025 and December 31, 2025. The Town will assess a \$411 per AF price for the water, with a minimum lease of 20 AF. Initial payment of \$8,220 for the minimum 20 AF lease will be required 10 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 \$205,500. The agreement will terminate at the end of 2025.

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

Castle Rock Water leased water to United in 2021 and 2022. The history of the discussions on these leases is provided below. Castle Rock Water Commission was informed of the 2021 lease at their March 24, 2021 meeting and recommended approval of the 2021 Water Lease Agreement.

On April 6, 2021, Town Council unanimously approved the 2021 Water Lease Agreement.

Castle Rock Water Commission was informed of the 2022 lease at their February 23, 2022 meeting and recommended approval of the 2022 Water Lease Agreement. On March 1, 2022, Town Council unanimously approved the 2022 Water Lease Agreement.

United did not lease water in 2023 and 2024. This 2025 lease is time critical, and as such, Castle Rock Water has not been able to present this item to Castle Rock Water Commission.

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 more than \$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 six 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 are summarized below:

- A minimum lease quantity of 20 AF with \$8,220 payable 10 days after execution;
- Up to 500 AF total of water at a lease rate of \$411/AF;
- Point of delivery will be to the main stem of the South Platte River, downstream of Chatfield Reservoir.

The agreement will terminate on December 31, 2025. The Town currently owns 848 AF of storage space in Chatfield Reservoir and plans to eventually reach 2,000 AF of storage by 2034. As part of the option agreement the Town has with CWCB, the Town will purchase blocks of storage over the next 9 years. The Town has elected to use its last purchase deferral in 2025, but plans to purchase 129 AF in 2026 and equal storage blocks each year thereafter.

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 a lease agreement with the Town to lease the option amount for \$50/AF. This lease with CWCB has a current annual lease rate of \$57,600 for 1,152 AF (2,000 AF – 848 AF) of storage space. The spot lease with United would allow the Town to further maximize storage space within the reservoir and will more than cover the annual lease option of storage space with CWCB.

Budget Impact

If Council approves the agreement, Castle Rock Water would receive between \$8,220 and \$205,500 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

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|---------------|------------|
| Attachment A: | Resolution |
| Exhibit 1: | Agreement |