



## 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 Climax Molybdenum Company [Chatfield Reservoir, Douglas County]**

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### Executive Summary

Castle Rock Water is seeking Town Council approval of a resolution (**Attachment A**) for a spot water lease agreement (**Exhibit 1**) with Climax Molybdenum Company (Climax). Climax has filed an Emergency Substitute Water Supply Plan to cover out-of-priority mountain diversions that impact Denver Water. As part of that plan, Climax proposes to lease a portion of the Town's surplus water stored in Chatfield Reservoir and book over the leased water into Denver Water's Chatfield storage account to satisfy its replacement water obligations. 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 1,827 AF of water stored in the reservoir with additional reusable supplies coming in each day.

If Council approves this lease, the Town will make available a minimum of 400 AF of water from its Chatfield Reservoir storage account for book-over into Denver Water's Chatfield Reservoir storage account during 2026. The initial 400 AF is guaranteed under the agreement and represents the minimum lease quantity and charge. Subject to water availability and at the Town's discretion, an additional quantity may be leased later in the year, for a total potential lease volume of up to 1,500 AF. Releases may occur between May 20, 2026, and December 31, 2026.

The lease rate is \$564 per AF, which was recently revised to reflect competitive raw water lease rates in the region. An initial payment of \$225,600 for the guaranteed 400 AF minimum lease volume will be due within 30 days of lease approval. Any additional quantities leased and released thereafter will be invoiced upon release. Total potential revenue under the agreement is up to \$846,000. The agreement will terminate at the end of 2026.

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

Castle Rock Water Commission will be informed of the lease at their May 27, 2026 meeting.

### 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
<b>TOTAL</b>	<b>\$2,018,559.42</b>

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

- Climax will lease up to 1,500 AF of water at a rate of \$564/AF (guaranteed 400 AF min);
- Point of delivery measurement will be a book-over at Chatfield Reservoir into Denver Water's Chatfield Reservoir storage account; 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 six years. To support future storage needs, the Town is planning to purchase an additional 129 AF of storage capacity in Chatfield Reservoir in 2026, for a total of 977 AF of storage, ultimately reaching 2,000 AF. Revenue generated through this proposed lease has the potential to recoup approximately 79% of the cost associated with that capacity purchase. This lease therefore provides an opportunity for the Town to maximize the value of its currently available stored supplies while offsetting a substantial portion of the anticipated storage capacity investment.

**Budget Impact**

If Council approves the agreement, Castle Rock Water would potentially receive \$225,600 \$846,000 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

**RESOLUTION NO. 2026-\_\_**

**A RESOLUTION APPROVING THE 2026 SPOT WATER LEASE AGREEMENT BETWEEN THE TOWN OF CASTLE ROCK AND CLIMAX MOLYBDENUM COMPANY**

**WHEREAS**, the Town of Castle Rock, Colorado (the “Town”) owns certain water in the Chatfield Basin that is reusable and fully consumable after its first use for municipal purposes by the Town; and

**WHEREAS**, from time to time, a certain amount of this water is surplus to the needs and obligations of the Town (“Surplus Water”); and

**WHEREAS**, the Town anticipates it will have Surplus Water available for lease from time to time in 2026; and

**WHEREAS**, Climax Molybdenum Company (“CMC”) desires to lease a certain portion of the surplus water from the Town; and

**WHEREAS**, the Town and CMC have agreed upon the terms and conditions of a Spot Water Lease Agreement.

**NOW, THEREFORE, BE IT RESOLVED BY THE TOWN COUNCIL OF THE TOWN OF CASTLE ROCK, COLORADO AS FOLLOWS:**

**Section 1. Approval.** The Spot Water Lease between the Town and CMC is hereby approved in substantially the same form as presented at tonight’s meeting, with such technical changes, additions, modifications, deletions, or amendments as the Town Manager may approve upon consultation with the Town Attorney. The Mayor and other proper Town officials are hereby authorized to execute the Agreement and any technical amendments thereto by and on behalf of the Town.

**PASSED, APPROVED AND ADOPTED** this 19th day of May, 2026, by the Town Council of the Town of Castle Rock by a vote of \_\_ for and \_\_ against.

**ATTEST:**

**TOWN OF CASTLE ROCK**

\_\_\_\_\_  
Lisa Anderson, Town Clerk

\_\_\_\_\_  
Jason Gray, Mayor

**Approved as to form:**

**Approved as to content:**

\_\_\_\_\_  
Michael J. Hyman, Town Attorney

\_\_\_\_\_  
Mark Marlowe, Director of Castle Rock Water

**TOWN OF CASTLE ROCK/CLIMAX MOLYBDENUM COMPANY  
SPOT WATER LEASE AGREEMENT**

**THIS SPOT WATER LEASE AGREEMENT** (the “Agreement”) is entered into on \_\_\_\_\_, 2026, by and between the Town of Castle Rock, a home rule municipal corporation, acting by and through the Town the Castle Rock Water Enterprise, as Lessor (the “Town”), and Climax Molybdenum Company, as Lessee (“Lessee”) (collectively, the Town and Lessee are referred to as the Parties).

**RECITALS**

**WHEREAS**, the Town owns certain water in the Chatfield Basin that is reusable and fully consumable after its first use for municipal purposes by the Town; and

**WHEREAS**, from time to time, a certain amount of this water is surplus to the needs and obligations of the Town (“Surplus Water”); and

**WHEREAS**, the Town anticipates it will have Surplus Water available from time to time in 2026; and

**WHEREAS**, Lessee desires to lease a certain portion of the Surplus Water from the Town for use for municipal purposes in accordance with the terms and conditions of this Agreement.

**AGREEMENT**

**NOW THEREFORE**, in consideration of the mutual agreements contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Town and Lessee agree as follows:

1. Water Rights Lease. The Town hereby leases to Lessee a minimum of 400 acre-foot (AF) and up to a maximum of 1,500 AF of Surplus Water (“Leased Spot Water”), which will be made available to Lessee from May 20, 2026 through December 31, 2026.

2. Deliveries.

A. Amount. The Town anticipates having sufficient water available within its Chatfield Storage Account to lease up to 1,500 AF to Lessee in 2026; provided, however, that the Town guarantees the availability of a minimum of 400 AF for lease to Lessee, subject to the terms of this Agreement. If additional water becomes available during 2026, the Town may, in its sole discretion, make available for lease up to an additional 1,100 AF, for a total potential lease amount of up to 1,500 AF. The Leased Spot Water will be withdrawn from the Town’s Storage Account upon coordination with the Colorado Department of Natural Resources – Division of Water Resources.

B. Location. Release will consist of a book-over from Castle Rock’s Chatfield Storage Account into Denver Water’s Chatfield Storage Account on behalf of Lessee.

C. Acceptance of Deliveries. Lessee will take delivery of the Leased Spot Water within its Chatfield Storage Account. The initial 400 AF will be delivered upon execution of this Agreement, by coordination between the Parties and the Colorado Department of Natural Resources – Division of Water Resources. Subsequent deliveries will be made by mutual agreement of the Parties.

D. Accounting. Lessee shall provide the Town with a copy of the water accounting showing the date(s) and quantities of the release of Leased Spot Water. This information will also be used to confirm and update the Town’s Chatfield accounting forms.

3. Lease Rate. Lessee shall pay to the Town \$225,600.00 for the first 400 AF of Leased Spot Water and \$564.00 for each additional AF of Leased Spot Water delivered thereafter. Payment for the first 400 AF of Leased Spot Water shall be made by no later than 30 days following the execution of this Agreement by both Parties and is non-refundable. Payment for the total quantity leased, less the initial payment, shall be made 30 days following the final day of the release as set forth in Section 1 herein.

4. Quality of Leased Water. Leased Water shall be delivered “as is,” but shall be of a quality that meets all standards and effluent limitations specified in Colorado Discharge Permit System Permit No. CO-0038547, as amended, or in any other discharge permit issued by the Colorado Water Quality Control Division or by the U.S. Environmental Protection Agency authorizing discharges from the Plum Creek Water Reclamation Authority facility. The quality of such water shall be measured at the authorized discharge point(s) specified in any such discharge permit. By entering into this Agreement and by accepting and using the Leased Spot Water, Lessee acknowledges that such water meets the requirements of this Agreement and is suitable for exchange purposes.

5. Lease Term. The term of this Agreement shall commence upon its execution and expire December 31, 2026. By mutual written agreement of the Parties, this Lease Agreement may be renewed on the same or on different terms.

6. Lessee’s Obligations. Lessee’s obligations under this Agreement are limited to making the payments as described in paragraph 3 above.

7. Notice. All notices which may be required to be given by either Party to the other shall be made in writing and either hand delivered or sent by first class United States mail, postage prepaid, addressed as follows, or by facsimile, or via electronic means:

If to Town:

Town of Castle Rock  
Castle Rock Water  
Attn: Lauren Moore, Water Resources Manager  
175 Kellogg Court  
Castle Rock, CO 80109  
[lmoore@crgov.com](mailto:lmoore@crgov.com)



