



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: **A Resolution Approving the 2024 Spot Water Lease Agreement Between the Town of Castle Rock, Bow-Mar Owners, Inc., and Bow Mar South, Inc.**

Executive Summary

Castle Rock Water is seeking Town Council approval of a resolution (***Attachment A***) for a spot water lease with Bow Mar Owners, Inc. and Bow Mar South, Inc. (Bow Mar). As the Town is not currently able to fully utilize excess storage supplies in Chatfield, Bow Mar wishes to lease some of the Town's surplus water stored in Chatfield Reservoir for use in their Substitute Water Supply Plan (SWSP). The leased water will be used by Bow Mar to replace inflow diversions made to the Patrick, Upper Tule, and Lower Tule Reservoirs from the South Platte River in 2024. While the Town currently owns 719 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 1,996 AF of water stored in the reservoir with additional reusable supplies coming in each day.

If Council approves this lease, up to 115 AF of water would be released from the Town's Chatfield Reservoir storage into the main stem of the South Platte River. This release would occur between June 1, 2024 and October 31, 2024. The Town will assess a \$405 per AF price for the water, with a minimum lease of 20 AF. Initial payment of \$8,100 for the minimum 20 AF 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 \$46,575. The agreement will terminate at the end of 2024.

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 October 25, 2023, 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 six years, the Town has generated close to \$1.4 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
\$70,699.75	\$30,606.65	\$29,019.13	\$499,449.73	\$531,292.81	\$211,754.52

The Town currently owns 719 AF of storage space in Chatfield Reservoir and plans to eventually reach 2,000 AF of owned storage by 2034. As part of the option agreement the Town has with CWCB, the Town will purchase blocks of storage over the next 10 years. The Town purchased 129 AF in 2022, bringing the Town's total storage to 719 AF and plans to purchase another 129 AF block in 2024. The Town has one deferral remaining until the full storage space is realized within the next 11 years.

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 (719 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 being paid for 1,281 AF (2,000 AF minus 719 AF), the Town will pay the State \$64,050 in 2024. The spot lease with Bow Mar 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 receive between \$8,100 and \$46,575 of additional revenue in 2024. 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