



## 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  
Matt Benak, P.E., Water Resources Manager  
Zuzana Howard, Water Resources Program Analyst

**Title:** **Resolution Approving a Spot Water Lease Agreement between the Town of Castle Rock and Central Colorado Water Conservancy District [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 with Central Colorado Water Conservancy District (Central). Central 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 upon which to make projections for their well pumping augmentation plans. While the Town currently owns 848 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 1,400 AF of water stored in the reservoir with additional reusable supplies coming in each day.

If Council approves this lease, up to 400 AF of water may be released from the Town's Chatfield Reservoir storage account as a book-over into Central's Chatfield Reservoir storage account during 2025. This release may occur between January 8, 2025 and December 31, 2025. The Town will assess a \$110 per AF price for the water. This is Castle Rock Water's lease rate for agricultural uses out of Chatfield Reservoir. Payment will be required within 30 days from requested releases. The potential revenue for this lease is up to \$44,000. The agreement will terminate at the end of 2025.

### 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 over \$1.539 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 six years.**

<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>
\$29,019.1 3	\$30,606.6 5	\$70,699.7 5	\$499,449.7 3	\$531,292.8 1	\$214,123.8 9	\$159,675.6 4

The key terms of the 2025 spot water lease agreement are summarized below:

- Central will lease up to 400 AF of water at a rate of \$110/AF;
- Point of delivery measurement will be a book-over at Chatfield Reservoir; and
- The agreement will terminate on December 31, 2025.

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 2025. This spot lease with Central 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 \$44,000 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**

Attachment A: Resolution  
Exhibit 1: Agreement

**RESOLUTION NO. 2025-001**

**A RESOLUTION APPROVING THE 2025 SPOT WATER LEASE AGREEMENT BETWEEN THE TOWN OF CASTLE ROCK AND THE CENTRAL COLORADO WATER CONSERVANCY DISTRICT**

**WHEREAS**, the Town of Castle Rock, Colorado, acting by and through the Town of Castle Rock Water Enterprise (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**, the Town has identified that a portion of this water is surplus to the needs and obligations of the Town for 2025 (“Surplus Water”); and

**WHEREAS**, the Central Colorado Water Conservancy District (“Lessee”) desires to lease a certain portion of the Surplus Water from the Town for municipal use; and

**WHEREAS**, the Town and Lessee have agreed to the terms and conditions by which the Town will lease the Surplus Water to Lessee.

**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 Agreement between the Town and Lessee 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 7th day of January, 2025, 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/CENTRAL COLORADO WATER CONSERVANCY  
DISTRICT  
SPOT WATER LEASE AGREEMENT**

THIS SPOT WATER LEASE AGREEMENT (“Agreement”) is entered into January 7, 2025, by and between the Town of Castle Rock, a home rule municipal corporation, acting by and through the Castle Rock Water Enterprise (“Town”), as Lessor, whose address is 100 N. Wilcox Street, Castle Rock, Colorado 80104 and Central Colorado Water Conservancy District (“Central”), as Lessee, whose address is 3209 W 28th St, Greeley, CO 80634, collectively 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. 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 2025; and

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

**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 Central agree as follows:

1. Water Rights Lease. The Town hereby leases to Central surplus water up to 400 AF total (“Leased Spot Water”), which may be made available as follows:

A. Between January 7, 2025 and December 31, 2025 with no additional water released thereafter.

2. Deliveries.

A. Amount. The Town may have water available within its Chatfield Storage Account to lease up to 400 AF to Central in 2025. 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 Central’s Chatfield Storage Account.

C. Delivery to Central. Central will take delivery of the Leased Spot Water within its Chatfield Storage Account. Deliveries will be made by mutual agreement of the Parties.

D. Accounting. Central must 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. Leased quantities shall be paid at the rate of \$110.00 per acre-foot. Payment for quantities leased shall be made thirty (30) days following the issuance of an invoice from Castle Rock. The Town shall invoice Central and payment shall be remitted to Castle Rock Water; 175 Kellogg Court; Castle Rock, CO 80129; ATTN: Matt Benak, Water Resources Manager.

4. Quality of Leased Spot Water. Leased Spot 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 Water Quality Control Division or by the U.S. EPA authorizing discharges from the Plum Creek Water Reclamation Authority (PCWRA) facility, such quality to be measured at the authorized discharge point(s) specified in any such discharge permit. By entering into this Agreement and utilization of the Leased Spot Water, Central acknowledges that water meeting the requirements of this paragraph is suitable for its purposes and will accept such water as meeting the terms of this Agreement.

5. Lease Term. The term of this Agreement shall commence upon its execution and expire December 31, 2025. By mutual written agreement of the Parties, this Agreement may be renewed on the same or on different terms.

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

7. Town's Obligations. The Town shall allow Central to divert, store, use, reuse, and successively reuse to extinction and make all decreed uses of all Leased Spot Water, and shall confirm to Central's satisfaction that all Leased Spot Water is decreed for all such uses and has been recognized and is administered by the Colorado State Engineer for all such uses.

8. 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: Water Resources Manager (Matt Benak)  
175 Kellogg Court  
Castle Rock, CO 80109

with copy to: Town of Castle Rock  
Attn: Town Attorney (Mike Hyman)  
100 N. Wilcox Street  
Castle Rock, CO 80104

If to Central: Central Water and Sanitation District  
Attn: Randy Ray, Executive Director  
3209 W 28th St  
Greeley, CO 80634

9. Assignment. Central may not assign its rights hereunder without the prior written consent of the Town, which may be withheld in the Town's sole discretion. In the event that the Town consents to an assignment of Central's rights hereunder, the assignee shall execute an assumption agreement with the Town and Central pursuant to which it shall assume Central's obligations hereunder. The terms of such assumption agreement must be approved by the Town.

10. Entire Agreement. This Agreement represents the entire Agreement between the Parties on the matters set forth herein and supersedes all prior negotiations, representations or agreements respecting said matters whether written or oral.

11. Binding Effect. The execution of the Agreement by the Town as Lessor and Central as Lessee constitutes the execution of a binding lease agreement by the Parties on the terms and conditions contained herein and may not be modified except in writing signed by both Parties. This Agreement shall be binding on the Parties' respective successors and assigns.

12. Enforcement. In the event either Party commences any action to enforce the terms and provisions of the Agreement, the prevailing Party shall be entitled to its reasonable attorneys' fees and all costs incurred in connection with such action, including, but not limited to, expert witness fees.

13. Controlling Law. This Agreement shall be governed under, and construed pursuant to the laws of the State of Colorado.

**(signature page to follow)**

**LESSOR:**

**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, Dir. of Castle Rock Water

**LESSEE:**

Central Water and Sanitation District

By: \_\_\_\_\_  
Randy Ray, Executive Director

**STATE OF COLORADO**            )  
  ) *ss.*  
**COUNTY OF DOUGLAS**        )

The foregoing instrument as acknowledged before me this \_\_\_ day of \_\_\_\_\_, 2025 by \_\_\_\_\_ as \_\_\_\_\_ of the Central Colorado Water Conservancy District.

Witness my official hand and seal.  
My commission expires:

\_\_\_\_\_  
Notary Public