



Meeting Date: June 5, 2018

AGENDA MEMORANDUM

To: Honorable Mayor and Members of Town Council

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

Title: Intergovernmental Agreement for Purchase and Sale of Ground Water Rights, Easements and Related Improvements between the Town of Castle Rock Water Enterprise and Dominion Water and Sanitation District, Acting in its Capacity as a Water Activity Enterprise

Executive Summary

The purpose of this memorandum is to seek Town Council approval of the sale of certain Denver Basin aquifer water rights to Dominion Water and Sanitation District (Dominion). Approval of this sale is by ordinance (see **Attachment A**) and this memo requests approval at 1st reading. These water rights proposed for sale are known as the Cherokee Ranch water rights (non-renewable water rights) located outside of the Town of Castle Rock, and they were acquired by the Town as part of the United Water and Sanitation District (United) transaction in November 2017. Since the initial negotiations began with United, Castle Rock Water had always intended to sell all or a portion of these water rights in order to recoup some of the costs of the transaction and because they are not readily usable by the Town. Dominion has requested to purchase 1,599 acre-feet (AF) of Arapahoe aquifer water of the 3,570 AF of water rights that we own under the Cherokee Ranch and Castle Foundation property (Property). The purchase will also include use of the well site easements and the easements to the south of the Property that provide for access for pipelines and appurtenances to deliver replacement water from the Property. The proposed purchase price is \$4,637,100.

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

Staff discussed the proposed purchase and sale agreement with the Castle Rock Water Commission on May 23, 2018. Castle Rock Water Commission _____ that Council _____ the agreement.

Discussion

Dominion is a wholesale water district located in northwest Douglas County, and provides water and wastewater service to the Sterling Ranch planned development and, will potentially provide this service to other nearby special districts that may request water in the future. Sterling Ranch is a 3,450-acre planned community which will build out to approximately 12,000 residential units located in northwest Douglas County. It has a planned build-out water demand of approximately 4,800 AF with a water supply

consisting of renewable water sources (such as WISE) and Denver basin groundwater sources.

The key terms of this groundwater sale agreement are as follows:

1. Sale of 1,599 AF of non-tributary groundwater rights in the Arapahoe aquifer.
2. Use of the permanent easements associated with the Property that were part of the Town's purchase from United. The easements include four, 10,000 square foot well sites, thirty foot wide permanent easements to the edge of the Cherokee Castle Ranch property for pipelines, electrical and access roads, and a thirty foot wide permanent easement across the BCK Farms property so that the water pipeline is able to discharge into East Plum Creek.
3. The purchase price will be \$2,900 per AF, which includes the use of the easements, or \$4,637,100.
4. Dominion will provide _____ in earnest money at the time of Agreement execution.
5. Dominion will have ____ days after signing the agreement to conduct their due diligence activities.
6. Closing will occur ____ days after the due diligence period, at which time the full balance will be due to the Town.

The location of the non-renewable water rights proposed for sale is show in **Attachment B**. This sale will continue an important ongoing partnership between Dominion and Castle Rock. **Attachment C** summarizes the many benefits of this partnership.

Budget Impact

The sale of these water rights will have a positive impact on the Town's water enterprise budget, accounting for \$4,637,100 in revenue for 2018. Proceeds from the sale will be placed into Account Number 210-4275-392.10-00 (Water Fund – Capital Asset Disposals/Proceeds-Sale of Assets).

Recommendations

Staff and _____ recommend that Town Council approve the water rights sale agreement with Dominion Water and Sanitation District.

Proposed Motion

"I move to approve the Ordinance as introduced by title."

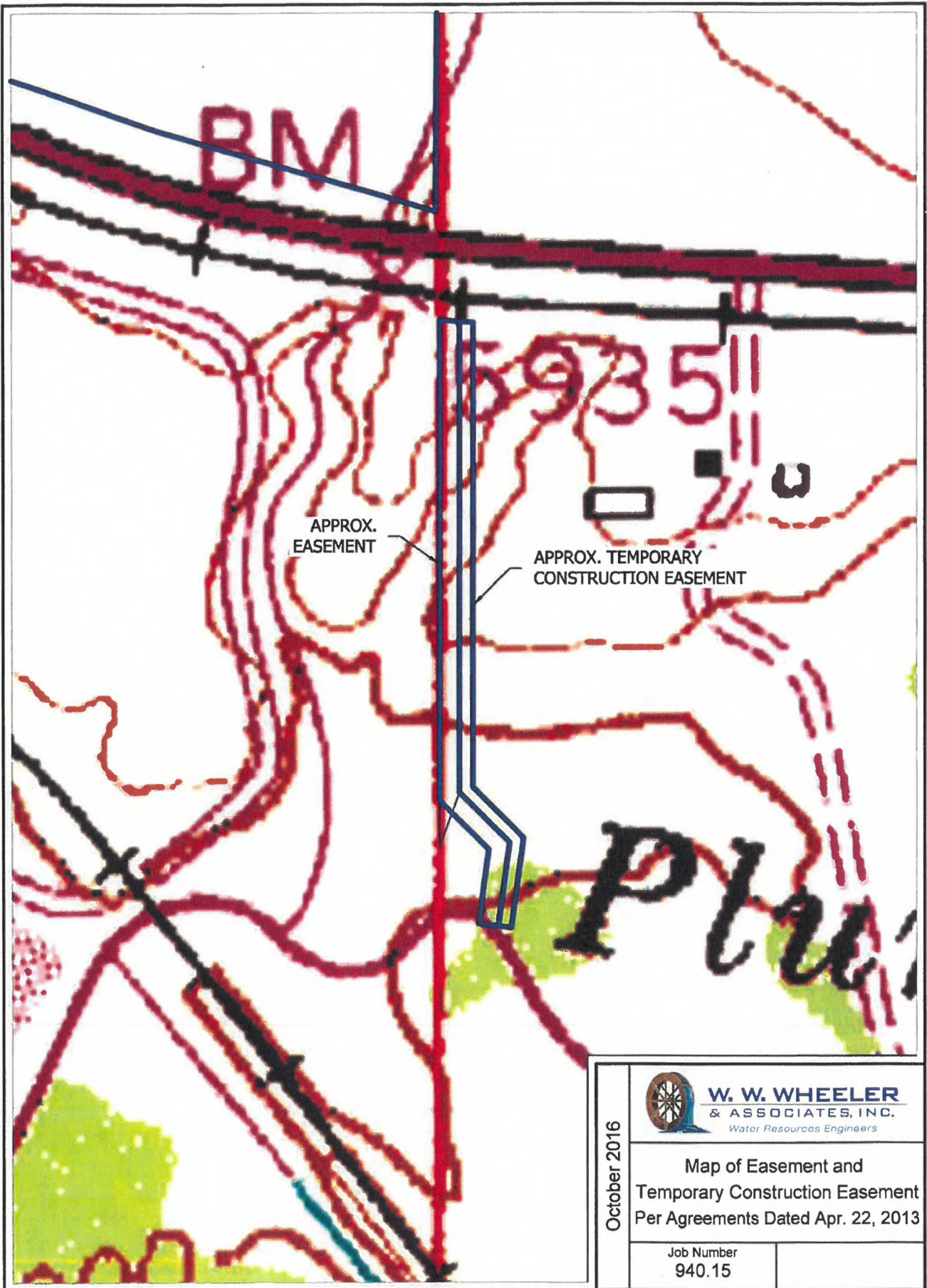
Attachments

Attachment A: Ordinance

Exhibit 1: Agreement
Attachment B: Location map
Attachment C: Partnership Benefit Matrix

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October 2016



W. W. WHEELER
& ASSOCIATES, INC.
Water Resources Engineers

Map of Easement and
Temporary Construction Easement
Per Agreements Dated Apr. 22, 2013

Job Number
940.15

Attachment C - Partnership Benefit Matrix

IGA	Dominion Investment in Castle Rock Infrastructure	Additional Revenue	Dominion Partnership With Castle Rock in Regional Infrastructure	Continuing Revenue Stream	Payment Type
Western Pipeline Lease Purchase Agreement		\$645,000			Interest
			\$4,300,000		Balloon payment
Wheeling Agreement		\$80,000			Connection fee
		\$275,000			Standby fee
				\$614,000	\$0.42/kgal @ 4 MGD annually
Alternative Evaluation Cost Share			\$46,749		50/50 design fee split
Outter Marker Road Design Fee Cost Share			\$145,130		50/50 design fee split
License-Purchase Canyons Pipeline		\$405,848			Interest
			\$4,689,369		Pro-rata share
License-Purchase Outter Marker Road Pipeline		\$481,651			Interest
			\$5,586,000		Pro-rata share
Water Service IGA	\$3,000,000				ASR investment
	\$2,200,000				Treatment capacity
				\$384,000	Annually
				66 AF	Renewable water (no cash benefit)
Cherokee Water Rights Sale		\$4,637,100			One time cash purchase
	\$5,200,000	\$6,524,599	\$14,767,248	\$998,000	Total