



Town of Castle Rock

Agenda Memorandum

Agenda Date: 6/15/2021

Item #: **File #:** TMP 2021-507

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

Resolution Approving Payment to the Colorado Water Conservation Board for Fees Associated with Chatfield Reservoir Storage

Executive Summary

The purpose of the memorandum is to request Town Council approval of a resolution (**Attachment A**) approving a payment of \$310,907.61 (**Attachment B**) to the Colorado Water Conservation Board (CWCB). This payment is a reimbursement to CWCB for the Town's unpurchased shares of storage space in Chatfield Reservoir and includes the annual fees paid by CWCB on the Town's behalf in 2019, 2020, and 2021.

Currently, the Town owns 590 acre feet (AF) of storage in Chatfield Reservoir and retains the option to purchase 1,410 AF of additional storage, eventually providing the Town with 2,000 AF of storage. In 2021, Castle Rock plans to exercise its deferment option on the purchase of additional storage space, but plans to purchase 129 AF of additional space in 2022.

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

On January 22, 2020, Castle Rock Water Commission unanimously recommended Council approve the purchase of 129 AF of additional shares from the CWCB in 2020.

On February 4, 2020, Town Council approved the purchase of 129 AF of additional shares from the CWCB per resolution 2020-016. The CWCB acknowledged the receipt of the Town's wire transfer of the funds for this additional storage space on April 30, 2020.

On July 7, 2020, Castle Rock Water staff provided an update to Town Council on the Chatfield Storage Reallocation Project.

On March 24, 2021, Castle Rock Water Commission was informed of the Lease Agreement with the CWCB for Use of Storage Space in the Chatfield Storage Reallocation Project and unanimously recommended Town Council approval.

On April 6, 2021, Town Council unanimously approved Resolution 2021-037 approving the Lease Agreement Between the CWCB and the Town of Castle Rock Water Enterprise for the Use of Storage Space in the Chatfield Storage Reallocation Project.

Additional history prior to January of 2020 is provided in ***Attachment G***.

Discussion

The Chatfield Reservoir Reallocation Project (Project) is a water storage project to reallocate flood storage space in the existing Chatfield Reservoir located in northwest Douglas County to space that can be used for storing renewable water supplies. In 1994, the CWCB, on behalf of Colorado Department of Natural Resources (CDNR) and the project participants, initiated the study for the Project based on previous Congressional authorization for the US Army Corps of Engineers (USACE) to reallocate storage space within Chatfield Reservoir for water supply. On May 29, 2014, the USACE issued its Record of Decision approving the Project. Additionally, the State Fish, Wildlife and Recreation Mitigation Plan (122.2 Plan) was subsequently approved by the Colorado Parks and Wildlife Commission, satisfying all federal and state project review and approval requirements. The Project consists of reallocating storage space in Chatfield Reservoir by USACE authorizing the use of 20,600 acre-feet of storage space by the project participants for municipal and other purposes. The Reallocation Report also included extensive hydrologic studies by USACE demonstrating that flood protection provided by Chatfield Reservoir would not be compromised by the Project. The Town of Castle Rock is currently, and has been since 2004, a participant in this Project.

As the Town continues to develop and firm its renewable water rights on Plum Creek and the South Platte River, in addition to its fully reusable return flows, additional storage in Chatfield becomes beneficial. The Town entered into a multi-year agreement with the CWCB in July 2015 to purchase shares in the Chatfield Reservoir Reallocation Project. This agreement has allowed the Town to spread out the project costs over time while the Project had been undergoing design and construction activities.

Construction activities for the Chatfield Reservoir Reallocation Project were substantially completed in December 2019. Total Town investments in the project to date are \$4.9 million, and total expected future investments in the reallocation project and related projects are \$47 million. These planned investments are included in Castle Rock Water's financial plan.

On February 4, 2020, Town Council approved the purchase of 129 AF of additional shares from the CWCB per resolution 2020-016. The CWCB acknowledged the receipt of the Town's wire transfer of the funds (\$1,070,825.13) for this additional storage space on April 30, 2020, bringing the Town's total ownership in Chatfield Reservoir to 590 AF and leaving 1,410 AF of yet-to-be purchased Town shares.

The Chatfield Reservoir Mitigation Company, Inc. (CRMC), the company managing the Project, assesses annual fees to participants in the Project, including the Town and CWCB. In order for participants to retain the ability to purchase storage space shares incrementally, CWCB has held unpurchased shares for participants, including the Town, which means they pay the assessment fees

associated with the unpurchased shares.

Beginning in 2015, CWCB began requesting reimbursement for assessment fees paid on behalf of participants (**Attachment C**). However, in 2021 they realized that had mistakenly not been invoiced in 2019 and 2020. Therefore, the reimbursement to CWCB in 2021 includes the fees for 2019 and 2020, totaling a reimbursement of \$240,407.61.

First storage of water into the reallocated storage space occurred on May 15, 2020, with Castle Rock Water being the first entity to store water. To date, Castle Rock has over 1,500 AF of water stored in Chatfield.

The CWCB provided a letter dated May 15, 2020 indicating that they would allow Castle Rock to store water in the storage space that it has under option, beyond the 590 AF currently owned. The CWCB did not require any payment for the storage of water in this optioned space, however, this allowance expired on May 1, 2021. Due to this deadline, and the fact that Castle Rock has been so successful in utilizing storage within the reservoir, Water staff initiated conversations with the CWCB in early 2021 to develop a lease agreement to be able to rent the optioned storage space from the State. Results of those conversations culminated in the Lease Agreement that was approved by Town Council under Resolution 2021-037 on April 6, 2021.

In 2021, the cost to lease 1,410 AF of storage space will be \$70,500. In total, CWCB has requested a payment of \$310,907.61 (**Attachment B**).

Budget Impact

CWCB is requesting reimbursement for annual assessment fees they paid on the Town's behalf in 2019, 2020, and 2021, totaling \$240,407.65, (**Attachments D, E and F**). The table below details these payments:

| Assessment Fee Cost per AF | CRW Option Shares (AF) | Reimbursement to CWCB |
|-----------------------------|------------------------|-----------------------|
| \$ 59.56 | 1,539 | \$ 91,667.61 |
| \$ 60.00 | 1,539 | \$ 92,340.00 |
| \$ 40.00 | 1,410 | \$ 56,400.00 |
| Total Reimbursement to CWCB | | \$ 240,407.61 |

Additionally, under the Lease Agreement the Town agreed to pay CWCB \$50 per AF of leased storage space. In 2021, the Town is leasing 1,410 AF of storage space, bringing the lease payment to CWCB to \$70,500.

In total, CWCB is requesting a payment of \$310,907.61.

Funding for the payments requested by CWCB will be drawn from Account Number 211-4375-443.30 -70, Water Resources/Capital Projects Division/Other Professional Services, Project Code <WR_CRP>. This account has approximately \$110,100 remaining for 2021. A budget transfer in the

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amount of approximately \$200,000 will need to be conducted from 211-4340-443.30-70, Water Resources/ Engineering/Other Professional Services, which currently has a balance of \$2,997,098.

Staff Recommendation

Staff recommends that Town Council approve the payments to the Colorado Water Conservation Board for Use of Storage Space in the Chatfield Storage Reallocation Project and associated Annual Assessment Fees.

Proposed Motion

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

Attachments

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|---------------|--|
| Attachment A: | Resolution |
| Attachment B: | 2021 Letter from CWCB requesting payment for assessment fees |
| Attachment C: | 2015 Letter from CWCB summarizing payments for assessment fees |
| Attachment D: | Invoice for 2019 Annual Assessment Fee |
| Attachment E: | Invoice for 2020 Annual Assessment Fee |
| Attachment F: | Invoice for 2021 Annual Assessment Fee |
| Attachment G: | History of Chatfield Reservoir Prior to January 2020 |