



## 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 the 2026/2027 Water Lease Agreement between the Town of Castle Rock and Central Colorado Water Conservancy District**  
*[Morgan County, Colorado]*

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### Executive Summary

Castle Rock Water (CRW) is seeking Town Council approval of a Resolution (**Attachment A**) authorizing a Water Lease Agreement (**Exhibit 1**) with Central Colorado Water Conservancy District (Central) to lease the Town's Rothe Recharge Credits acquired with the purchase of the Rothe water rights in 2014. Town Council previously approved the Intergovernmental Agreement Re Sublette Recharge and Chatfield Project (Project IGA) on September 17, 2024, under which the Town may provide Central with 1.5 acre-feet of Town Credits annually for each 1 acre-foot of Central's stored water right in Chatfield Reservoir; however, in periods when Central does not have sufficient water stored in Chatfield Reservoir for the Project IGA to function as intended, the Water Lease Agreement provides an alternative mechanism to meet Central's augmentation needs. The Town will not be able to use the Rothe Recharge Credits in the coming year, and the water cannot be reasonably moved by exchange back upstream to the Town of Castle Rock.

Central proposes to lease up to 491.9 acre-feet (AF) of the recharge credits for use as a projection tool supporting pumping from the hundreds of wells included in its augmentation plan thru March 31, 2027. The Town will charge \$140 per acre-foot, for a total lease value of up to \$68,866, which is reasonable for water of this type and location based on available data from comparable leases in the area.

### Discussion

As part of the long-term water supply identified in the Water Resource Strategic Master Plan, the Town purchased the Rothe Recharge property in 2014, and in 2021 the property and its

associated water rights were incorporated into the Box Elder Augmentation Plan (Case No. 19CW3231). The property includes 770 acre-feet (AF) of water rights that may be used as an augmentation water source in conjunction with the Box Elder Creek Well Field for the Town's Box Elder Project.

The general concept of the Rothe Recharge Project is that water can be diverted from the South Platte River at the Riverside Canal which is located east of Greeley under a water right with an effective 1988 priority date (**Attachment B**). This water is delivered from the Riverside Canal into several recharge ponds which then makes its way through the alluvial sands as groundwater return flow to the South Platte River approximately 16 miles downstream of the point where Box Elder Creek theoretically enters the South Platte River. The hydrogeologic transport of this water through the alluvium takes a number of years. The decree in Colorado Water Court Case No. 89CW027 defines the terms and conditions for operation of this project, including the specific timing of the recharge credits. The Town of Castle Rock will not be able to use this water in the next year, and the water cannot currently be reasonably moved by exchange back upstream to the Town of Castle Rock.

The key terms of the Water Lease Agreement are summarized below:

- Central will lease up to 491.4 AF at \$140 per AF;
- Revenue total of up to \$68,866 and
- The lease will terminate on March 31, 2027.

The benefit of this lease agreement is that it allows the Town to generate revenue from Rothe Recharge Credits that would not otherwise be realized under the Project IGA, particularly in circumstances where Central is unable to meet the Project IGA terms due to insufficient stored water. Additionally, this allows the Town to recoup a portion of the 2014 purchase price, thus, decreasing the overall financial impact to the Town. Arrangements like this support the Colorado Water Plan by developing regional cooperation between other water providers and creating ways to utilize existing supplies within the state.

### **Budget Impact**

If Council approves this Water Lease Agreement, Castle Rock Water would receive up to an additional \$68,866 in revenue over the next year. 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  
Attachment B: Location Map

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

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

**WHEREAS**, pursuant to the decree in Case No. 89CW27, District Court, Water Division No. 1 (the “Decree”), the Town of Castle Rock (the “Town”) and other owners operate the Rothe-Sublette Recharge Project (the “Project”), which diverts water from the South Platte River at the Riverside Canal into recharge ponds that accrete water to the South Platte River to generate recharge credits (the “Recharge Credits”); and

**WHEREAS**, the Town owns the right to 60.4% of the first 1,275 acre-feet (AF), up to 770 AF annually, of Recharge Credits generated by the Project (the “Town Recharge Credits”); and

**WHEREAS**, Recharge Credits from the Project are used by the Town and the other owners to augment depletions from alluvial wells pursuant to the Decree; and

**WHEREAS**, the Decree authorizes the lease of excess recharge credits to third parties for use in judicially approved plans for augmentation; and

**WHEREAS**, the Town and the Central Colorado Water Conservancy District (the “District”) have previously entered into that certain Intergovernmental Agreement dated September 17, 2024 (the “IGA”), whereby the Town provides the District with 1.5 AF of Town Recharge Credits annually in exchange for each 1.0 AF of the District’s water storage right in Chatfield Reservoir; and

**WHEREAS**, the District approached the Town about leasing additional Town recharge credits to provide an alternative mechanism by which to meet its augmentation needs; and

**WHEREAS**, the Town and the District previously entered into an Agreement that commenced on July 1, 2025 and expired on March 31, 2026, whereby the District leased up to 604 AF of Recharge Credits for which the Town charged \$140 per AF for a total lease value of up to \$84,560; and

**WHEREAS**, at present, the Town does not have any available means by which to use the Town Recharge Credits within its water system over the next year; and

**WHEREAS**, a lease with the District will allow the Town to generate revenue from the Town Recharge Credits that it would not otherwise be able to realize; and

**WHEREAS**, accordingly, the Town and the District desire to enter into a water lease agreement by which the District may lease up to 491.4 AF of excess Town Recharge Credits to support pumping from wells included in the District’s augmentation plan.

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

**Section 1. Approval.** The Water Lease Agreement between the Town and the District 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, Colorado, on first and final reading, 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 Castle Rock Water

**WATER LEASE AGREEMENT BETWEEN THE TOWN OF CASTLE  
ROCK AND THE CENTRAL COLORADO WATER CONSERVANCY  
DISTRICT**

**THIS WATER LEASE AGREEMENT** (the “Agreement”) is entered into \_\_\_\_\_, 2026, by and between the Town of Castle Rock, Colorado, a home rule municipal corporation, acting by and through the Castle Rock Water Enterprise, as Lessor, whose address is 100 N. Wilcox Street, Castle Rock, Colorado 80104 (“Town”) and the Central Colorado Water Conservancy District, as Lessee, whose address is 3209 W 28th St, Greeley, CO 80634 (the “District”). The Town and the District are collectively referred to as the “Parties” and may be individually referred to as a “Party.”

**RECITALS**

**WHEREAS**, pursuant to the decree in Case No. 89CW27, District Court, Water Division No. 1 (the “Decree”), the Town and other owners operate the Rothe-Sublette Recharge Project (the “Project”), which diverts water from the South Platte River at the Riverside Canal into recharge ponds that accrete water to the South Platte River to generate recharge credits (the “Recharge Credits”); and

**WHEREAS**, the Town owns the right to 60.4% of the first 1,275 acre-feet (AF), up to 770 AF annually, of Recharge Credits generated by the Project (the “Town recharge credits”); and

**WHEREAS**, Recharge Credits from the Project are used by the Town and the other owners to augment depletions from alluvial wells pursuant to the Decree; and

**WHEREAS**, the Decree authorizes the lease of excess recharge credits to third parties for use in judicially approved plans for augmentation; and

**WHEREAS**, the Town and the District have previously entered into that certain Intergovernmental Agreement dated September 17, 2024 (the “IGA”), whereby the Town provides the District with 1.5 AF of Town Recharge Credits annually in exchange for each 1.0 AF of the District’s water storage right in Chatfield Reservoir; and

**WHEREAS**, the District approached the Town about leasing additional Town Recharge Credits to provide an alternative mechanism by which to meet its augmentation needs; and

**WHEREAS**, the Town and the District previously entered into an Agreement that commenced on July 1, 2025 and expired on March 31, 2026, whereby the District leased up to 604 AF of Recharge Credits for which the Town charged \$140 per AF for a total lease value of up to \$84,560; and

**WHEREAS**, at present, the Town does not have any available means by which to use the Town Recharge Credits within its water system over the next year; and

**WHEREAS**, a lease with the District will allow the Town to generate revenue from the Town Recharge Credits that it would not otherwise be able to realize; and

**WHEREAS**, accordingly, the Town and the District desire to enter into a water lease agreement by which the District may lease up to 491.4 AF of excess Town Recharge Credits to support pumping from wells included in the District’s augmentation plan.

**TERMS AND CONDITIONS**

**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 the District agree as follows:

1. Lease of Town Recharge Credits. The Town hereby leases to the District up to and including 491.4 AF in excess Town Recharge Credits for the period effective from May 1, 2026 through and including March 31, 2027 (“Leased Credits”).

2. Lease Price. The District shall pay to the Town an amount equal to \$140.00 per AF of Leased Water, up to a maximum amount of \$68,866.00. The District shall make payment for any Leased Credits used by the District within thirty (30) days following the issuance of an invoice from the Town.

3. Lease Term. The term of this Agreement shall commence upon its effective date and expire March 31, 2027. By mutual written agreement of the Parties, this Agreement may be renewed on the same or on different terms.

4. District Obligations. The decreed uses of the Leased Credits include augmentation as set forth in Case No. 89CW27. It shall be the responsibility of the District to obtain any additional approvals necessary to use the Leased Credits for the District’s intended purposes, including but not limited to the approvals by the Colorado Division of Water Resources and the District Court, Water Division No. 1. The Town shall cooperate with the District in obtaining any required additional approvals. The Town makes no warranties or guarantees that such approvals can be obtained.

5. Town Obligations.

a. The Town shall deliver the Leased Credits to the District in accordance with the following monthly schedule:

Delivery Date	Amount (AF)
May 2026	48
June 2026	67
July 2026	47.6
August 2026	38.8
September 2026	42.6
October 2026	54.9



9. 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.

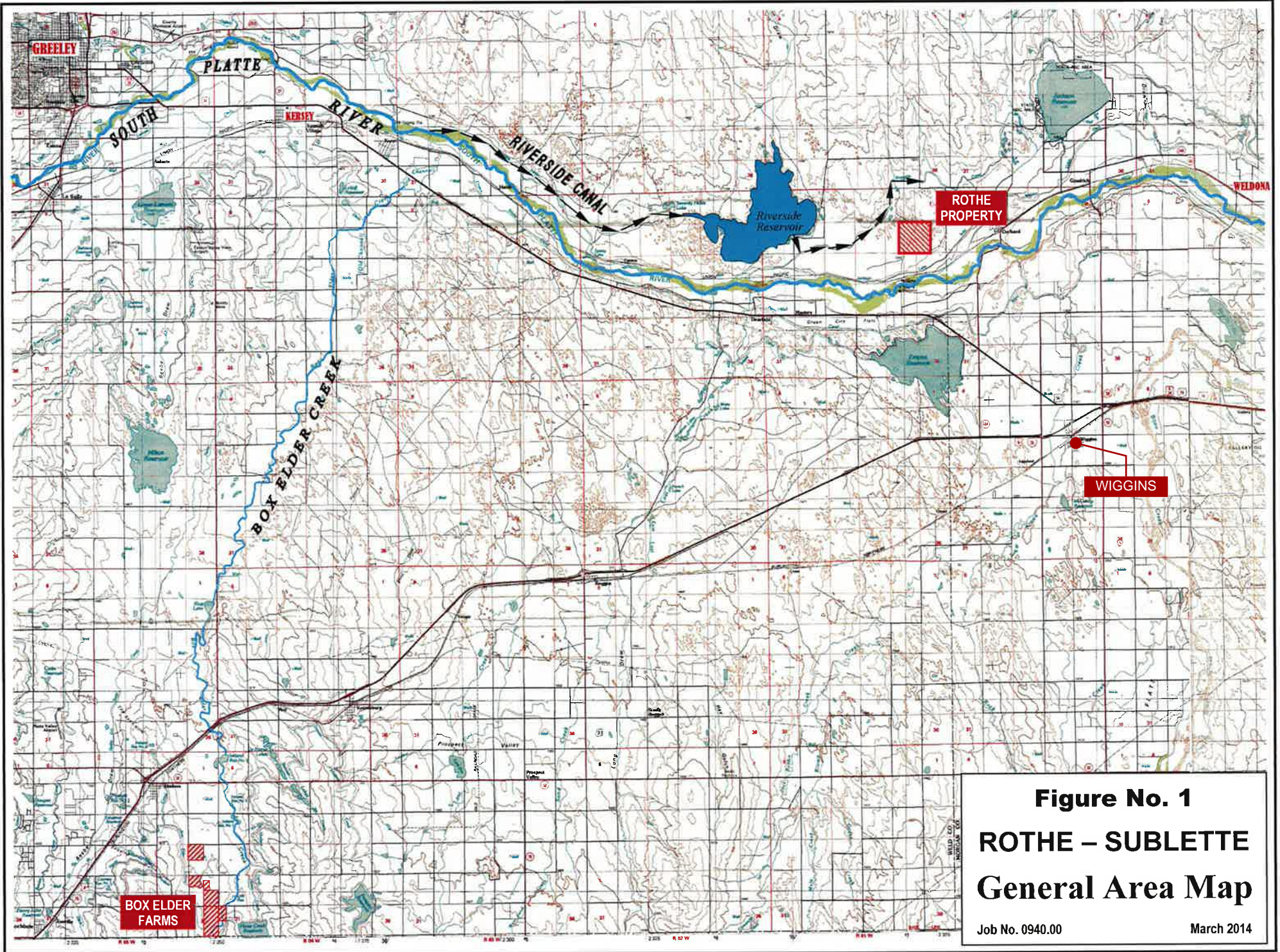
10. Binding Effect. The execution of the Agreement by the Town and the District constitutes the execution of a binding lease agreement by the Parties on the terms and conditions contained herein and may not be modified except in writing signed by both Parties. This Agreement shall be binding on the Parties'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

11. 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.

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

**(signature page to follow)**





**Figure No. 1**  
**ROTHE – SUBLETTE**  
**General Area Map**

Job No. 0940.00

March 2014