

Options for Creekside Golf Course

Policy Question. What options remain for consideration as Creekside continues to face annual water bills in excess of \$100,000?

Summary. This paper outlines seven options identified by City staff to address the ongoing challenges faced by Creekside Golf Club. The options include changing Creekside's customer classification, eliminating the Irrigation customer class, reconfiguring Creekside's metering, pursuing a groundwater source, purchasing easements on the property, transforming the grounds into a public facility, providing a discount based on time of use, and taking no action. The options are summarized below with supporting information provided in the attachment.

Background. Creekside Golf Club is a privately owned, membership-based business located in south Salem that includes an 18-hole golf course. Classified as an Irrigation account for billing purposes, Creekside has asked over the past 10+ years for the City to provide some measure of relief for its water bills, which have ranged between approximately \$100,000 and \$260,000 per year. Among the options discussed between 2011 and 2023: Creekside installing a bypass valve in a City stormwater line to route the excess runoff into their lake for future irrigation use; the City reclassifying Creekside from Irrigation to a Commercial account; the City providing Creekside a rate credit because of the flood risk reduction benefits the property provides; and the City purchasing easements to protect the riparian areas abutting the creeks. None of these options have been implemented and all are currently on hold. More details on the proposals are provided in the attachment.

Discussion of Options. There are seven current options for consideration. They are summarized below and described in additional detail in the attachment.

- Option #1 The City reclassifies Creekside as a Commercial class customer. This course of action would be inconsistent with standard Cost of Service methodologies and require an administrative rule change. Under this option, the City would be creating a special case classification and the City would either lose the revenue or recover the loss by increasing other rates. A new Cost of Service Analysis (COSA), once conducted using a new data set, is expected to result in increased rates for all customers.
- Option #2 The City eliminates the Irrigation customer class. Under this option, the Irrigation class would be eliminated in its entirety and the ≈740 irrigation accounts would be reclassified based on the underlying use of the property such as commercial, multifamily, and public classes. This action will lower the bills of current irrigation customers and shift the revenue recovery to other customers. As under Option #1, a new COSA, whenever it is conducted, would result in increased rates for all water customers to recover the lost revenue.
- Option #3 Time of Use Discount. Creekside typically fills its pond in the morning, a high use period for all water customers, and creates an observable water demand in this area and pressure zone. The City could develop a discounted rate based on Creekside shifting its draw on the water system to between the hours of 10:00 p.m. and 4:00 a.m. This option benefits the City of Salem because it reduces peak demand in an area where capital investment is required to meet future demand. This allows for delay in construction of future capacity-expanding improvements.
- Option #4 Creekside redesign its irrigation meter to become multi-purpose meter. There are many customers who use a portion of their water to irrigate their property. Because the primary purpose of the water is not irrigation, these customers do not have separate irrigation meters and are classified based on the underlying use of the property—commercial, multifamily, public, etc. Creekside could submit plans to the City that change the existing piping configuration so that a single meter serves both irrigation and domestic purposes. If constructed, Creekside would be classified as a Commercial customer.
- Option #5 Creekside pursues groundwater source. Creekside's operating costs would be significantly reduced if it could obtain an alternative, private source of irrigation water. Creekside could apply for a grant under the City's Watershed Protection and Preservation Grant Program to help fund additional test drilling.

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Creekside drilled a 300-foot well in 2004 that failed to produce sufficient water. Trying to find a local underground water source is expected to be both expensive and speculative.

Option #6 City purchase easements at Creekside. Purchasing conservation easements adjacent to the creeks was discussed in the 2017-2018 timeframe but was ultimately put on hold by the City. This option would provide Creekside with a cash infusion that could be used to pay their water bill.

Option #7 Take no action. Under this option, Creekside's customer classification remains unchanged, irrigation rates will be established independent of Creekside's requests, and no further actions will be taken by the City to pursue any of the options described above.

Recommendations

Option #1 The City reclassifies Creekside as a Commercial class customer. This option requires the City to take actions that benefit one customer at the expense of other customers. This option would result in rate increases for other customers or lost revenue to the City. Option #1 is not recommended.

Option #2 The City eliminates the Irrigation customer class. This option requires the City to take actions that benefit a select set of customers at the expense of other customers. Similar to Option #1, this option would result in rate increases for other customers or lost revenue to the City. Option #2 is not recommended.

Option #3 Time of Use Discount. This option may provide some relief for Creekside's water bills but the details—time of day, nature of discount, monitoring, reporting—have not been determined. This option is recommended for further discussion with Creekside.

Option #4 Creekside redesign its irrigation meter to become multi-purpose meter. This option will only work if the City approves plans for a previously classified Irrigation customer to mimic a commercial-purposed water system even though the primary function of the system is irrigation. Per the Salem Revised Code, a request to upsize a meter requires the approval of the Public Works Director. Such a request is expected to be denied. This option is not recommended.

Option #5 Creekside pursues groundwater source. This is an expensive and speculative option that has been tried once before with disappointing results. It is possible that a satisfactory groundwater resource could be found at an alternate site on Creekside property. Implementation of this option is the choice of Creekside.

Option #6 City purchase easements at Creekside. This option has several appealing aspects. Establishing environmental easements in the riparian areas will preserve options in the future related to habitat protection, streambank enhancement, and flood risk reduction. Additionally, there is a clear nexus that supports using utility funds for this purpose as Salem's creeks are considered as components of the City's stormwater system. Among the drawbacks of this option: (1) There is currently no project for this purpose; and (2) There is currently no funding for this purpose. This option is recommended for further investigation to define the necessary easements and estimate costs.

Option #7 Take no action. This option will result in no further actions on this matter.

Additional Information and Considerations

The attachment to this paper provides supplemental details and supporting information.