



# CITY OF SALEM

585 Liberty St SE  
Salem, OR 97301

## Staff Report

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**File #:** 20-370

**Date:** 10/26/2020

**Version:** 1

**Item #:** 3.3a.

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**TO:** Mayor and City Council  
**THROUGH:** Steve Powers, City Manager  
**FROM:** Peter Fernandez, PE, Public Works Director

**SUBJECT:**

Application for project funding to integrate the Sleepy Hollow Phase I Water System into the City of Salem water system.

Ward(s): Ward 6

Councilor(s): Councilor Hoy

Neighborhood(s): ELNA

Result Area(s): Reliable and Efficient Infrastructure

**ISSUE:**

Shall the City Council authorize the Mayor to sign an application with the State of Oregon Safe Drinking Water Revolving Loan Fund for funding to connect the residents of the Sleepy Hollow Water System to the City of Salem water distribution system?

**RECOMMENDATION:**

Authorize the Mayor to sign an application with the State of Oregon Safe Drinking Water Revolving Loan Fund for funding to connect the residents of the Sleepy Hollow Water System to the City of Salem water distribution system.

**SUMMARY:**

The Sleepy Hollow Water System (Sleepy Hollow) is a small independent community water system located within the Salem city limits. Sleepy Hollow serves 41 homes with drinking water from a community well. Since 2012, the system has been experiencing elevated arsenic levels. Sixteen of the 27 samples collected over the past eight years have exceeded the federal maximum contaminant level (MCL) for arsenic. In 2017, Sleepy Hollow entered into a Bilateral Compliance Agreement (BCA) with the Oregon Health Authority (OHA) that requires Sleepy Hollow to reduce arsenic levels to below the federal MCL by January 2022.

Engineering studies conducted by Sleepy Hollow have concluded that it is cost-prohibitive to treat the water or to drill another well. Accordingly, to comply with the BCA, Sleepy Hollow customers have voted to connect to the City's water system and discontinue the use of the community well for drinking water. In order to connect to the City's water system, the existing Sleepy Hollow system will need to be upgraded to City design standards for water distribution and the system connected to an existing City water line. The City will utilize the State of Oregon Safe Drinking Water Revolving Loan Fund (SRF) for much of the project funding to bring the Sleepy Hollow water system up to City standards and make the connection. The balance of project costs will be paid by the Utility Fund.

## **FACTS AND FINDINGS:**

1. In early 2020, Sleepy Hollow customers voted on one of three options: (1) connect to the City water systems and become customers of the City; (2) establish a bulk water connection with the City and become a wholesale customer to the City; or (3) install a treatment system for arsenic and stay independent of the City. A majority of Sleepy Hollow customers voted in favor of Option (1).
2. The City submitted a Letter of Interest (LOI) to the OHA for SRF funding to upgrade the existing Sleepy Hollow water system to City standards. The OHA ranked the project at the top of their Project Priority List, indicating funding would be available for the project. Based on the ranking, the project would be eligible for 50 percent principle forgiveness up to a maximum of \$500,000. Business Oregon, administrator of the SRF funds, has invited the City to formally apply for project funding.
3. The current estimate for the project is approximately \$1,120,000. The project consists of replacing existing 2-inch and 4-inch PVC pipe with approximately 2,500 feet of City standard 4 -inch and 8-inch ductile iron pipe, setting water meters, and transferring service at each home.
4. After construction is complete, the new water distribution system will become the property of the City and all the residents of Sleepy Hollow will become customers of the City of Salem.
5. Each Sleepy Hollow homeowner will be assessed \$5,000 by the City to cover water System Development Charges and a small share of construction costs.
6. The City will be responsible for the remaining balance not covered by homeowner assessments and the forgivable principle amount from the SRF Fund loan. This balance will be paid by the Utility Fund.
7. The SRF application requires the signature from the highest elected City official.

## **BACKGROUND:**

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Sleepy Hollow is one of several small drinking water districts location within or immediately adjacent to the Salem city limits. Many of these districts are experiencing problems meeting federal drinking water standards owing to contaminants in their well water.

Robert Chandler, PhD, PE  
Assistant Public Works Director

**Attachments:**

1. Sleepy Hollow Water System Vicinity Map