



# CITY OF SALEM

585 Liberty St SE  
Salem, OR 97301

## Staff Report

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File #: 21-429

Version: 1

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

**SUBJECT:**

Adopt Resolution 2021-38 to accept a loan from the Safe Drinking Water Revolving Fund for Sleepy Hollow Water System integration.

Ward(s): 6

Councilor(s): Councilor Hoy

Neighborhood(s): ELNA

Result Area(s): Safe, Reliable, and Efficient Infrastructure

**SUMMARY:**

Adoption of this resolution will authorize the City Manager to execute the financing contract and other required documentation to obtain a \$1,132,810 loan from the Oregon Health Authority's Safe Drinking Water Revolving Fund (SDWRLF) administered through Business Oregon to support the Sleepy Hollow Water System Integration (Sleepy Hollow) project. The loan, which is eligible for up to \$530,000 of principal forgiveness, will be used to reimburse the Utility Fund for project costs for integrating residents of the Sleepy Hollow Water System into the City of Salem water system. The Sleepy Hollow project was authorized by City Council on April 12, 2021.

**ISSUE:**

Shall Council adopt Resolution 2021-38 authorizing the City Manager to execute financing documents to authorize a loan from the Safe Drinking Water Revolving Loan Fund?

**RECOMMENDATION:**

Adopt Resolution 2021-38 authorizing the City Manager to execute financing documents to authorize a loan from the Safe Drinking Water Revolving Loan Fund.

**FACTS AND FINDINGS:**

The State of Oregon requires a Salem City Council resolution authorizing the City Manager to fully execute the financing contract for the Sleepy Hollow project loan from the SDWRLF. The loan agreement requires project completion within 36 months of the contract date. The loan interest rate is one percent, and the loan term is 30 years from the project completion date.

The Sleepy Hollow waterline construction project is included in FY 2021-22 City of Salem Adopted Budget Book 1, page 223, in the amount of \$1.1 million. Approximately \$16,000 was expended last fiscal year after the mid-year approval. Although the project was initiated with utility rate revenue and anticipates contributions from property owners, the SDWRLF loan proceeds will be used to reimburse the Utility Fund for project costs upon completion, anticipated in early summer 2022.

## **BACKGROUND:**

The Sleepy Hollow Water System is an independent community water system located within the Salem city limits. Sleepy Hollow serves 45 homes and a community center with drinking water from a community well. Since 2012, the system has been experiencing elevated arsenic levels that exceed the federal maximum contaminant level. In October 2019, Sleepy Hollow customers voted to connect to the City water system and become customers of the City of Salem. A formal request was received on March 17, 2021, from the Sleepy Hollow Phase I Water System customer group.

On October 26, 2020, City Council authorized an application for the SDWRLF loan to fund the Sleepy Hollow project, and on April 6, 2021, the City Manager received a funding award letter. On April 12, 2021, Council approved a request to begin design activities on the Sleepy Hollow waterline project funded with utility rates, and on April 27, 2021, the City received notice of loan approval from Business Oregon.

Alicia Blalock  
Administration Division Manager

## Attachments:

1. Resolution 2021-38
2. Financing Contract for Loan from Safe Drinking Water Revolving Loan Fund