



\$5,000 per property to upgrade the existing water distribution system to City standards and to connect the system to the City's water system.

**ISSUE:**

Shall the City Council, on its own motion, initiate assessment procedures on properties within the private Sleepy Hollow Phase I Water System to construct water system improvements and provide connection to the City's public water system?

**RECOMMENDATION:**

City Council, on its own motion, initiate assessment procedures on properties within the Sleepy Hollow Phase I Water System to construct water system improvements and provide connection to the City's public water system.

**FACTS AND FINDINGS:**

1. SRC 21.015 allows Council, on its own motion, to initiate a project and assess all or part of the cost of constructing the local improvement to the owners of properties that will be specially benefited by the improvements.
2. Sleepy Hollow Phase I Water System is currently under a Bilateral Compliance Agreement (BCA) with the State of Oregon Drinking Water Services to address elevated arsenic levels in their drinking water originating from a ground water well that serves the private water system.
3. A majority of homeowners within the Sleepy Hollow Phase I Water System have voted to pursue a connection to the City's public water system to comply with the BCA for elevated arsenic.
4. The City has applied for and received approval for a loan totaling \$1,132,810 from the State of Oregon's Safe Drinking Water Revolving Loan Fund for the construction of the project. Upon completion of the project, \$530,000 of the loan amount is forgivable.
5. The City's Water/Wastewater Task Force adopted a policy to subsidize the cost of connecting homes that are served by distressed private water systems, and assess those properties benefitting from the connection a maximum of \$5,000 as a fair share of the project costs. The assessed amount is intended to approximately cover the applicable Water System Development Charges for the connection as would be required with any new connection to the water system.
6. The estimated project cost is \$1,132,810. Of that amount, the 45 properties will contribute \$225,000, the State of Oregon through the forgivable portion of the loan will contribute \$530,000, and the City will contribute an estimated \$377,810.

## **BACKGROUND:**

The Sleepy Hollow Phase I Water System operates as an independent small community water system within the boundary of the City of Salem. The system serves 114 residents through connections to 44 homes and a community center. The system is supplied from a community well through a distribution system consisting of 4-inch and 2-inch PVC water lines. The residents are current City utility customers for wastewater and stormwater services.

The system has been experiencing elevated arsenic levels in water samples collected from the well since 2012. From 2012 to March 2020, 16 of 27 samples for arsenic have exceeded the federal maximum contaminant level (MCL) for arsenic. In 2014, Sleepy Hollow entered into a Bilateral Compliance Agreement (BCA) with the Oregon Health Authority Drinking Water Services (DWS) to address the MCL exceedances and develop a plan to bring the system into compliance. However, the BCA was cancelled by DWS in February 2015 for inaction of the System to pursue the steps outlined in the BCA.

Another violation notice for arsenic was issued to Sleepy Hollow in July 2017. At that time, Sleepy Hollow approached the City on the possibility of converting their system to City water. Representatives of Sleepy Hollow were presented with the options that had been recommended and adopted by the Water/Wastewater Task Force in the 2016 white paper "*Using Utility Funds to Subsidize Connecting Distressed Water Systems to City Water.*" (Attachment 1) However, Sleepy Hollow members voted to continue the use of the current well and water system and develop a plan to abate the arsenic. Sleepy Hollow subsequently entered into another BCA with DWS to address the arsenic contamination.

As part of the BCA, Sleepy Hollow contracted with HBH Consulting Engineers to conduct an evaluation of water supply and treatment options for the system. HBH presented 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; or (3) install a treatment system for arsenic and stay independent of the City. Members voted in October 2019 to pursue Option 1, to connect and become customers of the City. A formal request to connect was submitted to the City in March 2020. (Attachment 2)

If Council decides to initiate the assessment process, City Council will hold a public hearing on October 25, 2021. In preparation for the hearing, staff has prepared a Vicinity Map of the Sleepy Hollow Water System (Attachment 3); Final Plans for the Project to connect the Sleepy Hollow customers to the City water system (Attachment 4); and the Engineer's Final Estimate of Costs for the project (Attachment 5).

Staff estimates that the project, if initiated, could be completed by the first quarter of 2022.

Once the project is completed, staff will send out notices as required by SRC 21.015(c), return with a report describing the certified costs, and request that City Council pass an ordinance levying the \$5000 assessment against the benefited properties.

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Attachments:

1. White Paper - Distressed Water Systems
2. Sleepy Hollow Request to Connect
3. Sleepy Hollow Water System Vicinity Map
4. Sleepy Hollow Water System Final Plans
5. Sleepy Hollow Final Engineer's Estimate