State Water Infrastructure Authority
Meeting Date: December 8, 2021
Agenda Item K
Consideration for City of Hendersonville Request for additional funds (WIF1940, French Broad River Intake & Pumping Station)

Division of Water Infrastructure Staff Report

Background

The City of Hendersonville (City) applied for funding in the Fall 2017 funding round to construct a new intake and pump station on the French Broad River and to relocate the Mills River Intake. The State Water Infrastructure Authority (Authority) awarded the project $14,124,000 in SRF funds in February 2018. To reduce project costs, Hendersonville removed the Mills River Intake from the project scope at the Engineering Report stage. The Division approved the Engineering Report on June 17, 2020. Hendersonville updated the scope to include riprap bank stabilization and an additional 4,000 LF of water service line. The Division approved the updated design on October 30, 2020.

In Fall 2017, the City of Hendersonville’s application earned nine priority points, making it the lowest-scoring funded project. Since the Fall 2017 awards, the lowest-scoring funded project earned 12 priority points.

After three bid advertisements, on October 14, 2021, the City opened bids. Bids were higher than expected, for reasons the City explains as follows:

- **Material shortages and supply disruptions have drastically increased the cost of construction materials.**
- **There has been a 25% increase over from July 2017 and to October 2021. This is a generalized figure across the industry, and areas with lower population density such as Hendersonville and projects requiring specialized skillsets such as this project can be impacted more acutely.**
- **Workforce and labor shortages have led to an increase in labor costs across the construction industry. Areas with lower population density (and smaller labor pool), such as Hendersonville, can be impacted by a labor shortage to a greater extent than larger cities with a larger labor pool.**
- **Demand in the construction industry has led to reduced competition, and therefore higher quotations, in the current bidding environment. Hendersonville pre-qualified eleven contractors prior to bidding the project, and we were anticipating bids from at least 4 to 5 of them, however several dropped out late in the bidding due to other demands/ opportunities, and**
- **Hendersonville received bids from only two contractors.**

On November 3, 2021, Hendersonville requested an increase of $9,390,035 to $23,514,035. Hendersonville’s request for additional funding is attached.
Current cash flow estimates support an additional $9,390,035 in DWSRF loan without either reducing the funding for the Fall 2021 round below the advertised $50M, or significantly impacting future funding rounds.

Hendersonville requests that the Authority authorize an additional $9,390,035 in funding for the French Broad River Intake & Pumping Station project, which will allow Hendersonville to initiate the project construction as soon as Spring 2022.

**Recommendation**

The Division recommends the Authority approve the request as described above.