



CITY OF YELLOWKNIFE

GOVERNANCE AND PRIORITIES COMMITTEE AGENDA

Monday, March 10, 2025 at 12:05 p.m.

Chair: Mayor R. Alty,
Councillor S. Arden-Smith,
Councillor G. Cochrane,
Councillor R. Fequet,
Councillor B. Hendriksen,
Councillor C. McGurk,
Councillor T. McLennan,
Councillor S. Payne, and
Councillor R. Warburton.

<u>Item</u>	<u>Description</u>
1.	Opening Statement: The City of Yellowknife acknowledges that we are located in Chief Drygeese territory. From time immemorial, it has been the traditional land of the Yellowknives Dene First Nation. We respect the histories, languages, and cultures of all other Indigenous Peoples including the North Slave Métis, and all First Nations, Métis, and Inuit whose presence continues to enrich our vibrant community.
2.	Approval of the agenda.
3.	Disclosure of conflict of interest and the general nature thereof.
ANNEX A	
4.	A memorandum regarding whether to adjust the scope of the Disaster Mitigation and Adaptation Fund (DMAF) contribution agreement and focus capital funds on the replacement of Pump House #1 (PH1), while retaining and maintaining the Yellowknife River as the City's primary water source.



CITY OF YELLOWKNIFE

MEMORANDUM TO COMMITTEE

COMMITTEE: Governance and Priorities Committee

DATE: March 10, 2025

DEPARTMENT: Public Works & Engineering

ISSUE: Whether to adjust the scope of the Disaster Mitigation and Adaptation Fund (DMAF) contribution agreement and focus capital funds on the replacement of Pump House #1 (PH1), while retaining and maintaining the Yellowknife River as the City’s primary water source.

RECOMMENDATION:

That:

1. Council select “Option 3 – Status Quo” as detailed in the Water Source Selection Study – Update Report as the path forward for capital project planning;
2. Council authorize the Mayor and City Manager to amend the contribution agreement with the Government of Canada for a maximum federal contribution of \$25,862,218 to use for the replacement of Pump House 1;
3. Council authorize the Mayor and City Manager to amend the contribution agreement expiry date to 2032 from the current 2028 deadline;
4. Council direct Administration to continue to seek funding opportunities for the remainder of the project requirements.

BACKGROUND:

In 2018, a water source selection study was presented and accepted by City Council. The recommendation was to retain the Yellowknife River as the primary water source. This direction meant the capital planning and replacement of Pump House 1 (PH1) and 2 (PH2), as well as the submarine water line which has reached the end of its useful life.

On March 13, 2019, the Government of Canada announced that Yellowknife was a successful applicant to the Disaster Mitigation and Adaptation Fund (DMAF) program and would receive funding of \$25,862,218.00, which represented 75% of the total project costs at that time. The City received a letter from the Minister of Infrastructure and Communities stating the approval of the project in principle.

In the time since the execution of the 2019 agreement much has changed. The covid-19 pandemic had major impacts on inflation, supply chains, and costs of goods and services. With several factors influencing market conditions, the City wanted to confirm that the decision point in 2018 was still the most appropriate path given current realities, so in 2024 an update to the water source selection study was completed to include updated project costs, qualitative risk assessment (QRA) from the Giant Mine Remediation Project, and an asset management perspective. The update also included current Class D estimates for the same scope of work detailed in 2018. The weighting criteria of the decision matrix were not changed as these concerns remain the same, but costs and other factors were updated. This was to create a direct comparison with current information before embarking on a project of this significance.

The financial assumptions of the initial project and application to DMAF were pre-Covid and have since risen significantly. New Class D estimates were completed by the City's engineering consultant based on 2024 tender results for other projects and industry indicators, which resulted in a total project cost of now \$108.8 million for all aspects of the project. This represents a 238% increase in project costs from the original budget allocation and presents a significant budget shortfall. The Government of Canada has expressed a willingness to hear alternative changes to scope from detailed in the 2019 contribution agreement, and to use the funding to complete the PH1 portion of the project.

COUNCIL POLICY / RESOLUTION OR GOAL:

Motion #0123-19

That:

1. Council select the Yellowknife River as the City of Yellowknife's primary source for drinking water;
2. Council authorize the Mayor and City Manager to enter into a contribution agreement with the Government of Canada for a maximum federal contribution of \$25,862,218 (75% of the anticipated project budget) for the replacement of the submarine drinking water supply line through the Disaster Mitigation and Adaptation Fund (DMAF);
3. The City of Yellowknife is responsible for the remaining 25% of the project budget; and
4. Council direct Administration to seek funding for the City's obligation of 25% of the project budget.

APPLICABLE LEGISLATION, BY-LAWS, STUDIES, PLANS:

1. *Northwest Territories Public Health Act*; and
2. City of Yellowknife Potable Water Source Selection Study (December 2017).
3. City of Yellowknife Potable Water Source Selections Study 2044 Update (February 2025)

CONSIDERATIONS:

Financial Considerations

The City's current financial plan cannot accommodate the latest projected estimates of \$108 million dollars. However, there is opportunity to adjust scope and still take advantage of federal funding to complete the replacement of PH1. This facility was constructed in stages over the many decades of use. Some parts of the structure are from 1948 and late 1960's, and the facility is in a state of failure. Retrofits would be more problematic in trying to bring this antiquated facility up to current building codes, and there are significant amounts of hazardous materials within the building materials of the structure. The costs of replacing PH1 are approximately \$37 million, and the City has \$32 million under

the 2019 contribution agreement with Canada. However, Canada expressly stated that the contribution agreement cannot be increased. The City would be required to forfeit the existing agreement, reimburse Canada for funds expensed to date, and reapply for the full amount under a new DMAF application. This re-application approach presents the risk of not being approved for the project and losing all current funding.

Infrastructure Criticality

PH1 is one of the main critical pieces of infrastructure in the City's potable water distribution system. Whether drawing from the Yellowknife River or Yellowknife Bay, water is conveyed to the water treatment plant via PH1. Due to the original approval of this project, the City has not made significant capital investments in a facility scheduled for replacement. Regularly scheduled maintenance has continued but many components are failing, and the facility needs to be replaced.

Long Term Planning

The City will not abandon Yellowknife River as the City's main water source. The existing infrastructure will be maintained within the capability of Public Works. The City will continue to incorporate the remaining aspects of the project into the City's long term capital planning process.

Drinking Water Redundancy

Yellowknife finds itself very fortunate of having two pristine sources of potable water, however, should there be an ultimate failure of the submarine water line, the City will draw potable water from Yellowknife Bay. This water source is tested regularly as part of the City's operations and water licence reporting as the bay is designated for use in emergencies and for annual maintenance purposes.

ALTERNATIVES TO RECOMMENDATION:

There are no viable alternatives at this time.

RATIONALE:

The City of Yellowknife currently does not have adequate federal funding to complete the project, nor is this currently contemplated for in the capital plan. A project of this magnitude, fully funded by the municipality would have a significant impact on the City's ability to deliver other projects.

The recommendation of Option 3 – Status Quo addresses the following:

1. Takes advantage of the contribution agreement with Canada and almost fully funds the replacement of Pump House 1;
2. Replaces Pump House 1, which is a vital facility in the water distribution system for the City and is well past its useful life; and
3. Maintains the Yellowknife River as the primary water source for the City for as long as the infrastructure remains functional.

This approach attempts to take all realities into consideration and complete necessary work with funding already in hand, while continuing a planned approach to address the other aspects of the project.

Administration will continue to seek funding opportunities to complete the remaining aspects of the project.

ATTACHMENTS:

[Potable Water Source Selection Study \(2024 Update\)](#) – DM#789047

Prepared: February 17, 2025; CG/

Revised: March 3, 2025/CG