



Northwest Territories Minister of Health and Social Services

MR. BILL BRADEN, MLA
GREAT SLAVE

MAY 26 2006
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Dene Konia Facility, Hay River

In your letter of May 5, 2006, you raise a series of important issues that I wish to address. The Departments of Health and Social Services and Public Works and Services have and will continue to work closely on capital projects.

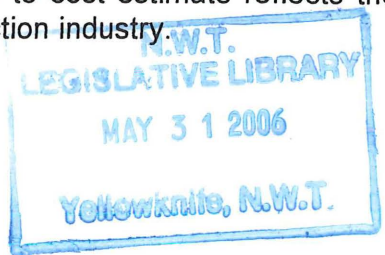
To provide you some understanding of the process I would like to describe the work that has been undertaken. The initial plan was to renovate the Dene Konia facility based upon a preliminary review of the building conducted by Public Works and Services and Health and Social Services staff. The review indicated that the facility could be renovated within the \$3.1 million budget already approved for the renovation of the Territorial Treatment Centre.

As planning progressed on the renovations, it was recommended that a new building be constructed as it could be done within the existing budget and would result in a better functioning facility with a longer life span. It is a normal part of any major renovation planning process to compare estimate project costs for a renovation compared to building new. Health and Social Services staff requested that options be fully explored and a cost benefit analysis be conducted on this option and options to renovate before a decision could be made.

A report from an independent consultant indicated that a new building could be constructed within the existing budget for the project, and provides better value for the GNWT's investment. I have attached a copy of the report. It has been decided to pursue options to build a new facility as this represents the best value for the GNWT's investment. Staff from the two Departments have performed due diligence to ensure the GNWT gets the best value for its investment.

It is expected that construction drawings will be completed for an early fall of 2006 tender process. Occupancy is planned for the fall of 2007. We will have certainty regarding the cost of this project before tendering.

In terms of the recent advertisement that was cancelled related to the demolition of the facility, it was undertaken in good faith by the regional PW&S staff following normal project management practices. Unfortunately, staff in H&SS not realizing this was about to occur, had not informed PW&S that we did not wish to proceed on this aspect of the project plan until a later date. My comments related to cost estimate reflects the ever increasing difficulty in estimating costs in the construction industry.



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For instance, my understanding is that school costs in Canada have been escalating at a rate of 20% per year since 2005. In the NWT we have seen double digit pricing increases. It is a simple matter of supply and demand, however, the escalation is very hard to predict, making Public Works and Services job extremely difficult. Given this reality, I am concerned with the accuracy of any GNWT project budget that we have set up to two years prior to tendering construction. So in this case, should market conditions drive the costs beyond our estimates then we have not committed ourselves to the demolition of the building and can turn to the option of renovations or building new on an alternative site in Hay River.

As to your concerns on process, the Department has worked within the Financial Administration Manual. The initial change in project from a Yellowknife based facility to a Hay River facility was brought before the Legislative Assembly for approval, as was appropriate. Subsequent decisions related to the decision as to whether to renovate or build new are within normal practice of construction management to ensure the best value for a project is provided to the GNWT. To ensure that all are well advised as to the planned activities related to this project, I have briefed my Cabinet colleagues and written to the Standing Committee on Social Programs with details related to planned actions regarding this project. This should clarify any confusion that may have existed with respect to the matter.

Finally, with respect to the contract with Bosco Homes, this contract for services is administered by Yellowknife Health and Social Services Authority. They are just finalizing the details with the contractor. Bosco Homes has been very involved in the transition planning from the early stages, and continue to work with the Authority and Department in a constructive manner to ensure a smooth transition of services occurs.

I understand your concern for services to Yellowknife residents. Those services will continue in the current form until the Dene Konia facility becomes operational, after which the services will continue to be available to Yellowknife residents at the new location. I believe that through our continued positive actions we can arrive at a successful outcome that meets everybody's interests.



J. Michael Miltenberger

Attachment

c: Honourable Floyd Roland
Minister, Public Works and Services

Ms. Jane Groenewegen, MLA
Hay River South

Mr. Paul Delorey, MLA,
Hay River North

Ms. Sandy Lee
Chair, Standing Committee on Social Programs