City of Winnipeg

Administrative Report
Chief Construction Officer (CCO)

REPORT TYPE: Information Only
DATE:
REFERENCE NO.:
SUBMITTED BY: Chief Construction Officer
REVIEWED BY: Not applicable
APPROVED BY: Not applicable

Subject

NEWPCC Upgrade (Project 2): Biosolids Facilities – CCO Assurance Update

Recommendation

That this report be received for information.

Standard Standing Language

This report is provided for information only. The Chief Construction Officer's role is to provide independent assurance to Council regarding project readiness, risk exposure, and delivery confidence. Predictive indicators are included for early warning and assurance purposes only and do not constitute recommendations or requests for direction. No approvals or direction are requested unless explicitly stated.

Background

Council previously approved the project's scope and conditional capital budget on September 26, 2019, with subsequent confirmation of funding on February 23, 2023, and a budget amendment approved on September 29, 2023 increasing the total capital budget to $1.035 billion.

Discussion

1. Project Overview

Project Details	**Status**
Approved Budget	$1,035,000,000
Forecast at Ready-for-Takeover	$1,035,000,000

Project Details	Status
Approved Ready-for-Takeover Date	December 2030 (Substantial Completion target)
Forecast Ready-for-Takeover Date	December 2030 *(no reported change to Substantial Completion milestone)*
Delivery / Procurement Model	Progressive Design Build (PDB)
Current Phase	Development Phase – Stage Gate 3 (Intermediate Design) (Moved from Stage Gate 2 Preliminary following December 2025 completion)

Project Classification:

■Mega Project (>$500.0M)

☐ Major Capital Project ($25.0M–$500.0M)

Current Phase:

☐ Project Definition ☐ Procurement ■ Design ☐ Construction ☐ Commissioning ☐ Operations

CCO Assurance Commentary:

The project remains in the Design phase under a Progressive Design Build (PDB) delivery model, having advanced into Stage Gate 3 (Intermediate Design). Design development is progressing toward validation of scope, cost, and schedule parameters prior to execution of the Design Build Agreement.

Delivery confidence at this phase is contingent upon stabilization of the forthcoming Class 3 cost estimate, confirmation of external funding agreements, and disciplined management of value engineering decisions. At present, governance controls and reporting cadence remain aligned with the Mega Project framework. No material structural deviation from Council-approved objectives is identified; however, financial exposure sensitivity will increase as design maturity advances toward Guaranteed Maximum Price negotiations.

2. Scope, Schedule & Financial Assurance

Scope & Authority

- Alignment to Council-approved scope: ■ Confirmed ☐ At Risk
- Material changes since last report: ■ No ☐ Yes

Rationale:
The transition from thermal hydrolysis to thermophilic digestion was previously disclosed and incorporated within the approved capital envelope and substantial completion date. No new scope amendments have been introduced since the last reporting cycle.

Schedule & Delivery Confidence

- Council-approved schedule in place: ■ Yes ☐ No
- Work plan stability: ■ Stable ☐ Under pressure
- Time buffer remaining: ☐ Adequate ■ Limited

Rationale:

- Substantial Completion remains December 2030.
- Stage Gate 3 (Intermediate Design) is underway.
- While headline milestones remain intact, design-phase compression (condensed design duration) and value engineering activity reduce float (time buffer) within the Development Phase. Schedule risk is currently contained but increasingly sensitive to cost validation and funding timing.

Key Schedule Indicators:

- Chance of finishing on time - Schedule Confidence Index (SCI)
    - Moderate–High (Design Phase Stability Maintained)
- How often the main work plan is changing - Critical Path Volatility Trend
    - Low–Moderate (Design refinement activity present but not materially destabilizing primary completion milestone)

CCO Assurance Commentary:

The Council-approved schedule remains in effect with Substantial Completion targeted for December 2030. Current delivery performance indicates stability within the Development Phase; however, time contingency within the design window is narrowing as cost validation, value engineering, and funding alignment activities converge. While no structural schedule deviation is observed, forward-looking sensitivity to decision latency and external funding confirmation warrants continued monitoring.

Financial & Commercial Position

Indicator	**Status**
Cost certainty	☐ High ■ Moderate ☐ Low
Contingency sufficiency	■Adequate ☐ Marginal
Claims exposure	☐ None ■ Potential

Rationale

- **Cost certainty – Moderate:**
  - Design is at Stage Gate 3.
  - Class 3 estimate pending validation.
  - Guaranteed Maximum Price (GMP) not yet established.

- **Contingency – Adequate:**
  - $154.2M contingency remains intact.
  - reassessment anticipated post-Quantitative Risk Analysis (QRA) and Design Build. Agreement (DBA) negotiation.

- **Claims exposure – Potential:**
  - Early Works change activity and future Design Build Agreement negotiation introduce latent commercial risk, though no crystallized dispute exists.

Forward-Looking Financial Indicators:

- Is there enough backup money left - Projected Contingency Sufficiency Index (PCSI)
  - Adequate at present.
  - Subject to recalibration upon completion of Class 3 estimate and QRA validation.
- Expected total cost compared to the approved budget - Cost Exposure vs. Authorized Budget
  - Within approved $1.035B capital envelope.
  - Exposure sensitivity increases pending GMP establishment.
- Chance of future claims or disputes - Claim Probability Trend
  - Low–Moderate.
  - No crystallized disputes, but exposure remains inherent during DBA negotiation and scope optimization.

CCO Assurance Commentary:

Financial exposure remains within Council-approved limits. Contingency is presently sufficient based on available risk data; however, confidence will materially strengthen following Class 3 cost validation and Quantitative Risk Analysis completion. Claims exposure is not acute but remains structurally present as the project advances toward Design Build Agreement execution. Continued disciplined commercial oversight is recommended through the Intermediate Design phase.

3. Risk, Governance & Procurement Assurance

Risk Profile

Overall risk trajectory:

☐ Improving ■Stable ☐ Deteriorating

Rationale:
Risk profile remains controlled through the Progressive Design Build framework. No new material structural risks have emerged since the prior reporting cycle; however, financial and market-related sensitivities remain active.

Risk Indicators:

- Are risks growing or shrinking - Risk Momentum Score
    - Neutral – no material upward acceleration in aggregate exposure.
- How many risks keep showing up again and again - Persistent Risk Count
    - Moderate – funding confirmation timing, market volatility (tariffs/escalation), and cost validation remain recurring watch items.
- How quickly problems are getting worse - Risk Escalation Velocity
    - Low – identified risks are being actively managed within governance controls; no rapid deterioration observed.

CCO Assurance Commentary:
The overall risk trajectory remains stable. The project's exposure is presently characterized by commercial and market sensitivities rather than execution failure risk. Governance controls under the Mega Project framework appear functioning, with no indication of uncontrolled risk escalation. Continued monitoring is warranted as the project approaches Design Build Agreement execution and Guaranteed Maximum Price validation.

Governance & Controls

- Decision-making clarity: ■ Clear ☐ Requires monitoring
- Timeliness of approvals: ■ Adequate ☐ Under pressure
- Reporting reliability: ■ Sufficient ☐ Emerging gaps
- How long decisions are taking - Decision Latency Trend
    - Stable – no material increase in time-to-decision observed during current

reporting period.

- How often approvals are slowing things down - Approval Bottleneck Frequency
    - Low – delegated authorities and monthly Mega reporting structure are reducing procedural friction.

CCO Assurance Commentary

Governance controls remain functioning as intended under the approved Mega Project framework. Delegated authority thresholds and enhanced Executive Policy Committee reporting have improved decision clarity and reduced procedural delay risk. No systemic approval bottlenecks are presently constraining delivery; however, governance responsiveness will become increasingly critical as the project approaches Design Build Agreement execution and cost finalization.

Procurement & Market Exposure

- Procurement plan aligned to schedule: ■ Yes ☐ Under review
- Contracting strategy appropriate to risk: ■ Yes ☐ Needs watching

Procurement Indicators:

- Is the project ready to buy what it needs - Procurement Readiness Score
    - Moderate–High – Design maturity advancing toward Class 3 cost estimate.
    - Early Works and peer review activities support transition to DBA.
- Are prices and supply stable or changing - Market Volatility Indicator
    - Moderate – Exposure to tariffs, escalation, and long-lead equipment pricing remains active but currently manageable within PDB framework.

CCO Assurance Commentary:

Procurement planning remains aligned with the Council-approved schedule and the Progressive Design Build model continues to be appropriate for the project's scale and risk profile. Market conditions including tariff uncertainty, escalation pressures, and long-lead equipment procurement remain a material but managed exposure. The PDB structure provides collaborative flexibility to optimize scope and mitigate volatility prior to establishment of the Guaranteed Maximum Price.

4. Readiness, Forward Look & Confidence Statement

Safety, Quality & Readiness

- Safety systems: ■ Adequate ☐ At risk
- Quality systems: ■ Established ☐ Partial
- Commissioning / turnover readiness: ☐ On track■ Early risk
- Readiness to operate: ☐ On track ■ Early risk

Rationale

- **Safety:** Early Works and Development Phase activities are proceeding without reported systemic safety concerns.
- **Quality:** QA/QC processes are embedded within the PDB framework; 30% design audit and Owner's Advocate reviews reinforce design assurance.
- **Commissioning / Operations:** As the project remains in Intermediate Design, commissioning integration and operational readiness planning are appropriately early-stage but inherently carry forward-looking risk sensitivity, particularly given process changes (thermophilic digestion transition) and interdependencies with Nutrient Removal.

Stakeholder & External Dependencies

- External approvals: ■ On track ☐ Need watching
- Inter-agency / Third-party dependencies: ■Managed ☐ Under pressure

Rationale:
Provincial and Federal funding agreements remain active and structured within the Mega governance framework. Ongoing coordination with Manitoba regulators, Indigenous stakeholders, funding partners, and third-party utility/interface entities (e.g., Manitoba Hydro, rail interfaces) is structured and functioning. No immediate external constraint is presently destabilizing the schedule; however, funding timing and regulatory concurrence remain forward-looking sensitivities.

Forward Look (Next 90 Days)

The Chief Construction Officer will continue to monitor:

- Finalization and validation of the Class 3 cost estimate
- Completion and interpretation of the Quantitative Risk Analysis (QRA)
- Funding agreement execution timing relative to Design Build Agreement (DBA) signature

- Market volatility indicators (tariffs, escalation, long-lead equipment)
- Decision latency as Intermediate Design progresses toward cost locking

CCO Confidence Statement

Based on the information reviewed during this reporting period, the Chief Construction Officer's independent assessment of the project's ability to achieve Council-approved objectives is:

☐ High Confidence ■ Moderate Confidence ☐ Low Confidence

CCO Assurance Commentary:
The project remains structurally aligned with Council-approved scope, budget, and schedule parameters under the Progressive Design Build framework. Governance reforms implemented through the Mega Project structure have improved reporting cadence and delegated authority clarity, reducing procedural friction risk.

Financial exposure remains contained within the approved capital envelope; however, full confidence is dependent upon successful validation of the forthcoming Class 3 cost estimate and associated Quantitative Risk Analysis prior to execution of the Design Build Agreement.

Overall delivery confidence is assessed as Moderate, reflecting stable execution fundamentals with measured sensitivity to cost validation, funding alignment, and market volatility conditions as the project transitions from Intermediate Design toward price commitment.

Financial Impact

There is no immediate financial impact associated with receiving this report.

Legal Implications

There are no legal implications associated with receiving this report.

Consultation

This report was prepared independently by the Chief Construction Officer using departmental materials and briefings as required for assurance purposes.

Council Considerations

This report is submitted for information only. No approvals, decisions, or direction are requested.