City of Winnipeg

Administrative Report
Chief Construction Officer (CCO)

REPORT TYPE: Information Only
DATE: June 7, 2026
SUBMITTED BY: Chief Construction Officer

Subject

NEWPCC Upgrade (Project 2) Biosolids Facilities – Assurance Update

Recommendation

That this report be received for information.

Discussion

1. Project Overview

Project Details	**Status**
Approved Budget	$1,035,000,000
Forecast at Ready-for-Takeover	$1,035,000,000
Approved Ready-for-Takeover Date	December 31, 2030
Forecast Ready-for-Takeover Date	December 31, 2030
Delivery / Procurement Model	Progressive Design Build
Current Phase	Design Phase

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 the Progressive Design Build delivery model. Current reporting confirms continued alignment between the approved and forecast budget and Ready-for-Takeover date.

The receipt of the Class 2 Cost Estimate represents a significant milestone in advancing project definition and commercial readiness. Design maturity continues to improve as the project approaches Development Phase Agreement Stage Gate 3 and Design Build Agreement award.

Overall delivery confidence remains moderate and stable. Several risks identified in previous reporting periods have been reduced or closed, including resolution of the Yardworks Area design quality concerns and approval of Canadian Pacific Kansas City safety flagging services. Continued attention is required on funding agreement execution, market conditions, labour availability, and completion of commercial negotiations.

2. Scope, Schedule & Financial Assurance

CCO Assurance Commentary:

Project scope remains aligned with the approved program to deliver new biosolids treatment facilities, replace end-of-life infrastructure, and support long-term regulatory requirements. No material scope changes have been identified during the reporting period.

Schedule performance remains stable and on track for the Design Phase. Key milestones achieved include receipt of the Class 2 Cost Estimate on May 15, 2026 and continued advancement of Land Drainage System works. Development Phase Agreement Stage Gate 3 remains anticipated in June 2026, with Design Build Agreement award targeted for July 2026.

Financial performance remains stable. Total project expenditures are approximately $74.8 million, representing approximately 7 percent of the approved capital budget. Forecast expenditures remain aligned with the approved $1.035 billion budget.

Cost certainty remains moderate and appropriate for the current phase. Review of the Class 2 Cost Estimate and the associated contingency assessment are underway. While no cost variance is currently forecast, cost certainty will improve following completion of the contingency review and execution of the Design Build Agreement.

Schedule confidence remains moderate and stable. Recent milestone achievement indicates continued progress; however, schedule performance remains sensitive to timely decision-making, funding agreement execution, and completion of commercial negotiations required before Design Build Agreement award.

3. Risk, Governance & Procurement

Assurance CCO Assurance Commentary:

The overall project risk profile remains moderate and stable.

Several previously elevated risks have improved. The Yardworks Area design rework has been completed successfully, and associated quality concerns have been resolved.

Canadian Pacific Kansas City approval for safety flagging services has also been obtained, eliminating a potential source of schedule delay.

Key risks currently being monitored include:

- Market volatility, including tariff pressures, escalation, and supply chain uncertainty
- Potential labour shortages associated with multiple major infrastructure projects within Manitoba
- Funding agreement execution prior to Design Build Agreement award
- Schedule impacts arising from delayed decisions or value engineering implementation
- Commercial negotiations associated with the Design Build Agreement

Mitigation activities remain active and include:

- Ongoing value engineering reviews
- Early procurement planning for long lead equipment and materials
- Development of sourcing plans to reduce supply chain risk
- Monitoring of global market conditions and material availability
- Continued coordination with funding partners and regulatory stakeholders

Governance controls remain effective under the approved Mega Project framework.

Reporting, oversight, and decision-making processes continue to support project progression toward construction readiness.

Procurement activities remain aligned with the project schedule.

Design Build Agreement readiness activities continue, with award anticipated in July 2026.

4. Readiness

CCO Assurance Commentary:

Project readiness continues to improve as the project advances toward construction.

The receipt of the Class 2 Cost Estimate marks an important transition point in

validating cost, schedule, and commercial assumptions. The project team is focused on Stage Gate 3 activities and preparation for Design Build Agreement execution.

Quality performance has improved during the reporting period.

The redesign of the Yardworks Area has been completed successfully and no further quality concerns remain. This removes a key readiness constraint identified in earlier reporting periods.

Health, Safety, and Environmental performance remains strong. No first aids, high-potential near misses, recordable medical aids, lost time injuries, or environmental spill incidents were reported during the reporting period.

Interface management remains active. Coordination with Public Works regarding future road closures and ongoing integration of preparatory works continues to support future construction readiness.

Community engagement activities remain on track. Planned public communications regarding Land Drainage System works and public education on the Progressive Design Build delivery model are progressing as scheduled.

5. CCO Forward Look (Next 90 Days) and Confidence

Statement Forward Look (Next 90 Days)

The Chief Construction Officer will continue to monitor:

- Completion of the Class 2 Cost Estimate review and contingency assessment
- Readiness for Development Phase Agreement Stage Gate 3 approval
- Commercial readiness for Design Build Agreement award
- Funding agreement execution timing
- Market conditions, tariff exposure, and labour availability pressures
- Procurement planning for long lead equipment and materials
- Stability of project scope, schedule, and cost assumptions as the project approaches construction

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

The project remains aligned with Council-approved scope, budget, and schedule objectives. Recent reporting demonstrates continued advancement of design maturity, resolution of identified quality concerns, and successful mitigation of several previously elevated risks.

While commercial, market, labour, and funding-related uncertainties remain, governance controls and mitigation measures continue to function effectively. Based on current information, the project remains achievable within approved parameters, subject to successful completion of Stage Gate 3, funding agreement execution, and Design Build Agreement award.

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.

Attachments

- Appendix A – Standard Language and Background
- Appendix B – Early Warning Indicators Metrics

Appendix A – Standard Language and Background

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.

This report provides a periodic, independent assurance update in accordance with the Chief Construction Officer mandate. The Chief Construction Officer identifies, assesses, and communicates material risks and delivery confidence but does not manage or direct project execution.

Appendix B – Early Warning Indicators Metrics

1. Scope, Schedule & Financial Assurance Scope & Authority

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

Schedule & Delivery Confidence

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

Key Schedule Indicators:

- Schedule Confidence Index (SCI) - Chance of finishing on time
  - Moderate and stable.
  - The project continues to achieve major design milestones, including receipt of the Class 2 Cost Estimate and advancement toward Development Phase Agreement Stage Gate 3. Current schedule performance remains aligned with the Design Phase plan.

- Critical Path Volatility Trend - How often the main work plan is changing
  - Low to Moderate.
  - The project remains schedule stable; however, ongoing design refinement, value engineering activities, funding agreement execution, and preparation for Design Build Agreement award continue to create localized schedule sensitivity.

Financial & Commercial Position

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

Forward-Looking Financial Indicators:

- Projected Contingency Sufficiency Index (PCSI) - Is there enough backup money left
    - Adequate at current design maturity.
    - The contingency allowance of $154.2 million remains available and is currently being assessed through review of the Class 2 Cost Estimate and contingency analysis.

- Cost Exposure vs. Authorized Budget - Expected total cost compared to the approved budget
    - Stable
    - Forecast cost remains aligned with the approved $1.035 billion capital budget. No forecast variance has been identified.

- Claim Probability Trend - Chance of future claims or disputes
    - Low
    - No active claims or disputes have been reported. Commercial exposure remains limited during the Design Phase and will continue to be monitored as the project advances toward Design Build Agreement execution.

A notable change from the May report is the recommendation to move **Claims Exposure** from **Potential** to **None**. Earlier reports identified potential exposure associated with Yardworks design rework, CPKC approvals, and upcoming commercial negotiations. By the June reporting cycle:

- the Yardworks quality issue has been resolved,
- the CPKC interface risk has been closed,
- no claims, disputes, or commercial issues have been reported,
- and the project remains in the Design Phase with no contingency drawdown.

Cost certainty should remain **Moderate** until the Class 2 Cost Estimate review, contingency assessment, and DBA negotiations are complete. Contingency sufficiency remains **Adequate** based on the current approved contingency allowance and absence of forecast budget pressure.

Risk, Governance & Procurement Assurance Risk Profile

Overall risk trajectory:

☐ Improving ■ Stable ☐ Deteriorating

Risk Indicators:

- Risk Momentum Score - Are risks growing or shrinking

    - Stable
    - Recent risk reduction has been achieved through resolution of the Yardworks Area design quality issue and closure of the Canadian Pacific Kansas City flagging approval risk. Remaining risks continue to be actively managed through established mitigation measures.

- Persistent Risk Count - How many risks keep showing up again and again

    - Moderate
    - Recurring risks include market volatility, labour availability, funding agreement execution, tariff exposure, supply chain conditions, and schedule sensitivity associated with value engineering and commercial negotiations.

- Risk Escalation Velocity - How quickly problems are getting worse

    - Low to Moderate
    - No uncontrolled risk escalation has been identified. Existing risks remain largely external in nature and continue to be monitored through mitigation planning, procurement strategies, and governance oversight.

This represents a logical progression from:

- April CCO report: Stable trajectory with moderate persistent risks and moderate escalation velocity.
- May CCO report: Stable trajectory with moderate upward pressure from market volatility and design coordination complexity.
- June MPSC package: closure of two significant risks and resolution of the quality concern, while market, funding, labour, and procurement risks remain active.

Accordingly, **Stable** remains the most supportable overall trajectory, with a slight reduction in escalation pressure compared with the May assessment.

Governance & Controls

- Decision-making clarity: ■Clear ☐ Requires monitoring
- Timeliness of approvals: ■ Adequate ☐ Under pressure
- Reporting reliability: ■ Sufficient ☐ Emerging gaps

- Decision Latency Trend - How long are decisions taking
    - Stable
    - Key project decisions continue to progress through the established Mega Project governance framework. The project remains on track for Development Phase Agreement Stage Gate 3 and Design Build Agreement readiness activities.
- Approval Bottleneck Frequency - How often approvals are slowing things down
    - Low
    - No approval constraints have been identified that are affecting current project delivery. Funding agreement execution remains an important dependency; however, no governance-related delays have been reported during the current reporting period.

Procurement & Market Exposure

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

Procurement Indicators:

- Procurement Readiness Score - Is the project ready to buy what it needs
    - On track
    - The project has received the Class 2 Cost Estimate and continues to advance through Development Phase Agreement Stage Gate 3 activities. Design Build Agreement preparation remains aligned with the planned July 2026 award timeline.
- Market Volatility Indicator - Are prices and supply stable or changing
    - Moderate
    - Exposure to tariffs, escalation pressures, labour availability constraints, supply chain uncertainty, and broader market conditions remains active. Mitigation measures include value engineering, sourcing plans, early procurement planning for long lead equipment, and ongoing monitoring of global market conditions.

2. Readiness

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

Stakeholder & External Dependencies

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

Rationale

• External approvals:

- Review and execution of the funding agreement continue in advance of the anticipated Design Build Agreement award.
- No approval delays have been reported during the current reporting period.
- Development Phase Agreement Stage Gate 3 remains on schedule for June 2026.

• Inter-agency / Third-party dependencies:

- Canadian Pacific Kansas City approval for safety flagging services has been received and the associated interface risk has been closed.
- Coordination with Public Works regarding future road closures along Ferrier Street is underway to maintain access to the Biosolids site.
- Coordination with funding partners, regulators, utilities, and external stakeholders continues through established project governance processes.
- No external dependency is currently reported as creating schedule delay or readiness concerns.