City of Winnipeg

Administrative Report
Chief Construction Officer (CCO)

REPORT TYPE: Information Only
DATE: May 2026
REFERENCE NO.: CCO-SEWPCC-2026-01
SUBMITTED BY: Chief Construction Officer
REVIEWED BY: Not applicable
APPROVED BY: Not applicable

Subject

South End Sewage Treatment Plant (SEWPCC) Upgrading and Expansion – Assurance Update

Recommendation

That this report be received for information.

Discussion

1. **Project Overview**

Project Details	**Status**
Approved Budget	$385.6 million
Forecast at Ready-for-Takeover	$385.6 million
Approved Ready-for-Takeover Date	December 31, 2021
Forecast Ready-for-Takeover Date	Q1 2026 for Substantial Performance; remaining administrative closeout activities ongoing
Delivery / Procurement Model	Design-Bid-Build
Current Phase	Commissioning / Closeout

Project Classification:

☐ MegaProject (>$500.0M)

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

Current Phase:

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

CCO Assurance Commentary:

The South End Sewage Treatment Plant Upgrading and Expansion project is in the final stages of commissioning and closeout. Substantial Performance for Contract 4 was achieved on February 27, 2026. The project has transitioned from major construction activities to deficiency resolution, appeals management, documentation completion, and operational stabilization.

The upgraded facility is meeting effluent licence requirements under all flow conditions. However, the project experienced significant schedule delay beyond the original completion target due to contractor performance issues, commissioning challenges, filter media release events, chemical resistant coating delamination, undersized rotary drum thickeners, and extended testing requirements.

The approved capital budget increased from $335.6 million to $385.6 million through multiple Council-approved amendments, including a $10 million increase approved in May 2025 to address potential contractor demobilization and project completion risk.

2. **Scope, Schedule & Financial Assurance**

CCO Assurance Commentary:

The overall project scope remains aligned with Council-approved objectives to expand treatment capacity and achieve nutrient removal compliance requirements. Remaining work is primarily related to commissioning documentation, operational optimization, contractor deficiency resolution, appeals management, and final administrative closeout.

Schedule performance remains materially behind the original Council-approved completion date. The contractual Total Performance date remains February 25, 2022, while Substantial Performance was achieved on February 27, 2026. Project reporting identified schedule completion levels ranging from 128 percent in May 2024 to 147 percent in April 2026, reflecting prolonged delay conditions and extended closeout activities.

The project team successfully completed the 30-day plant-wide performance verification in late 2025, with confirmation that licence requirements were met. Major process areas, including UV disinfection and high-rate clarification systems, were handed over during 2025. Remaining process areas D and T were handed over in February 2026.

Financial forecasting indicates the project remains within the amended budget authority of $385.6 million. As of April 30, 2026, actual expenditures totaled approximately $365.4 million. Forecast costs continue to align with the amended budget, although contingency reserves have been materially reduced over the course of the project.

Insurance recoveries remain an important component of financial mitigation. Additional insurance proceeds related to the media release event were confirmed during the reporting period but had not yet been returned to the capital account.

The remaining financial exposure relates primarily to:

- Outstanding appeals and dispute resolution activities
- Potential legal and insurance settlement outcomes
- Remaining commissioning and optimization activities
- Final consultant and legal support costs

3. Risk, Governance & Procurement Assurance

CCO Assurance Commentary:

Project risk exposure has reduced compared to earlier reporting periods due to achievement of Substantial Performance and successful operational performance of the upgraded facility. However, several material risks remain active.

The most significant remaining risks are:

- Resolution of outstanding Contract 4 appeals
- Ongoing litigation and insurance matters related to chemical resistant coating delamination
- High-Rate Clarifier performance guarantee deficiencies
- Remaining closeout and commissioning documentation activities

As of April 30, 2026, nine appeals remained open between the City and the Contract 4 contractor. The City and contractor continue to pursue an Alternative Dispute Resolution process supported by additional internal and external legal resources.

The project experienced elevated governance pressure during 2025 due to contractor demobilization risk and uncertainty regarding completion of remaining work. In response, Council approved a $10 million contingency budget increase to ensure continuity of consultant and contractor support if required.

Governance and reporting controls remained active throughout the project lifecycle. Quarterly reporting to Standing Policy Committee continued beyond the original completion date due to elevated risk conditions, schedule delay, and ongoing regulatory oversight. Provincial compliance reporting also remained in place throughout the reporting period.

Procurement and commercial risk are now largely limited to closeout activities, dispute resolution, and warranty-related matters. No significant future procurement activities are anticipated.

4. **Readiness**

CCO Assurance Commentary:

Operational readiness has materially improved over the past reporting periods. The upgraded facility is meeting environmental licence requirements and the plant-wide performance test was deemed successful.

Most major process systems have been handed over to operations staff. Remaining activities are focused on:

- Resolution of plant-wide deficiencies
- Final optimization activities
- Completion of administrative documentation
- Final contractor closeout obligations
- Outstanding High-Rate Clarifier system testing under higher flow conditions

The High-Rate Clarifier testing remains incomplete due to insufficient spring and stormwater flow conditions. Current reporting indicates this issue impacts only the HRC supply contract and does not affect Contract 4 substantial completion or overall plant compliance performance.

Readiness confidence has improved due to:

- Stable operational performance
- Successful commissioning outcomes
- Completion of major handovers
- Reduction in contractor demobilization risk
- Achievement of Substantial Performance

Some residual operational and commercial risks remain until all appeals, warranty matters, and outstanding testing activities are resolved.

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

Forward Look (Next 90 Days)

The Chief Construction Officer will continue to monitor:

• Resolution progress for outstanding Contract 4 appeals and ADR activities

• Completion of remaining plant-wide deficiencies and documentation closeout

• High-Rate Clarifier testing and performance guarantee resolution

• Insurance recovery and legal settlement progress related to media release and coating delamination claims

• Final turnover readiness and transition to operational closeout

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

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.

Attachments

- Appendix A – Standard Language and Background
- Appendix B – Early Warning Indicators Metrics
- Appendix C – Risk Summary
- Appendix D – Schedule Milestone Overview
- Appendix E – Financial Exposure Snapshot

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, budget, and schedule through multiple capital budget approvals and amendments related to the South End Sewage Treatment Plant Upgrading and Expansion Project. This report provides a periodic, independent assurance update in accordance with the Chief Construction Officer mandate. The CCO 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:

• Chance of finishing on time - Schedule Confidence Index (SCI)

• How often the main work plan is changing - Critical Path Volatility Trend

Financial & Commercial Position

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

Forward-Looking Financial Indicators:

• Is there enough backup money left - Projected Contingency Sufficiency Index (PCSI)

• Expected total cost compared to the approved budget - Cost Exposure vs. Authorized Budget

• Chance of future claims or disputes - Claim Probability Trend

Appendix C – Risk Summary

2. Risk, Governance & Procurement Assurance

Risk Profile

Overall risk trajectory:
☐ Improving ☒ Stable ☐ Deteriorating

Risk Indicators:

• Are risks growing or shrinking - Risk Momentum Score

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

• How quickly problems are getting worse - Risk Escalation Velocity

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

• How often approvals are slowing things down - Approval Bottleneck Frequency

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

• Are prices and supply stable or changing - Market Volatility Indicator

Appendix D – Schedule Milestone Overview

3. **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

Stakeholder & External Dependencies

• External approvals: ☒ On track ☐ Need watching

• Inter-agency / Third-party dependencies: ☒ Managed ☐ Under pressure

Appendix E – Financial Exposure Snapshot

Current financial exposure areas being monitored include:

• Outstanding Contract 4 appeals and dispute resolution costs

• Insurance recovery timing for media release and CRC delamination claims

• Remaining consultant and legal support expenditures

• Final commissioning and operational optimization costs

- High-Rate Clarifier performance testing and remediation activities