



# Staff Report

## Operations

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**Report To:** COW - Operations, Planning and Building Services  
**Meeting Date:** June 9, 2026  
**Report Number:** OPS.26.020  
**Title:** Bay Street Reconstruction – Q1 2026 Financial Update  
**Prepared by:** Alan Pacheco, Director of Operations

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### A. Recommendations

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THAT Council receive Staff Report OPS.26.020, entitled “Bay Street Reconstruction – Q1 2026 Financial Update as an information report”.

### B. Overview

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This report provides Council with a quarterly financial update on Craigleith Main Sewage Lift Station (CMSLS), Bay-Grey Street Linear Works, and Mill Street Sewage Pumping Station (MSSPS) projects including both the overall project status and individual tendered components.

### C. Background

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The Bay Street Reconstruction project consists of several interconnected infrastructure projects, including the Craigleith Main Sewage Lift Station, Bay-Grey Street underground and road works, and the Mill Street Sewage Pumping Station upgrades. Due to the size and technical complexity of the overall program, the work was divided into multiple construction tenders that are being coordinated and managed together to support efficient project delivery.

On December 15, 2025, Council passed the following resolution:

*“AND THAT Council directs staff to report out on the Bay Street Reconstruction financials and any related works throughout the project delivery time period with the first report coming no later than February 3, 2026 (interim report), with a more fulsome staff report to the February 24, 2026 Committee of the Whole meeting and quarterly from this date onwards until the completion of the project. Although the projects were combined, updates are to be provided at both the whole and individual tendered levels.”*

The Town’s journey toward upgrading critical infrastructure began with the 2021 capital budget, which allocated funding to upgrade the Craigleith Main Sewage Lift Station. In May 2022, Council expanded the scope to include upgrades to the Mill Street Sewage Pumping Station and the installation of a new sanitary forcemain along Bay Street. To support this

expanded vision, the Town secured a significant \$25 million grant through the Housing-Enabling Water Systems Fund.

The Town's Asset Management Plan revealed that the underground infrastructure along Bay Street was in poor condition, with asbestos cement sanitary sewers and watermains leaking. Knowing that installing the new forcemain would disturb the road, it became clear this was the perfect opportunity to reconstruct the entire corridor. By doing so, the Town ensures modern infrastructure that will last 50 to 75 years, reducing leakage, freeing up capacity, and supporting future connections.

Today, each project is progressing on its own path while being managed collectively. The Bay Street East Reconstruction is underway, with completion expected by Q1 2027. The Craigeith Main Sewage Lift Station, already awarded, will begin construction in Q2 2026. Meanwhile, the Mill Street Sewage Pumping Station tender is being finalized and will be released for bidding this quarter. While distinct, these projects collectively form a key part of the Town's infrastructure vision, set to wrap up by Q4 2028.

## **D. Analysis**

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This section provides an overview of the current financial status of the Bay Street Reconstruction project, including both the consolidated project budget and the individual tendered components. Detailed financial tables will be provided to outline approved budgets, expenditures to date, commitments, and projected final costs.

### **HEWS Funding Update:**

The Town has continued to work closely with the Ministry of Infrastructure regarding the administration of the approximately \$25 million Housing-Enabling Water Systems Fund grant supporting these infrastructure projects.

The following milestone payments have been received by the Town to date:

Milestone #1 – \$6,349,381.00 (25%) received in July 2025

Milestone #2 – \$15,238,514.40 (60%) received in December 2025

The final milestone payment, representing the remaining 15% of grant funding, will be issued once project holdbacks have been released and final reporting has been submitted, reviewed, and reconciled by the province.

The Mayor and senior staff attended the 2026 Ontario Good Roads Association Conference and participated in a delegation meeting with the Parliamentary Assistant in the Ministry of Infrastructure to discuss the Town's ongoing infrastructure projects. During the discussion, staff provided an overview of the Bay Street East Reconstruction, Craigeith Main Sewage Lift Station, and Mill Street Sewage Pumping Station projects, including the scale, complexity, and long-term benefits of the work being undertaken. The Town also requested consideration for additional funding support and an extension to the project timelines, recognizing the evolving

scope of work, construction challenges, and rising costs associated with delivering these major projects.

Finance staff have been working with the program advisor for several months to ensure they are aware of the delays and to complete a submission for an extension to the project completion timeline as part of ongoing discussions with the Ministry.

**Engineering Costs:**

Project Components	Approved Budget	Actual Spent to Date (incl. NRT*)	Committed / Awarded (Remaining) (incl. NRT*)	Total Expenditure (Incl. Committed) (incl. NRT)	Budget Remaining	% Budget Spent and Committed
Craigeleith LS	2,625,200	\$439,217	\$259,734	\$698,951		
Mill St SPS		372,717	354,808	727,525		
Bay St Recon		662,904	291,457	954,361		
Contingency		-	98,789	98,789		
Non-Recoverable HST		25,957	17,684	43,641		
<b>Total (All 3 Projects)</b>	<b>\$2,625,200</b>	<b>\$1,500,796</b>	<b>\$1,022,472</b>	<b>\$2,523,268</b>	<b>\$101,932</b>	<b>96.12%</b>
Value Engineering Exercise (VEE)	150,000	150,614	-	150,614	(614)	100.0%
Additional Design Work Following the VEE	-	12,451	-	12,451	(12,451)	N/A
<b>Total Engineering</b>	<b>\$2,775,200</b>	<b>\$1,663,861</b>	<b>\$1,022,472</b>	<b>\$2,686,334</b>	<b>\$88,866</b>	<b>96.8%</b>

\* NRT is the Non-recoverable portion of HST for the Town at a rate of 1.76%.

**Progress Status:**

Craigeleith Main Sewage Lift Station design was completed, tendered and awarded in 2025. In Q4 2025 and Q1 2026 the consultant reviewed and approved shop drawings.

The Bay St Reconstruction design was completed in Q2 2025 with the Contract Administration and Construction Monitoring phase starting in November 2025 through Q1 2026.

The Mill St SPS was fully designed and ready for Tender in Q4 2025. Q1 2026 engineering tasks included participation in the Value Engineering (VE) Exercise. Following the VE exercise additional design work was completed and updated to issue the tender in May 2026.

**Potential Risks:**

The original engineering assignment for the 3 combined projects was significantly over the approved budget. Staff negotiated with WT Infrastructure to reduce the scope by almost \$900,000 and Council increased the budget with [CSOPS.23.019](#) . Over \$500,000 of these savings were to be realized by aligning the projects so they were all in the construction phase concurrently. The savings were to come from sharing contract administration and construction monitoring. With the delay in the release of the Mill St SPS tender the construction will no longer overlap as anticipated. This will result in an increase in contract administration and construction inspection fees. These additional costs could exceed \$300,000. Once the Mill St SPS contractor is selected and the construction schedule is firmed up, a formal estimate will be prepared.

In addition, there was added engineering costs related to the follow up from the VE exercise that has resulted in the need for an Engineering Scope Change.

**Cost Avoidance:**

Staff continue to explore opportunities for savings. To date no significant savings have been identified.

**Craigeleith Main Sewage Lift Station:**

Project Components	Approved Budget	Actual Spent to Date (incl. NRT*)	Committed / Awarded (Remaining) (incl. NRT*)	Total Expenditure (Incl. Committed) (incl. NRT*)	Budget Remaining	% Budget Spent and Committed
Construction**	\$8,635,910	\$556,253	\$ 8,070,858	\$ 8,627,111	\$8,799	99.9%
Contingency***	\$500,000	\$0	\$0	\$0	\$500,000	0.0%
<b>Total</b>	<b>\$9,135,910</b>	<b>\$556,253</b>	<b>\$8,070,858</b>	<b>\$8,627,111</b>	<b>\$508,799</b>	<b>94.4%</b>

\* NRT is the Non-recoverable portion of HST for the Town at a rate of 1.76%.

\*\* Note that a \$500,000 contingency was included in the contract and is presented as “committed”, this was above the tender submission and was included as an allowance for future change orders.

\*\*\* This is additional contingency on top of the \$500,000 included in the award – total contingency = \$1,000,000.

**Progress Status:** The project has several long lead items ordered and the Contractor mobilized in May 2026. The Lift Station is anticipated to be upgraded and operational by December 2026 with some spring 2027 work to complete the project, including solar panels and final paving.

**Potential Risks:** Contractor advising Town that there are long lead times on equipment and solar panels.

**Cost Avoidance:** Staff continue to explore opportunities for savings. To date no significant savings have been identified.

**Bay Street Linear Works:**

Project Components	Approved Budget	Actual Spent to Date (incl. NRT*)	Committed / Awarded (Remaining) (incl. NRT*)	Total Expenditure (Incl. Committed) (incl. NRT*)	Budget Remaining	% Budget Spent and Committed
Construction	\$18,242,973	\$3,948,516	\$14,298,457	\$18,242,973	~\$0	100.0%
Contingency	\$2,452,977	\$0	\$0	\$0	\$2,452,977	0.0%
<b>Total</b>	<b>\$20,695,950</b>	<b>\$3,948,516</b>	<b>\$14,298,457</b>	<b>\$18,242,973</b>	<b>\$2,452,977</b>	<b>88.1%</b>

\* NRT is the Non-recoverable portion of HST for the Town at a rate of 1.76%.

**Progress Status:**

Bay St and Grey St Reconstruction project was awarded in October 2025 and construction commenced in November 2025. The project continued with winter work through Q1 of 2026. The installation of the forcemain, sanitary sewer, storm sewer and watermain was completed on Bay St from the Mill St SPS to the intersection of McAuley St in Q1. The contractor will continue with the underground works on Bay St to Elgin St and start road works from Mill St to McAuley St in Q2.

**Potential Risks:**

With the delay of the Mill St SPS Tender, temporary by-pass pumping is required to be extended and will have cost implications of around \$60,000 per month. During Q1 staff worked with the consultant and contractor to try and mitigate these costs as much as possible. During Q2 an alternative plan was put into action and is noted below under Cost Avoidance.

Fuel costs have risen significantly (approximately 50%) since the Bay St Reconstruction project was awarded. This is not a typical price fluctuation and could not have reasonably been foreseen at the time of Tender. The contractor has provided a Notice of Intent to Claim for compensation to cover the increase in fuel costs. The contractor has estimated the impact on the project at between \$300,000 and \$550,000. Staff and the consultant are currently reviewing the claim.

The contractor has indicated that they are currently experiencing some delays obtaining materials and there are concerns that this could impact material costs and the construction schedule.

**Cost Avoidance:**

In Q2 staff have initiated an alternative plan to eliminate the by-pass pumping and avoid the additional \$60,000 per month. Noting that with the initial one-time costs of approximately

\$20,000 (costs include the purchase and installation of a small pump to circulate sewage to avoid odour), this alternative provides a **significant cost avoidance due to the delay of the Mill St. SPS tender/construction**. This alternative could also mean some additional cost reduction on the Mill St. SPS construction tender given that and is being investigated as part of next steps.

The McAuley St intersection was redesigned during construction to eliminate approximately 50m of storm sewer for a cost avoidance of approximately \$35,000.

Due to recent changes in O. Reg. 406/19: On-Site and Excess Soil Management, a portion of the contaminated soil on Bay St between Mill St and McAuley St was permitted to be reused on site. This resulted in cost avoidance of approximately \$300,000 with the possibility of additional savings in Phase 2.

To date the construction contingency has not been used.

**Mill Street Sewage Pumping Station:**

Project Components	Approved Budget	Actual Spent to Date	Committed / Awarded (Remaining)	Total Expenditure (Incl. Committed)	Budget Remaining	% Budget Spent and Committed
Construction	\$20,268,299	\$-	\$-	\$-	\$20,268,299	0%
<b>Total</b>	<b>\$20,268,299</b>	<b>\$-</b>	<b>\$-</b>	<b>\$-</b>	<b>\$20,268,299</b>	<b>0%</b>

**Progress Status:**

The project Tender was initially provided to the Procurement Department on December 30, 2025. During Procurement’s review there were a significant number of comments and recommendations to be addressed by the project team. The tender was subsequently placed on hold pending the completion of the Value Engineering (VE) exercise to allow staff and Council an opportunity to consider potential optimization opportunities before proceeding to market.

Following completion of the VE exercise and the incorporation of final revisions, the tender was issued on May 11, 2026 and will remain open until June 18, 2026.

**Potential Risks:**

There is increased risk of cost escalation due to higher material costs (pipe, fuel etc.) and supply chain volatility, which in turn may also have an impact on the project schedule.

Additionally, as previously communicated to Council, Finance staff have been meeting with Ministry staff to ensure a project delay extension is received by the Ministry for the HEWS funding. After recent consultation with Ministry staff it was agreed that the formal application will be submitted in June following the final close of the tender.

**Cost Avoidance:**

Through the Value Engineering Exercise, the design flows were identified to be revisited. The peak flows were reconsidered, resulting in a modified pump arrangement and the removal of a pump. This will result in cost savings of approximately \$500,000.

**Utility and Miscellaneous Costs:**

Project Components	Approved Budget	Actual Spent to Date	Committed /Awarded (Remaining)	Total Expenditure (Incl. Committed)	Budget Remaining	% Budget Spent and Committed
Utilities and Miscellaneous	\$915,840	\$90,140	\$596,289	\$686,429	\$229,411	75%
<b>Total</b>	<b>\$915,840</b>	<b>\$90,140</b>	<b>\$596,289</b>	<b>\$686,429</b>	<b>\$229,411</b>	<b>75%</b>

**Progress Status:**

Third party utilities (Enbridge, EPCOR and Rogers) were completed from Mill St to McAuley St with Phase 1 in Q4 2025.

EPCOR and Rogers are currently progressing well in Phase 2 from Elgin St to Grey St. Phase 2 is expected to be completed in Q2.

**Potential Risks:**

If EPCOR and Rogers work is not completed and the existing hydro poles removed on Bay St from Elgin St to Grey St in Q2, the Bay St underground works cannot be installed, and the project schedule will be negatively impacted.

**Cost Avoidance:**

Staff continue to explore opportunities for savings. To date no significant savings have been identified.

**Overall Project Cost:**

Project Components	Approved Budget	Actual Spent to Date	Committed / Awarded (Remaining)	Total Expenditure (Incl. Committed)	Budget Remaining	% Budget Spent and Committed
Engineering Services (All 3 Projects)	\$2,775,200	\$1,663,861	\$1,022,472	\$2,686,333	\$88,867	96.8%
Consulting (KPMG Audit)	\$100,000	-	98,270	98,270	1,730	98.3%

Craigeith LS Upgrades	9,135,910	556,253	8,070,858	8,627,111	508,799	94.4%
Mill St SPS Upgrades	20,268,299	-	-	-	20,268,299	0.0%
Bay St Reconstruction	20,695,950	3,948,516	14,294,457	18,242,973	2,452,977	88.1%
Utilities & Miscellaneous	915,840	90,140	596,289	686,429	229,411	75.0%
<b>Total</b>	<b>\$53,891,199</b>	<b>\$6,258,770</b>	<b>\$24,082,346</b>	<b>\$30,341,116</b>	<b>\$23,550,083</b>	<b>62.0%</b>

## E. Strategic Priorities

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### 1. Communication and Engagement

We will enhance communications and engagement between Town Staff, Town residents and stakeholders

### 2. Organizational Excellence

We will continually seek out ways to improve the internal organization of Town Staff and the management of Town assets.

### 3. Community

We will protect and enhance the community feel and the character of the Town, while ensuring the responsible use of resources and restoration of nature.

### 4. Quality of Life

We will foster a high quality of life for full-time and part-time residents of all ages and stages, while welcoming visitors.

## F. Environmental Impacts

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N/A

## G. Financial Impacts

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The financial information has been presented above.

## H. In Consultation With

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Mike Humphries, Senior Infrastructure Capital Project Coordinator

Chris Thompson, Senior Infrastructure Capital Project Coordinator

Vicky Bouwman, Supervisor of Accounting and Budgets

Monica Quinlan, Director of Corporate and IT Services / Treasurer

## **I. Public Engagement**

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The topic of this Staff Report has not been the subject of a Public Meeting and/or a Public Information Centre as neither a Public Meeting nor a Public Information Centre are required. However, any comments regarding this report should be submitted to Alan Pacheco, Director of Operations [directorops@thebluemountains.ca](mailto:directorops@thebluemountains.ca).

## **J. Attached**

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N/A

Respectfully submitted,

Alan Pacheco, Director of Operations

For more information, please contact:  
Alan Pacheco, Director of Operations  
[directorops@thebluemountains.ca](mailto:directorops@thebluemountains.ca)  
519-599-3131 extension 260

**Report Approval Details**

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Attachments:	
Final Approval Date:	Jun 1, 2026

This report and all of its attachments were approved and signed as outlined below:

**No Signature - Task assigned to Alan Pacheco was completed by delegate Adam Smith**

**Alan Pacheco - Jun 1, 2026 - 4:48 PM**

**No Signature found**

**Monica Quinlan - Jun 1, 2026 - 4:51 PM**

**No Signature found**

**Adam Smith - Jun 1, 2026 - 4:52 PM**