



Staff Report

Operations

Report To: 2026-COW-Operations-Planning-and-Growth-Management
Meeting Date: October 6, 2026
Report Number: OPS.26.042
Title: Craigleith Main Sewage Lift Station, Bay-Grey St. Reconstruction and Mill St SPS - Q2 2026 Financial Update
Prepared by: Mike Humphries, Project Manager Water/Wastewater

A. Recommendations

THAT Council receive Staff Report OPS.26.042, entitled "Craigleith Main Sewage Lift Station, Bay-Grey St Reconstruction, and Mill St SPS – Q2 2026 Financial Update.

B. Relationship to Strategic Plan

3.2 Ensure local infrastructure is reliable, resilient and meets community needs.

C. Executive Summary

This report provides Council with the Q2 2026 quarterly financial update on Craigleith Main Sewage Lift Station (CMSLS), Bay-Grey Street Reconstruction, and Mill Street Sewage Pumping Station (MSSPS) projects including both the overall project status and individual tendered components.

D. Public Engagement

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 Mike Humphries, Project Manager Water/Westwater mhumphries@thebluemountains.ca

E. Background

The Bay-Grey Street Reconstruction project, Craigleith Main Sewage Lift Station, and the Mill Street Sewage Pumping Station Upgrades were grouped into one project for cost savings. The engineering for all three projects was completed as one exercise. 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.”

Further, on June 22, 2026 following receipt of the OPS.26.020 Bay Street Reconstruction – Q1 2026 Financial Update report, Council requested additional detail associated with the quarterly reporting as reflected in the following direction:

AND THAT Council direct staff to provide the Q2 Project Report for the Bay Street Reconstruction project with enhanced reporting metrics as outlined in the carried motion to B.4.4 Capital Project Reporting and Enhanced Procedural Controls, OPS.26.018, dated March 17, 2026 and any recommendations which may arise from the KPMG report due to Council on July 13 2026, to ensure full transparency on the project's current scope, expenditures, and delivery timelines.

The [Capital Project Reporting and Financial Oversight Procedure](#) remains under review as it requires further refinement to be consistent with the procedures in other Town policies such as the Budget Policy along with the Town’s new corporate structure. However, there remains elements of the unapproved procedure that have been applied including alignment with the scope of quarterly reporting capturing the approved project budget, current project expenditures, updated projected final project cost, schedule status, contingency usage, key project risks or challenges. The new RACI section of the revised staff report template aligns with Appendix A: Capital Project Governance but the dashboard in Appendix B will need to be revised to ensure consistency with the quarterly reporting completed by Corporate and Financial Services.

F. Analysis

Currently, each project identified in this report is progressing on its own path. The Bay Street East Reconstruction is underway, with completion expected by Q1 2027. The Craigleith Main Sewage Lift Station is also well underway with the main lift station being operational in Q4 2026 and overall completion expected in Q1 2027. The Mill Street Sewage Pumping Station tender release was delayed to complete a Value Engineering Exercise, however, has now been awarded to Industra Construction Corp. Construction is expected to begin before the end of September 2026. 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 are provided to outline approved budgets, expenditures to date, commitments, and projected final costs.

HEWS Funding Update:

The Town has been working for several months to secure an extension to the project completion timelines. The Town received a notice on August 29, 2026 that an extension has been granted.

Engineering Costs:

Project Components	Approved Budget	Actual Spent to Date	Committed / Awarded (Remaining)	Total Expenditure (Incl. Committed)	Budget Remaining	% Budget Spent and Committed
Craigeleith LS	\$2,625,200	\$454,939	\$244,012	\$698,951		
Mill St SPS		373,437	354,088	727,525		
Bay St Recon		714,404	239,958	954,362		
Contingency		-	98,789	98,789		
Non-Recoverable HST*		27,153	16,489	43,642		
Total (All 3 Projects)	\$2,625,200	\$1,569,933	\$953,336	\$2,523,269	\$101,931	96.1%
Value Engineering Exercise (VEE)	150,000	150,614	-	150,614	(614)	100.4%
Additional Design Work Following the VEE	-	12,451	-	12,451	(12,451)	N/A
Total Engineering	\$2,775,200	\$1,732,998	\$953,336	\$2,686,334	\$88,866	96.8%

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

Progress Status:

The Craigeleith Main Sewage Lift Station is also well underway with the main lift station being operational in Q4 2026 and overall completion expected in Q1 2027.

The Bay St Reconstruction design was completed in Q2 2025. The Contract Administration and Construction Monitoring phase started in November 2025 and is expected to continue through Q2 2027.

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. Q2 2026 tasks included minor revisions to the design and Tender Documents related to the VE exercise and support through the tender phase.

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. WT has provided a formal estimate for this additional work based on the most current schedules for the 3 projects. These additional costs are expected to be around \$700,000 with the intent of drawing from available contingency for the projects. Discussions are ongoing with WT and an Engineering Scope Change is being prepared to add the anticipated additional work to WT's scope. This discussion has delayed the processing of invoicing for Engineering Services. WT's Draw requests for May and June have not been processed and are not included in this report.

Cost Avoidance:

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

Craileith 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	\$1,407,120	\$ 7,219,991	\$ 8,627,111	\$8,799	99.9%
Contingency***	500,000	-	-	-	500,000	0.0%
Total	\$9,135,910	\$1,407,120	\$7,219,991	\$8,627,111	\$508,799	94.4%

* 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:

Craileith Main Sewage Lift Station (CMSLS) is proceeding slightly ahead of schedule with demolition completed and Process Mechanical, plumbing and electrical works underway. Based on current schedule the Sewage Lift Station is expected to be operational in Q4 2026,

with bypass pumping being complete and final site work, including solar panel installation being complete in Q2 2027.

The Town's consultant WT Infrastructure (WT) is providing Contract Administration and Construction monitoring for the CMSLS. To date, CMSLS has had four Change Orders amounting to approximately \$150,000 with additional Change Orders expected, including some building repair costs. The change orders are being funded by available contingencies.

Potential Risks: Contractor advising Town that there are long lead times on equipment and solar panels however, these risks are being managed and currently, staff do not anticipate these lead times impacting projected timelines for completion

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

Bay Street and Grey Street Reconstruction:

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	\$7,504,340	\$10,738,633	\$18,242,973	-	100.0%
Contingency	2,452,977	-	-	-	2,452,977	0.0%
Total	\$20,695,950	\$7,504,340	\$10,738,633	\$18,242,973	\$2,452,977	88.1%

* 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 with construction commencing in November 2025. 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 Elgin St +/- in Q2. The contractor has continued with the underground works on Bay St from Elgin St to Grey St in Q3. The remaining curb, asphalt and boulevard restoration will be completed on Bay St in Q4. The project is currently on schedule.

As of the end of Q2 there have been 6 Contract Changes Orders. The Contract Change Orders were related to additional by-pass pumping, wet soil (unsuitable for reuse), and miscellaneous minor quantity adjustments. There were also Change Orders resulting in cost savings related to contaminated soil and eliminating a section of storm sewer. At the end of Q2 the construction contingency has not been used.

Potential Risks:

With the delay of the Mill St SPS Tender, temporary bypass pumping is required to be extended. During Q2 staff continued to work with the consultant and contractor to try and

mitigate these costs as much as possible. At the end of 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 made a claim related to these costs and staff have worked with them to come to a resolution. A Change Order will be processed in Q3 to account for fuel escalation costs in Q1 and Q2. These elevated fuel costs are affecting the project and will continue to be a risk through Q3 and beyond. Recognizing the anticipated volatility in fuel costs over the longer-term, staff are assessing opportunities to embed fuel escalation protocols for future projects but understanding that every project has unique needs affecting the development of a universal standard.

Like the fuel escalation, the cost of Asphalt Cement is also increasing due to volatility in the market. This will result in increased asphalt costs in Q3/Q4.

Cost Avoidance:

In Q2 staff have initiated an alternative plan to reduce the bypass pumping and avoid additional costs. These efforts have resulted in minor savings in Q2.

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 \$320,000. There is also potential for an additional \$300,000 savings in Q3 and Q4.

Mill Street Sewage Pumping 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	\$20,268,299	\$-	\$-	\$-	\$20,268,299	0.0%
Total	\$20,268,299	\$-	\$-	\$-	\$20,268,299	0.0%

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

Progress Status:

The project Tender documents were provided at the end of Q4 2025. The tender was 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 in May 2026. The contract was awarded to Industra Construction Corp. in Q3 (July) 2026. The tender came in under budget at \$17,871,085 including a \$1 million contingency. This will be updated in the Q3 report. A preconstruction meeting has been held, and construction is expected to start by the end of September 2026.

Potential Risks:

There is increased risk of long lead time for equipment and 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.

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 (incl. NRT*)	Committed / Awarded (Remainin g) (incl. NRT*)	Total Expenditure (Incl. Committed) (incl. NRT*)	Budget Remaining	% Budget Spent and Committed
Utilities and Miscellaneous	\$915,840	\$251,379	\$436,844	\$688,223	\$227,617	75.1%
Total	\$915,840	\$251,379	\$436,844	\$688,223	\$227,617	75.1%

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

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 have now completed Phase 2 works from Elgin St to Grey St. Bell still has minor work to complete in Q3.

Potential Risks:

No risks have been identified.

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	\$1,732,998	\$953,336	\$2,686,334	\$88,866	96.8%
Consulting (KPMG Audit)	\$100,000	-	\$100,000	\$100,000	-	100.0%
Craighleith LS Upgrades	9,135,910	1,407,120	7,219,991	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	7,504,340	10,738,633	18,242,973	2,452,977	88.1%
Utilities & Miscellaneous	915,840	251,379	436,844	688,223	227,617	75.1%
Total	\$53,891,199	\$10,895,837	\$19,448,804	\$30,344,641	\$23,546,558	56.3%

G. Community Impacts

N/A

H. Financial Impacts

The financial information has been presented above.

I. RACI (Responsible, Accountable, Consulted and Informed)

- R:** Mike Humphries Project Manager Water/Wastewater
Chris Thompson, Project Manager Engineering
- A:** Allison Kershaw, Manager of Water & Wastewater
- C:** Vicky Bouman, Supervisor of Accounting and Budgets
Adam Smith, CAO
- I:** Council

J. Attached

N/A

Respectfully submitted,

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Allison Kershaw
Manager of Water & Wastewater Services

For more information, please contact:
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Report Approval Details

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Attachments:	
Final Approval Date:	Sep 27, 2026

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

Adam Smith - Sep 27, 2026 - 9:35 PM