Council Direction:

Council at its meeting of February 8, 2011, approved the following:

“That staff be directed to investigate and report back to the Public Works Committee on the status of Randle Reef.”

and;

Council at its meeting of April 11th, 2011 approved the following:

“That staff be directed to investigate and report back to the General Issues Committee on the status of Randle Reef.”

This report PW10042a provides an update regarding the current status of the Randle Reef Sediment Remediation project and its funding support.

Information:

The remediation of sediment contained within the area known as Randle Reef in Hamilton Harbour remains a strategic objective of the City of Hamilton and is an internationally recognized area of contamination. The primary contaminants of concern in the reef include excessively high concentrations of Polycyclic Aromatic Hydrocarbons (PAH) as well as some areas of elevated metal concentrations. These deposits are the result of past municipal and industrial activities that have been eliminated from current practice. The overall program for remediation of the entire Hamilton Harbour has many projects and activities. Solutions for Randle Reef and upgrades at the Woodward Wastewater Treatment Plant are the two largest remaining components of work still
outstanding. These efforts will have a direct contribution to the process of delisting Hamilton Harbour as an International Joint Commission Area of Concern (AOC).

A strong partnership has been developed for the Randle Reef Sediment remediation project consisting of federal and provincial governments, and local agencies engaged to manage and finance the work. Much progress has occurred throughout 2011 and early 2012 respecting advancement of the project. A 100% detailed design has been completed and peer reviewed by an independent engineer to provide confidence in the proposed work plan. Value engineering activities are currently taking place to evaluate opportunities identified in the peer review. The resulting basis of design reflects a “Cap and Contain” solution which will be applied to the contaminated sediments at Randle Reef. This approach was supported by a Public Advisory Group made up of many stakeholder agencies in 2002. Project implementation will involve a three stage process that involves construction within the open waters of Hamilton Harbour in the vicinity of Pier 15.

The first stage will be the creation of an engineered containment facility (ECF) constructed of steel sheet piling to enclose a 7.5 hectare area of the most contaminated sediment. The second stage requires dredging activities to collect additional sediment outside this area and move it into the constructed facility. The third stage involves capping and landscaping to close the facility. The current design includes provision for two thirds (2/3) of the resulting space on top of the facility to be used for port lands and one third (1/3) to be open space. The partnership group is currently investigating options that may provide an opportunity to increase the working port area of the finished facility to provide a greater future economic return associated with the completed project.

The primary goal of this project is to prevent contaminated material found at Randle Reef from spreading and to isolate it from interacting with the natural environment. A cost estimate for the proposed initiative is currently established at $105.7M Capital + $14.4M Contingency + $18.8M for inflationary financing. The total estimated project cost is $138.9M. While the estimated cost of the project has escalated over the last number of years as a result of further development of design details and clarifying financing costs, the executive team overseeing this project is optimistic that the project is now well understood and achievable.

A summary of recent discussions follows respecting leadership, cost estimate, local contribution and general confidence in the project design and success.

**Leadership**

Works completed to date have, for the most part, been initiated and led by the Hamilton Port Authority (HPA) with support from a larger project team. A change of project leadership is evident now that design work is complete. During the transition from design, to project implementation, Environment Canada is informally acting as the lead agency in the process and is expected to confirm this role prior to project tendering. While firm commitment and sign off on a project charter in this regard remains to be completed, there is informal consensus of this structure. It is expected that
Environment Canada will lead the project through implementation which is estimated to begin in 2014 and be complete in 2022/23. Environment Canada in the leadership role has further identified intent to respond to any unanticipated expenses over and above the total project estimate. This suggests that the local partners will not be responsible for any unexpected future expenses beyond the agreed terms for project financing. In addition, the Hamilton Port Authority as the recipient and owner of the completed future port facility will be responsible for all long term maintenance, monitoring and eventual replacement needs of the facility.

**Capital Cost Estimate**

A detailed design of the project is now complete as well as a peer review process. A value engineering activity has been initiated to evaluate efficiencies for the cap and contain concept. These important steps have allowed the project team to identify and resolve outstanding questions respecting the project design. The team is very confident that all aspects of the project are well defined and accounted for. As a result of this work, a draft peer review report was released, and the project team has acknowledged a revised and updated project capital cost of $120 Million before inflationary factors are accounted for. While this is indeed an increase, the team feels that as a result of the peer review exercise, the costs are reflective of the work. This will require an increased commitment by all of the stakeholders in the project. Adding inflationary impacts due to the long term of this project, total cost rises to $138.9M.

**Partnership Contributions**

One of the consistent concepts with this project is the 1/3 split in funding for the cost of the works. This requires that the Federal and Provincial Governments both contribute 1/3 of the entire project cost and a partnership of local stakeholders contribute the remaining 1/3 of the funding. Splitting this cost equally among the Federal, Provincial and local shares requires a contribution of $46.3M from each.

To date seven agencies are financially supporting the implementation of the Randle Reef Sediment Remediation project. Environment Canada represents federal support, the Ontario Ministry of the Environment represents provincial support, and a partnership of 5 local agencies represents local support. These local agencies include US Steel Canada, Hamilton Port Authority, City of Hamilton, City of Burlington, and Halton Region.

Federal funding provided through Environment Canada is identified as one third of project costs. Anticipating that the Province and local funders will each confirm their one third commitments, Environment Canada is preparing a Treasury Board Submission to increase Government of Canada funding for the project to the current one third cost share (approximately $46.3 million) and to seek authority to enter into Project Implementation Agreements with the project funders. Environment Canada is targeting early November 2012 to make this submission to Treasury Board.

Provincial funding is through the Ontario Ministry of Environment, where staff is currently seeking approval for an increased funding commitment for the project. A funding commitment of 30 million (1/3) was approved previously but due to increased
costs of the project, additional approvals are necessary in the amount of another $16.3M contribution. Timing on this decision is expected in August 2012.

Recently U.S. Steel Canada increased its commitment to the Randle Reef project raising its contribution. U.S. Steel Canada has agreed to provide 11,000 tons of steel as an in-kind contribution, which has been valued for budget purposes as worth $12,000,000. U.S. Steel Canada has also committed to provide $2.0M in direct funding to the project.

The Hamilton Port Authority recently increased its contribution to a total cash contribution of $9M for the Randle Reef project.

The City of Hamilton has currently identified a cash contribution of $8M. In 2009, the City of Hamilton through levy budget approval committed $5M toward implementation of the Randle Reef Sediment Remediation project. This amount is shown under project ID number 2110953900. To supplement this amount a Council report dated April 9, 2010 was approved for an additional amount of $3M to be contributed to Randle Reef from the Water and Wastewater Rates budget. Three million dollars has been added in the rates budget forecast under project ID number 5161568522 with $600K for each of the years from 2015 to 2019 to fulfil this commitment.

In 2011, City of Burlington Council approved a resolution to consider a $2.3M contribution to the project contingent on federal management of the project and the sharing of any revenue from the new dock. This amount has been identified as a program contribution in the chart below, but requires a formal budget approval from City Council.

In 2011, Halton Region staff requested approval of a $2.0M contribution to the Randle Reef project. This amount has been identified as a contribution to the program in the chart below pending formal budget approval. This request included a recommended contingency that Halton would receive a proportionate share of any financial benefits accruing to the City of Hamilton or the Hamilton Port Authority as a result of a new port facility being constructed as part of the project.

The following table outlines the commitments that are expected from each of the partners currently participating in the project. It also identifies one option in grey text for solving the local funding gap which involves in-kind support from the Hamilton Port Authority and additional cash from the City of Hamilton. This option requires further evaluation and approval but indicates one way to move this project toward implementation.
Local partners have acknowledged the increase in project costs that were identified in the peer review of the project design. Work is being undertaken to develop both in-kind and cash solutions to the local funding gap. Additional amounts noted in the table above from the City of Hamilton and the Hamilton Port Authority are identified as potential increases being explored to meet the needs of the project. This option to eliminate the current funding gap is seen as a fair approach to the local funding equation and represents a formula that amounts to $14M each from the three agencies most directly associated with, and interested in, clean up efforts for Randle Reef; US Steel Canada, the Hamilton Port Authority, and the City of Hamilton. An additional $5.0M in the form of an in-kind contribution would be needed from the HPA and an extra $6.0M from the City of Hamilton is necessary for this option to be successful. Partners are currently working on the details of this concept to clarify the possibility this could bridge the local funding gap. These opportunities are currently being evaluated and will require future approvals. The goal of a 2014 start to the implementation phase of this project is still in place but depends on finding a financing solution this year that reaches the total project cost estimate. A future Council report will be developed to provide updates and seek approval of any increased commitments the City should wish to provide.

**General Confidence in the Project**

The Randle Reef project has progressed through a number of design and engineering phases to arrive at the 100% detailed design threshold and it is here where we have the most confidence in the understanding of the scope and peripheral issues to establish a firm value for the project. While cost estimates for the project have escalated, this is not unusual in a complex project for which development has occurred over several years. The project team however now believes we have a well defined and understood project with appropriate cost estimates and are anxious to move to the next phase.
It is expected that in order to close the funding gap that currently exists, a future Council report will be provided with details on funding shortfalls with potential action for consideration. This information will help Council determine Hamilton's willingness to increase its funding commitment.