



STATE MINING AND GEOLOGY BOARD

EXECUTIVE OFFICER'S REPORT

For Meeting Date: September 9, 2010

Agenda Item No. 4: Approval of a Revised Financial Assurance Cost Estimate for the Marysville Facility (CA Mine ID #91-58-0019), Teichert Aggregates (Operator), Ms. Lillie Noble (Agent), County of Yuba.

INTRODUCTION: The State Mining and Geology Board (SMGB) is the lead agency for the County of Yuba, pursuant to the Surface Mining and Reclamation Act of 1975 (SMARA, Public Resources Code (PRC) Section 2710, et seq.). SMARA requires that each surface mining operation maintain a financial assurance in an amount adequate to reclaim, in accordance with the requirements of an approved reclamation plan, the land disturbed by the mining operation at the conclusion of mining activities. SMARA lead agencies are required to annually review the financial assurance amounts for each surface mining operation, and adjust the amount, as necessary, to account for new land disturbed, inflation, or land reclaimed. In any event, the lead agency must ensure that the approved amount is adequate to reclaim the mine site according to the reclamation plan requirements (PRC Sections 2770 and 2773.1, and California Code of Regulations (CCR) Section 3804).

STATUTORY AND REGULATORY AUTHORITY: Financial assurance cost estimate adjustment requirements are discussed under SMARA, and within the SMGB's regulations and guidelines. Lead agencies are required to assure that financial assurances for reclamation are sufficient pursuant to Division 2, Chapter 9, Article 5 of PRC Section 2770(d) which states:

"The lead agency's review of reclamation plans submitted pursuant to subdivision (b) or of financial assurances pursuant to subdivision (c) is limited to whether the plan or the financial assurances substantially meet the applicable requirements of Sections 2772, 2773, and 2773.1, and the lead agency surface mining ordinance adopted pursuant to subdivision (a) of Section 2774, but, in any event, the lead agency shall require that financial assurances for reclamation be sufficient to perform reclamation of lands remaining disturbed. Reclamation plans or financial assurances determined to substantially meet these requirements shall be approved by the lead agency for purposes of this chapter. Reclamation plans or financial assurances determined not to substantially meet these requirements shall be returned to the operator within 60 days. Reclamation plans or financial assurances determined not to substantially meet these



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requirements shall be returned to the operator within 60 days. The operator has 60 days to revise the plan or financial assurances to address identified deficiencies, at which time the revised plan or financial assurances shall be returned to the lead agency for review and approval.”

In addition, PRC Section 2773.1(a) states:

“...Lead agencies shall require financial assurances of each surface mining operation to ensure reclamation is performed in accordance with the surface mining operation's approved reclamation plan, as follows:

(3) The amount of financial assurances required of a surface mining operation for any one year shall be adjusted annually to account for new lands disturbed by surface mining operations, inflation, and reclamation of lands accomplished in accordance with the approved reclamation plan.”

Furthermore, the SMGB's regulations pursuant to Article 11 of the CCR Section 3804, Calculation of Financial Assurance Amount, state:

“(a) The Financial Assurance Amount shall be calculated as prescribed in Public Resources Code Section 2773.1 and based on:

- (1) an analysis of the physical activities and materials necessary to implement the approved reclamation plan;*
- (2) the lead agency's unit costs, or costs for third party contracting, for each of these activities, if applicable;*
- (3) the number of units of each of these activities, if applicable;*
- (4) a contingency amount not to exceed 10% of the reclamation costs.*

(b) The calculated amount should not include the cost of completing mining of the site.

(c) In order for the lead agency or the Department of Conservation to determine what annual adjustments, if any, are appropriate to the Financial Assurance Amount, the operator shall annually submit to the lead agency a revision of the written calculation required under Section 3804(a).”

BACKGROUND: Teichert Aggregates commenced sand and gravel mining operations at their Marysville facility in November 2002, and the site remained active through 2008. In 2009, active extraction activities ceased at the site due to poor economic conditions. The site is situated adjacent to the historic Yuba Goldfields approximately five miles northeast of

Marysville, California, and two miles south of the Yuba River. The site is relatively flat with about 18 feet of overall natural relief. Historic dredged tailing mounds ranging up to about 45 feet in height are located to the north and immediately west of the site. The subject property is irregular in shape, encompasses about 590 acres, and is divided into three phases of material extraction.

The site includes an administrative office and truck scale, processing plant, a large sediment settling pond in the northeast portion of the site, equipment staging areas, imported recyclable concrete/asphalt stockpile, and an extraction area that is currently submerged. Topsoil stockpiles are situated immediately west and north of the extraction pit. Revegetation efforts were ongoing in 2009 along the northern perimeter of the Phase 1 pond and perimeter berms.

During conduct of an annual inspection performed by SMGB staff on December 15, 2009, no violations or corrective measures were noted. It was noted that the site had been virtually inactive during 2009. As such, the following recommendations were offered:

- The operator should provide an Interim Management Plan (IMP) to the SMGB for review and approval consideration per PRC Section 2770(h).
- The operator should provide a revised financial assurance cost estimate for the site per CCR Section 3804(c).

Currently, approximately 254 acres of the Marysville Facility are deemed disturbed, although only approximately 175 acres would require reclamation treatment. The Marysville Facility remains subject to a financial assurance, and SMGB staff considers the revised FACE in the amount of \$1,092,910.95 to be adequate to conduct and complete reclamation of the mined lands in accordance with the approved reclamation plan.

In review of the revised FACE, it is noted that some labor costs are lower than current prevailing wage rates as provided by the California Department of Industrial Relations. However, these underestimates are adequately offset when considering that equipment costs presented by the operator are generally overestimated compared to current Labor Surcharge and Equipment Rental Rates as provided by Caltrans. In addition, a further reduction in overall costs for reclamation at the Marysville Facility would be realized if the operator chose to include a net salvage value for the plant structures and equipment that are currently on site.

The existing financial assurance for the Marysville Facility is in the amount of \$1,077,360.34, which was approved by the SMGB on September 11, 2008. The following table summarizes the recently submitted adjusted financial assurance cost estimate:

FINANCIAL ASSURANCE COST ESTIMATE (FACE) ADJUSTMENT:

I.	Primary Reclamation Activities	\$ 382,131.20
II.	Revegetation	\$ 96,450.08
III.	Plant Structures and Equipment Removal	\$ 308,455.20
IV.	Miscellaneous Costs	\$ 0.00
V.	Monitoring	\$ 11,000.00

Total Direct Costs \$ **798,036.48**

VI.	Supervision/Overhead/Contingencies	
a.	Supervision (5%)	\$ 39,901.82
b.	Profit/Overhead (9.5%)	\$ 75,813.47
c.	Contingencies (7%)	\$ 55,862.55
d.	Mobilization (3%)	\$ 23,941.09

Total Indirect Cost \$ **195,518.93**

Total Direct plus Indirect Costs \$ **993,555.41**

Lead Agency administrative cost (10%) \$ 99,355.54

Total Estimated Cost for Reclamation \$ **1,092,910.95**

Rounded to Nearest Dollar \$ **1,092,911.00**

CONSIDERATION BEFORE THE SMGB: The SMGB may take the following actions:

1. Approve as adequate the adjusted financial assurance cost estimate, without modifications;

[or]

2. Modify the adjusted financial assurance cost estimate, and then accept it as adequate;

[or]

3. Reject the adjusted financial assurance cost estimate as inadequate and order it to be redone.

EXECUTIVE OFFICER'S RECOMMENDATION: The adjusted financial assurance cost estimate for the Marysville Facility has been reviewed for its consistency and completeness in meeting the minimum requirements of SMARA, and the SMGB's regulations and guidelines. SMGB and OMR staff have reviewed the adjusted financial assurance cost estimate and consider it adequate to reclaim the site in accordance with the approved reclamation plan. The Executive Officer recommends that the SMGB approve the adjusted financial assurance cost estimate.

SUGGESTED MOTION LANGUAGE:

To approve the Adjusted Financial Assurance Cost Estimate:

Mr. Chairman, in light of the information before the State Mining and Geology Board today, I move that the Board approve the adjusted financial assurance cost estimate of \$1,092,911.00 for the Teichert Marysville Facility, CA Mine ID #91-58-0019, located in Yuba County, as being adequate to reclaim the site in accordance with the approved reclamation plan, and meeting the minimum requirements of SMARA and SMGB's regulations.

Respectfully submitted:

Stephen M. Testa
Executive Officer