



STATE MINING AND GEOLOGY BOARD

EXECUTIVE OFFICER'S REPORT

For Meeting Date: June 13, 2013

Agenda Item No. 2: Approval of Revised Financial Assurance Cost Estimate for Teichert Marysville Facility (CA Mine ID #91-58-0019), Teichert Aggregates (Operator), Mr. Michael Smith (Agent), County of Yuba.

INTRODUCTION: The State Mining and Geology Board (SMGB) serves as 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 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."



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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, states:

*“(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. The Marysville Facility is currently idle and is operated under an Interim Management Plan (IMP) approved by the SMGB on September 9, 2010. The site is situated immediately adjacent to the historic Yuba Goldfields, approximately five miles northeast of Marysville, California, and two miles south of the Yuba River, and is accessed from Hammonton-Smartsville Road. 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 west of the site. The subject property is irregular in shape, encompasses about 590 acres, and is divided into three phases of material extraction (Phases 1 through 3).

The site includes an administrative office and truck scale, processing plant, a large process water sediment settling pond in the northeast portion of the site, equipment storage area, imported recyclable concrete/asphalt stockpile, and a former extraction pit that is currently submerged. Topsoil stockpiles are situated immediately southwest and northwest of the submerged extraction pit. Revegetation efforts have commenced along the northeastern perimeter of the Phase 1 pond, and revegetation efforts are ongoing along perimeter berms. During 2011 the operator mined overburden material from the site for use on local levee repair projects.

An inspection of the Teichert Marysville Facility surfacing mining operation was most recently performed by SMGB staff on January 11, 2013. Based on this recent annual inspection, approximately 261 acres of the subject site are deemed disturbed. The existing financial assurance on file for the site is in the amount of \$1,092,911.00. The site remains subject to a financial assurance, and the SMGB considers the revised financial assurance cost estimate in the amount of \$1,225,580.89 to be adequate to conduct and complete reclamation of the mined lands in accordance with the approved reclamation plan.

The revised estimate was calculated using some equipment and labor rates that are now outdated, however, SMGB staff utilized all current rates during their review. SMGB staff also considered reduced primary costs by removing foreman related amounts (Pickup and Foreman), as these costs are captured by an indirect cost (Supervision) markup. Additionally, SMGB staff considered a reduced water truck equipment cost to reflect a 5,000 gallon water truck, and reduced the Lead Agency Administrative Cost from 10% to 8%. Based on SMGB staff review and considerations of the reductions as discussed, the operator's current estimate is deemed adequate. The September 2012 adjusted financial assurance cost estimate as provided by the operator is summarized as follows:

FINANCIAL ASSURANCE COST ESTIMATE ADJUSTMENT SUMMARY:

| | | |
|------|---|-----------------------|
| I. | Primary Reclamation Activities | \$ 433,820.00 |
| II. | Revegetation | \$ 95,485.60 |
| III. | Plant Structures and Equipment Removal | \$ 354,605.60 |
| IV. | Miscellaneous Costs | \$ 0.00 |
| V. | Monitoring | \$ 11,000.00 |
| | Total Direct Costs | \$ 894,911.20 |
| VI. | Supervision/Overhead/Contingencies | |
| | a. Supervision (5%) | \$ 44,745.56 |
| | b. Profit/Overhead (9.5%) | \$ 85,016.56 |
| | c. Contingencies (7%) | \$ 62,643.78 |
| | d. Mobilization (3%) | \$ 26,847.34 |
| | Total Indirect Costs | \$ 219,253.24 |
| | Total Direct plus Indirect Costs | \$1,114,164.44 |
| | Lead Agency administrative cost (10%) | \$ 111,416.44 |
| | <hr/> | |
| | Total Estimated Cost for Reclamation | \$1,225,580.89 |

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 Teichert Marysville Facility surface mining operation has been reviewed for its consistency and completeness in meeting the minimum requirements of SMARA, and the SMGB's regulations and guidelines. SMGB staff has reviewed the adjusted financial assurance cost estimate, and considers 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 SMGB approve the adjusted financial assurance cost estimate of \$1,225,580.89 for the Teichert Marysville Facility surface mining operation, CA Mine ID #91-58-0019, located in the County of Yuba, as adequate to reclaim the site in accordance with the approved reclamation plan, and as adequate in meeting the minimum requirements of SMARA and the SMGB's regulations.

Respectfully submitted:



Stephen M. Testa
Executive Officer