



STATE MINING AND GEOLOGY BOARD

EXECUTIVE OFFICER'S REPORT

For Meeting Date: July 11, 2013

Agenda Item No. 6: Approval of Revised Financial Assurance Cost Estimate for Dantoni Pit (CA Mine ID #91-58-0011), Kino Aggregates, Inc. (Operator), Mr. Noble (Bud) Plant (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."



Executive Officer's Report

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: The Dantoni Property, formerly referred to as Trinco Rock and Asphalt, is an active mining operation run by Kino Aggregates, Inc. The site encompasses about 180 acres and is relatively flat. North-south oriented former dredged tailing mounds ranging up to about 40 feet in height are primarily situated in the northern and eastern portions of the site. Processing facilities, a truck scale and scale house, administrative office trailer, equipment staging areas and a hot mix batch plant operated by DeSilva Gates are located east of the site entrance. Equipment staging areas, boneyard areas, and a process water settling pond are situated southwest and south of the processing plant. Product stockpiles are situated in the central and west-central portions of the site and along the main access road. Several former extraction ponds are situated in the northern part of the site, while recent material extraction has been focused mostly in the northeastern, central and southern portions of the site.

An inspection of the Dantoni Pit surfacing mining operation was most recently performed by SMGB staff on October 30, 2012. Approximately 115 acres of the subject site are deemed disturbed by surface mining operations based on observations made during the last annual inspection. The existing financial assurance on file for the site is in the amount of \$223,904.46. On July 19, 2012, the operator submitted a revised financial assurance cost estimate to the SMGB in the amount of \$148,391.00. Based on observations made during the annual inspection in October of 2012, and



based on review of documents submitted by the operator, SMGB staff recalculated the financial assurance cost estimate in April of 2013.

The site remains subject to a financial assurance, and the SMGB considers the revised financial assurance cost estimate, with adjustments made by SMGB staff, in the amount of \$272,216.00 to be adequate to conduct and complete reclamation of the mined lands in accordance with the approved reclamation plan. The recently revised financial assurance cost estimate is summarized as follows:

FINANCIAL ASSURANCE COST ESTIMATE ADJUSTMENT SUMMARY:

I.	Primary Reclamation Activities	\$ 128,584.00
II.	Revegetation	\$ 45,417.00
III.	Plant Structures and Equipment Removal	\$ 0.00
IV.	Miscellaneous Costs	\$ 11,099.00
V.	Monitoring	\$ 3,750.00
	Total Direct Costs	\$ 188,850.00
VI.	Supervision/Overhead/Contingencies	
	a. Supervision (5.5%)	\$ 10,387.00
	b. Profit/Overhead (11.2%)	\$ 21,151.00
	c. Contingencies (10%)	\$ 18,885.00
	d. Mobilization (2.0%)	\$ 3,777.00
	Total Indirect Costs	\$ 54,200.00
	Total Direct plus Indirect Costs	\$ 243,050.00
	Lead Agency Administrative Cost (12%)	\$ 29,166.00
	<hr/>	
	Total Estimated Cost for Reclamation	\$ 272,216.00



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 Dantoni Pit 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 \$272,216.00 for the Dantoni Pit surface mining operation, CA Mine ID #91-58-0011, 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