Confidential Facts – Round 1 -- County of Mirabeau

Officials at the County of Mirabeau are disappointed that the redevelopment plans that they had hoped for at the Mine site have not played out. They are, however, hopeful that something will develop in the future, particularly as the economy begins to improve. Nevertheless, the County is in poor financial condition, having had to furlough county employees one day a week and freeze all hiring. Basically, county officials think the State is crazy to come in and ask for expensive remediation at the site, particularly in these seemingly hopeless economic times. The County's options are slim—closing the county library is an option that might save $750,000 per year, but wouldn't be very popular with county residents. Laying off firefighters and law enforcement personnel would also be unpopular, to put it mildly. More like political suicide for the elected County Board of Supervisors.

The County's ultimate threat is to file for Chapter 9 bankruptcy. It is an option. However, the elected members of the Board of Supervisors individually know that it would also be political suicide for them to go that route. But it is a threat the County can use in negotiations.

The county manager has reviewed her entire annual budget and determined that with some painful cuts, the County could borrow, one time only, $2.5 million, with repayment over 20 years. There is another potential bright spot—federal stimulus funds. If the County can demonstrate it has shovel-ready project(s), it may well qualify for funding from the federal government. Finally, the County believes it can still go back and sue Sainte Devote as the mining company that caused the contamination—but it is completely unknown how much the County could recover from Sainte Devote.

In negotiations with the State of California, the County has several goals—first, keep the Mine site attractive as a potential redevelopment site, second, fund projects that will benefit the site as a redevelopment site, and third, keep the costs to a minimum.

<u>Rock Pile</u>

In light of the County's several goals, if it is going to spend money on anything, it would prefer to cover the ugly rock pile. In fact, the County has already attempted to re-vegetate and irrigate the Rock Pile with water from the Pit Lake, but its efforts have not been very successful.

Onsite at the Mine is a stockpile of topsoil that was removed prior to the commencement of mining operations. The County proposes to use the existing topsoil stockpile to cover the Rock Pile and re-seed it. The lowest cost option would utilize the existing county workforce, perhaps including workers from the county jail. Also, the County would like to continue irrigating with water from the Pit Lake, although the Mine site does have a clean water supply available. Alternatively, if the water must be obtained from the municipal water supply system, it will cost the County approximately $100,000 per year.

The County is aware that the State of California is likely going to request a whole lot more in terms of capping the Rock Pile. If the County has to bring in clay soil from off-site for an impervious layer, it will cost $250,000 for trucking and $1,000,000 for a one foot layer. If the State insists on a 2-foot layer, the cost will be another $1,000,000. And if the State requires the

County to top it all off with a layer of topsoil (e.g., to allow vegetative growth for erosion control), and the topsoil must come from offsite, that would cost another $1,000,000.

Because the County is keen on "greening up" the Rock Pile to make it look nicer, it is willing to spend more in this area, which will simply reduce how much it can spend elsewhere on the site. Moreover, the County doubts that there will be any federal stimulus funds available for this particular project.

Pit Lake

The County is not much interested in doing anything the State wants with the Pit Lake. In fact, County officials think the Pit Lake is an attraction at the site. Visitors interested in mining will enjoy visiting the lake. The chemicals in the lake give it a rich, dark blue color that reflects the sky. Migrating birds land on the lake and provide additional spectator viewing. The County wants the Pit Lake to be part of the future redevelopment at the site.

In that light, the County wants to continue to let the Pit Lake refill, at least in the short term, while monitoring lake levels. The pit can continue to refill for the time being, at least until the groundwater level reaches equilibrium, and threatens to drain out of the pit.

The State has previously suggested to the County that it install some inexpensive aeration equipment and evaporation ponds at the site. While the County knows that it can do this for approximately $1 million over the next 5 years, it is not interested in setting up evaporation ponds on the flat parts of the site—that would definitely create a hindrance to redevelopment, would waste valuable land area, would look ugly, and would require ongoing maintenance to clean out the evaporation ponds.

A better, but far costlier solution would be to install a pump and treat system at the site, which would pump water from the Pit Lake, treat it within the system, and release it to the nearby creek. One of the benefits of this proposal is that the system will keep the Pit Lake level down to prevent polluted water from flowing off-site. Construction of this system would take six months. The County would have to obtain a permit to discharge to the creek, and as part of its permit conditions, it would have to treat the Pit Lake water to background water quality levels before it could be discharged to the creek.

A system that would be capable of treating 5,000 gallons per day would cost approximately $3 million to install and would require an annual operating budget of approximately $25,000, primarily for maintenance and for disposal of contaminants removed from the water. Recent years have shown that the Pit Lake is refilling at an approximate rate of 4,000 gallons per day. However, recent years have been dry weather years. Future years with greater rainfall would result in the Pit Lake filling faster. An increased capacity treatment system capable of treating up to 10,000 gallons per day would cost approximately $5 million to install, and would require a similar annual operating budget of $25,000.

Funding

You are aware that the state regulatory agency has access to federal stimulus funds for shovel-ready projects. The Pit Lake pump and treat system is an eligible project type. Any grant from

this program requires a 50% local cost match for each grant dollar received. As long as the project is an "eligible project type" and is shovel ready, the state regulatory agency has the final say on which projects may receive federal funds.

You believe that the regulatory agency will show up with a grant funding proposal. To provide the matching funds needed for a grant, you can use some of your $2.5 borrowing power. For additional funding, closing the library is an option. County officials, however, are reasonably sure that federal stimulus funds will be available to fund a pump and treat system, even for the higher capacity $5 million system.

Water Supply

The citizens who live near the Mine site have frequently complained to State and County officials that they are concerned that their residential water wells are or will be contaminated. They want a guaranteed water supply. There are approximately 50 residences near the Mine site that could be impacted. The cost of hooking up the 50 residences to the County's municipal water system would be approximately $750,000. The County thinks the State is being extremely alarmist about the water supply issue—the residential wells have been frequently tested, and none has shown any signs of contamination. Yet. The County thinks it is premature to hook any residences up to the municipal treatment system, but if necessary to appease the State, the County would propose to start with the 10 residences closest to the mine, rather than undertaking the cost today to hook up all 50 residences.