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| <b>To:</b>                     | Warden Halliday and Members of Grey County Council  |
| <b>Committee Date:</b>         | November 8, 2018  |
| <b>Subject / Report No:</b>    | TR-CW-45-18   |
| <b>Title:</b>                  | Grey County Quarry Options  |
| <b>Prepared by:</b>            | Pat Hoy, Director, Transportation Services  |
| <b>Reviewed by:</b>            | Kim Wingrove, CAO   |
| <b>Lower Tier(s) Affected:</b> |   |
| <b>Status:</b>                 | Recommendation lost by the Committee as per Resolution CW272-18; staff direction provided as per Resolution CW274-18; Endorsed by County Council on November 22, 2018 as per Resolution CC110-18. |

## Recommendation

1. That report TR-CW- 45-18 Grey County Quarry Options be received; and
2. That Council support in principle divesting the property through a tender process subject to attaining the agreed upon reserve value; and
3. That staff bring forward a report and draft tender documents for Council's consideration in January 2019.

## Executive Summary

Altus Group consultants undertook a market overview of Ontario's aggregate industry and an extensive review of the past and current operations of the Grey County quarry located at 825725 Grey Road 40, Grey Highlands. Of the six options presented for future operation of the quarry, two were given serious consideration. Having assessed the costs and benefits of those two options, staff recommends the sale of the property, subject to a reserve value, as this is likely to provide maximum return on investment while minimizing financial and operational risk to Grey County.

## Background and Discussion

In 2002, Grey County was issued a Category 2 license by Ministry of Natural Resources and Forestry to operate a quarry on 20.29 hectares of property it had been using as a wayside pit. The license stipulated that no more than 250,000 tonnes of material could be removed in any calendar year.

Grey County operated the quarry for ten years, with an average annual production of 62,100 tonnes. Other than removal of products from stockpiled processed materials, the quarry has been inactive since 2013.

Golder and Associates, a consulting firm specializing in hydrogeology and mining, provided an evaluation of the remaining resources, both above and below the water table in 2016 and 2018 respectively. A drilling program would be necessary to provide a highly accurate calculation of the available material; however Golder estimates there is 1.7M tonne above the water table and in excess of 3.2M tonne below. These estimated quantities were used to inform the Altus recommendations. It should be noted that a new Permit to Take Water (PTTW) is required in order for the quarry to restart operations. That application would require the completion of hydrogeological studies. Excavating below the water table would require an amendment to the Niagara Escarpment Plan supported by comprehensive technical studies.

In order to put the Grey County quarry production in context, aggregate production in Ontario was reviewed. Over the past 16 years, licensed annual production in the province has averaged 146M tonne. Of that, about 3M tonne is coming from Grey County. Average annual production provincially has been trending downward slightly. There has been an increase in the number of aggregate licenses and a shift from Class B (production limited to less than 20,000 tonne annually) to Class A (production in excess of 20,000 tonne annually). Since 2013, eleven new Class A licenses have been issued in Grey County. Ten of these represent a total annual maximum extraction of 1.39M tonne. One license has no maximum amount. There are 22 licensed properties within a 25 km radius of the Grey County quarry.

| <b>Grey County Quarry Options Summary</b> |   |  |   |
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|   | <b>Option</b>   | <b>Considerations</b>  | <b>Recommended?</b>   |
| 1.  | Continued Grey ownership, hold as inactive                  | Status quo. Requires minimal investment and provides minimal revenue. Retains the asset in public hands and the opportunity to restart the quarry at a future date.  | No. Unknown future value. County maintenance, liability and site security considerations.   |
| 2.  | Surrender the license and rehabilitate the property         | Significant investment to amend the MNRF site plan and NEP. Requires NEP Development Permit for rehabilitated use. Cost of rehabilitation itself would be significant.   | No.   |
| 3.  | Resume extraction and outsource crushing operations         | This was practiced between 2002 and 2012. Crushing and stockpiling services were expensive and negatively impacted the cost competitiveness of the final product either for Grey's own use or for sale to others.  | No.   |
| 4.  | Resume operation and apply to extract below the water table | Would require a minimum \$600,000 investment to support an application. Given the availability of competitively priced supply for the foreseeable future, a positive return on such an investment would be difficult to achieve.   | No. If approved, below the water table extraction would significantly increase the material available to be extracted and the long term revenue stream for the property.  |
| 5.  | Lease to private operator under royalty arrangement.        | Provides Grey County with a return in the form of royalty income over the term of the lease/licence on its investment in the Quarry. In addition, the County avoids the financial risks of applying for a major site plan amendment or a new licence to permit below water extraction, which would depend on the standards at the time. An agreement could support the tenant/licensee making such an application. | Maybe. Grey County would bear the risk of the tenant/licensee becoming insolvent or failing to adhere to best practices in their operations at the site. In the event of default, Grey may be required to take over the operation, tender for a new tenant/licensee or rehabilitate the quarry. |
| 6.  | Sell the quarry as licensed.                                | Eliminates risks and liabilities associated with continued ownership and the potential to recapture some or all of the capital investment in the Quarry. Issuing a tender would be   | Yes. County can meet its needs with other competitively priced sources of aggregate. Buyer may  |

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|  |  | the recommended process for a sale. | obtain value from the site that County would not be able to achieve. |
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## Legal and Legislated Requirements

The quarry license is subject to the conditions included on Niagara Escarpment Commission development permit 5246/G/E/01-02-53. Also, as a Category 2 license with a depth of extraction within 1 metre of the groundwater table, a Certificate of Approval is required for any water discharged off the site and a PTTW is required for using any surface or ground water in quarry operations. The current PTTW at the rate of 50,000 l/day expired in 2008. As these permits must be in the name of the operator, if the property is sold the new owner would need to make application for a new PTTW.

## Financial and Resource Implications

None with this report. With Council support of the sale or lease options, a future report will discuss a reserve value on the property or the basis for lease rate negotiations.

## Relevant Consultation

Internal - Finance

External – Altus Group, Golder and Associates

## Appendices and Attachments

Confidential Draft Altus Report