

Staff Report 2018-78

Meeting Date: Tuesday, June 26, 2018

Subject: McLaren Wayside Pit Update regarding Financial Costs

Submitted By: Fuwing Wong, General Manager, Finance and Infrastructure Services / Chief Financial Officer

RECOMMENDATION

That the Town of Caledon not proceed with Wayside Pits on unopened road allowances in the future without careful consideration and a business case that addresses the concerns noted in Staff Report 2018-78.

DISCUSSION

At the 29-May-2018 General Committee meeting, a notice of motion related to the financials of the Town's former McLaren Wayside Pit, along a previously unopened road allowance along McLaren (North of Charleston Side Road), was discussed. The Notice of Motion is attached as Schedule A to this report.

In response to the request in the Notice of Motion, staff provided a memo outlining the chronology and financials related to the McLaren Wayside Pit on the addendum agenda for the 29-May-2018 General Committee Meeting. However, at the meeting it was requested that the information be provided via a report as some Committee members felt that a report was more formal or "on the record". Also, the following items were also raised by delegates and Councillors at the meeting:

- Tracking of aggregate extracted from the Town's wayside pit; and
- Storage of asphalt grindings along the McLaren Wayside Pit.

The purpose of this report is to formalize the memo in report format, as requested, and provide clarification to some of the questions raised at the 29-May-2018 General Committee meeting.

A copy of the 29-May-2018 memo on the chronology and financials related to the McLaren Wayside Pit is attached as Schedule B to this report.

Tracking of Aggregate Extracted

The Town's former McLaren wayside pit was located between two active (at the time) aggregate pits operated by LaFarge Canada Inc. (LaFarge). Being active pits, industry-approved and calibrated weigh scale equipment/ticketing equipment from the LaFarge pit was used to weigh and account for the aggregate extracted and shipped from the Town's McLaren Wayside pit.

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The weigh scales generate tickets that identify the weight and type of aggregate that was extracted, the project site (e.g. Simpson Road or Kennedy Road) the aggregate was allocated to, along with standard information such as date and time.

Internally, several staff and divisions within the Town were involved with the aggregate extracted from the former McLaren wayside pit:

- The Roads and Fleet division oversaw the aggregate extraction project (including licencing application to the Ministry of Natural Resources and Forestry (MNRF));
- The Engineering division oversaw the allocation of aggregate extracted from the Town's Wayside Pit to two Town road capital projects (i.e. Simpson Road and Kennedy Road construction projects); and
- The Town's Finance division was responsible for the reconciliation of the weigh scale tickets and financial tracking/reporting of the Wayside Pit, Kennedy Road, and Simpson Road capital projects.

The weigh scale tickets were checked and relied upon throughout the process to account for Town aggregate extracted, Town aggregate used on Town road projects, and financials related to aggregate extracted from the Town's Wayside Pit. As noted in the memo, aggregate extraction and processing is not a core business for the Town. The additional internal processes to allocate to capital projects, track, and account for the aggregate, in addition to all of the reporting internally and externally required for the project versus having the price of aggregate included in a road construction contract should be factored into the decision making process/business case if the Town considers a wayside pit project in the future.

Based on the weigh scale tickets, 123,797 tonnes of material was extracted from the Town's former McLaren Wayside Pit. An accounting of the extracted material is as follows:

123,797 tonnes	Extracted
(4,043 tonnes)	Capital Project #14-093 Simpson Road (South of George Bolton Parkway)
(17,920 tonnes)	Capital Project #14-101 Kennedy Road Construction
<u>101,834 tonnes</u>	remaining

Of the 101,834 tonnes of pit run material remaining:

75,000 tonnes	pit run sold and to be screened and picked-up by purchaser
15,000 tonnes	estimated sand to be used for winter maintenance
11,834 tonnes	overburden (or unusable material)
<u>101,834 tonnes</u>	

Final allocation of the 101,834 tonnes between the three categories subject to change following the screening of the pit run material.

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Temporary Storage of Asphalt Grindings

At the 29-May-2018 General Committee meeting, a delegate showed a picture of asphalt grindings on Town property in the area and asked whether Planning approval, Niagara Escarpment Commission (NEC) approval and/or Credit Valley Conservation (CVC) approval was required.

It appears that the picture was taken at the Town's Works Yard (South of Charleston Sideroad). As shown in Schedule C to this report, the asphalt grindings, which is used for rural/gravel road maintenance, were not being stored at the former McLaren Wayside Pit location. The Town's Works Yard (at McLaren, south of Charleston) is also the site of the Regional Recycling and Hazardous Waste depot and the site of the former landfill site.

Asphalt grindings were never stored on the Town's former McLaren Wayside Pit (which is North of Charleston Sideroad).

In light of the concerns raised at the 29-May-2018 General Committee meeting, Town staff have been working with the CVC and NEC to seek clarification regarding storage in the Town's Public Works Yard. In the interim, the asphalt grindings will be removed as soon as possible. On 6-June-2018, an inspector from the NEC, responding to a public complaint, visited the Public Works Yard and did not note any immediate issues that the Town had to immediately address. However, due to concerns from the public, the asphalt grindings will be removed until storage at the Town's public works yard can be sorted out with both the CVC and NEC.

In the interim, staff will obtain materials for the maintenance of rural roads in the north-west part of Town from Bolton. This is less efficient (e.g. driving to/from Bolton to load/transport materials required to maintain roads in the West side of Town), however, compliance with NEC and CVC regulations is important for the Town and staff will provide these agencies the time required to complete their review/recommendations, if any.

As noted at the 29-May-2018 meeting, the Town is recycling asphalt grindings taken from other Town road rehabilitation projects. The asphalt grindings are mixed with other materials for rural/gravel road maintenance.

FINANCIAL IMPLICATIONS

The total budget for Capital Project # 11-054 Gravel Pit Extraction is \$696,119. To-date, \$397,020.53 has been spent against this capital project. Further, expense savings and offsets related to the extracted materials quantified and transferred/to be transferred to reserves totals \$401,137.69. Details are outlined below:

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Expenditures Incurred to-date

Expenditures to-date for capital project #11-054 total \$397,020.53 comprised of actual expenditures of \$412,020.53 less a pending security refund of approximately \$15,000 expected from MNRF. Once the refund is received, capital project #11-054 will be closed with a surplus of approximately \$299,098.47 ($=\$696,119 - \$397,020.53$).

To process pit run material to granular A or B aggregate would have cost the Town approximately \$10 to \$15 per tonne incremental to the spending to-date on the project. Processing includes crushing, screening, washing and classifying the pit run. The additional processing would have exceeded the budget set aside for this project. Accordingly, staff made the decision to sell the pit run material in order to close the McLaren Wayside Pit project. As part of the sale, the pit run material will be screened to separate the sand from the aggregate material at no additional cost to the Town. The Town will use the sand for winter maintenance operations.

Savings/Expense Offsets

As shown below, the total quantifiable and realized savings/expense offsets from this project total approximately \$400,000 (\$401,137.69 rounded) from the construction of Simpson Road (South of George Bolton Parkway), Capital Project #14-093, and the construction of Kennedy Road, Capital project #14-101, the sale of pit run material left over after the construction projects, and winter sand material that will be used for future winter maintenance activities.

\$184,188.94	The savings from the use of the Town's aggregate on Town capital projects (Simpson Road, South of George Bolton Parkway, and Kennedy Road – transferred to the Tax Funded Capital Contingency Reserve account #08-00-900-35014-000-25000
\$86,948.75	Sale of pit run material – transferred to the Tax Funded Capital Contingency Reserve
<u>\$130,000.00</u>	Estimated future cost avoidance related to the winter sand (based on current prices)
<u>\$401,137.69</u>	Total Savings/Expense Offsets

The \$184,188.94 and \$86,948.75 noted above have been transferred to the Town's Tax Funded Capital Contingency Reserve. The estimated \$130,000 will be transferred to the Town's Winter Maintenance Reserve in future years as the Town uses (pit run material) sand instead of purchasing the sand from the base operating budget in those years.

Summary

Financially, the Town broke-even on this project with expenditures of approximately \$400,000 (\$397,020.53 rounded) and realized savings/expense offsets of approximately \$400,000 (\$401,137.69 rounded). However, extraction of aggregate is not a core business for the Town and the staff resources that were required to establish processes, controls, and to reconcile and report on the project does not appear to justify repeating this project in the future.

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Accordingly, it is recommended that the Town of Caledon not proceed with Wayside Pits on unopened road allowances in the future without careful consideration and a business case that addresses the concerns noted in this report. If a similar project is considered by the Town in the future, a sound business case should be developed in advance that considers:

- some of the experiences of the McLaren Wayside Pit project;
- any changes in regulations, legislation of wayside pits since this report (2018); and
- the economics (market prices, actual cash outlays) of aggregate/aggregate extraction, tracking, reconciliation.

COUNCIL WORK PLAN

The matter contained in this report is not relative to the Council Work Plan.

ATTACHMENTS

Schedule A – 29-May-2018 Notice of Motion

Schedule B – 29-May-2018 Memo to Committee

Schedule C – Map of former McLaren Wayside Pit and Town's Public Works Yard

The General Committee recommends adoption of the following recommendation:

MCLAREN WAYSIDE PIT UPDATE ON FINANCIAL COSTS

Whereas the Town of Caledon in Report 2013-05-14 stopped up and closed the 2nd Line West road allowance north of Charleston to facilitate a wayside pit; and

Whereas no report has come to council since 2013 on this wayside pit initiative except for a memorandum May 2015; and

Whereas no interim financial accounting for the 2nd Line West Wayside pit initiative has been reported back to council;

Now therefore be it resolved that a full report come to the General Committee meeting by June 26, 2018 providing a chronology, the interim financial costs of the wayside project and also the amounts of aggregate realized from the pit and the Town road projects where the aggregate has been used.

Memorandum

Date: Tuesday, May 29, 2018

To: Members of Council

From: Steven Dollmaier, Superintendent, Roads & Fleet, Finance and Infrastructure Services

Subject: McLaren Wayside Pit Update

The purpose of this memo is to provide supplementary information related to the Notices of Motion on the 29-May-2018 General Committee agenda.

In 2011, Council approved Capital Project 11-054 Gravel Pit Extraction in the amount of \$325,000. This budget would encompass the costs of various studies and consulting work required to obtain the Wayside Permit on the unconstructed road allowance of McLaren Road (2nd Line Road) located on the north side of Charleston Sideroad (See Attachment A - Site Plan Wayside Pit)..

On May 14, 2013, Council adopted Staff Report PW-2013-015, to Stop Up and Close Unconstructed Road Allowance, McLaren Road from Charleston Sideroad to Beech Grove Sideroad to allow for the application of a Wayside Pit by the Town.

On August 12, 2014, the former Director of Public Works brought an additional report (report PW-2014-059) to Council that provided an update on the Wayside Pit application process and the plans to extract the aggregate in the Town's ROW. At that time, Council directed staff to:

- Negotiate and enter into an agreement with Lafarge Canada Inc., regarding the mining of the Town's aggregate on the McLaren Rd allowance between the Flaherty Central and West Pits;
- Complete the required applications and obtain the permits required to extract the aggregates from the closed town road allowance for use on Town road construction projects; and
- Enter into a single source contract agreement with Lafarge Canada Inc. which was to be executed by the Mayor and Clerk.

The August 2014 report also provided Council with a revised cost estimate for Capital Project 11-054 – Gravel Extraction, in the amount of \$696,119 (from the original budget of \$325,000). The revised cost estimate was approved by Council with the associated budget transfer, in the amount of \$371,119 (= \$696,119 - \$325,000), from the Tax Funded Capital Contingency reserve. The report noted that the aggregate extracted would be for future Town road projects. Accordingly, staff projected cost savings/offsets from the use of Town-owned aggregate would result in approximately \$1 million (gross) of cost savings from aggregate the Town would not have to purchase on the open market for planned/future Town Capital road projects.

On August 14, 2014, staff had completed negotiations with Lafarge Canada Inc. on mining the setbacks and the McLaren Rd ROW. A legal agreement was signed by the Mayor and Clerk on August 14, 2014 outlining the terms and conditions of the agreement between the Town of Caledon and Lafarge Canada Inc. Under the agreement, Lafarge Canada Inc. was required to:

- Mine the aggregate contained in the licensed setbacks and on the Town ROW adjacent to the two Lafarge Canada Inc. Flaherty pit operations.
- Transport and temporarily store the mined aggregate from the Town ROW to another pit owned by Lafarge Canada Inc. The storage of the aggregate was a temporary measure until the aggregate could be processed and transported to Town road construction project sites under the Wayside Pit application.
- Process the aggregate at the request of the Town, providing weigh scale, quantity control by aggregate type, tracking (ticketing), and loading services for the road constructors hired to complete the Town's various road projects assigned to the Wayside Pit application.
- Rehabilitate the road allowance, at its own cost, in accordance with the Town's Wayside Permit Site Plan.

MHBC Planning Consultants completed the consulting work on the Town's behalf to coordinate and prepare the Town's application for submission to Ministry of Natural Resources and Forestry (MNRF) for the Wayside permit. The permit was approved by MNRF and issued to the Town on February 2, 2015.

On July 21, 2015, staff submitted for a minor site plan amendment on the Town owned Aggregate Pit #6670 to the MNRF for a partial surrender of 9.0 hectares of the current 18.2 hectares of the licensed site. This was intended to become new storage location for the aggregate that was generated from the McLaren wayside pit. On September 10, 2015 the Town was granted consent under Section 16(2) of the Aggregate Resources Act. (See Attachment B – Minor Site Plan Amendment)

In August 2016, the Town obtained an 18 month extension of the McLaren Wayside pit permit from the MNRF for 18 months. (See Attachment C – Permit Extension August 2016) to allow the Town, via LaFarge, time to finish the restoration of as shown in the site plan, approved by MNRF.

On November 10, 2017 Lafarge Canada Inc. completed the final restoration of the Wayside Pit. Lafarge Canada Inc. compiled several photos of the completed work as per the agreement with the Town. Fencing was installed along the unopen right of way to show separation between the two adjacent properties that were also pits during this time period. (See Attachment D - 2nd Line ROW Rehab 2017)

The Ministry of Natural Resources and Forestry confirmed that rehabilitation of the wayside pit was completed on March 26, 2018 and the licence was surrendered the same day.

As reported in the May 14, 2013 report (PW-2013-015) to Council, parts of the Bruce Trail are on the Town's unopened road allowance (and has been for many years) on McLaren, between Charleston and Beechgrove. The report notes that no formal agreement with the Bruce Trail Conservancy was ever entered into with the Town to locate a trail on this unopened road allowance. Staff from Parks and Recreation, Infrastructure Services, and Legal Services will work on an agreement with the Bruce Trail Conservancy to permit the trail on Town lands for this section of unopened road allowance.

FINANCIAL IMPLICATIONS

In total approximately 124,000 tonnes of aggregate was extracted from the Town's Right-of-Way. The extracted aggregate was used for the following Town capital projects:

- Capital Project #14-093 Simpson Road (South of George Bolton Parkway); and
- Capital Project #14-101 Kennedy Road Construction

Following the completion of the capital projects above, the Town was left with approximately 75,000 tonnes of aggregate material which was sold. As part of the sale, the aggregate material will be screened to separate the sand from the aggregate material. The Town estimates approximately 15,000 tonnes of sand will remain after the screening. The Town will use the sand for winter maintenance operations.

Savings/Expense Offsets

\$184,188.94	The savings from the use of the Town's aggregate on Town capital projects (noted above) – transferred to the Tax Funded Capital Contingency Reserve account #08-00-900-35014-000-25000
\$86,948.75	Sale of aggregate remaining following use on Town capital projects – transferred to the Tax Funded Capital Contingency Reserve
<u>\$130,000.00</u>	Estimated future cost avoidance related to the winter sand (based on current prices)
<u>\$401,137.69</u>	Total Savings/Expense Offsets

Expenditures Incurred to-date

As noted earlier in the report, the revised budget for Capital Project # 11-054 Gravel Pit Extraction is \$696,119. Expenditures to-date for capital project #11-054 total \$397,020.53 comprised of actual expenditures of \$412,020.53 less a pending security refund of approximately \$15,000 expected from MNRF. Once the refund is received, capital project #11-054 will be closed with a surplus of approximately \$299,098.47 ($=\$696,119 - \$397,020.53$).

Summary

Financially, it appears that the Town broke-even on this project with expenditures of approximately \$400,000 (\$397,020.53 rounded) and savings/expense offsets of approximately \$400,000 (\$401,137.69 rounded). However, extraction of aggregate is not a core business for the Town and the staff resources that were required to establish processes, controls, and to reconcile and report on the project does not appear to justify repeating this project in the future.

ATTACHMENTS

- Attachment A - Site Plan Wayside Pit
- Attachment B - Minor Site Plan Amendment
- Attachment C - Permit Extension August 2016
- Attachment D - 2nd Line ROW Rehab 2017



Source: First Base Solutions Aerial Photo Flown 2013

CONCEPTUAL COMBINED REHABILITATION PLAN SKETCH

SECOND LINE R.O.W (FORMERLY
McLAREN ROAD ALLOWANCE) &
LAFARGE FLAHERTY CENTRAL &
WEST PITS CALEDON, ON

LEGEND



Proposed Wayside Pit Permit Boundary



Existing ARA Licence Boundaries

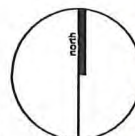
Pit Floor (±390m asl) to be rehabilitated
to Grass / Legume MixtureRevegetated Side Slopes (to use seed mixture
compatible with surrounding tree species)Reforested Side Slopes (to use suitable native tree
species including, but not limited to, Eastern White
Cedar, White Birch and Trembling Aspen)Limit of Extraction (shown as continuous through
Proposed Wayside Pit Permit and Existing ARA Licences)

Note: This drawing is for illustrative purposes only. Locations are approximate.

DATE: December 2, 2014

SCALE 1 : 5,000

N:\1038\CL\2014\December\Rehabilitation Sketch\
1038C - Rehab Sketch.dwg



MHBC PLANNING
URBAN DESIGN
& LANDSCAPE
ARCHITECTURE
230-7050 WESTON ROAD WOODBRIDGE, ON, L4L 8G7
P: 905 761 5338 F: 905 761 5539 | WWW.MHBCPLAN.COM

Ministry of Natural
Resources and Forestry

Office of the Director
Southern Region
Regional Operations Division
300 Water Street
Peterborough, ON K9J 3C7
Tel: 705-755-3235
Fax: 705-755-3233

Ministère des Richesses
naturelles et des Forêts

Bureau du directeur
Région du Sud
Division des opérations régionales
300, rue Water
Peterborough (ON) K9J 3C7
Tél: 705-755-3235
Télé: 705-755-3233



September 10, 2015

Mr. Steven Dollmaier, Superintendent
Operations & Maintenance
Public Works Division
The Corporation of the Town of Caledon
6311 Old Church Road
Caledon, ON L7C 1J6

Dear Mr. Dollmaier:

Subject: Aggregate Resources Act Licence #6670
Pt Lot of E 1/2 15, Concession 3 WHS, Town of Caledon, Region of Peel
Minor Site Plan Amendment

Further to your minor site plan amendment request on July 21st, 2015, please be advised that the Ministry of Natural Resources and Forestry (MNRF) grants consent under Section 16(2) of the *Aggregate Resources Act* for the following;

- Partial surrender 9.0 ha of the 18.2 ha licenced site, as identified on Figure 1 (attached).
- Relocation of the entrance/exit to the area identified on Figure 1

To complete the amendment process, please schedule an appointment with the MNRF, Aurora District Office to have the site plans approved. Please note that the licensee is still bound by the existing site plan until such time as the above amendments have been approved and included on the site plan.

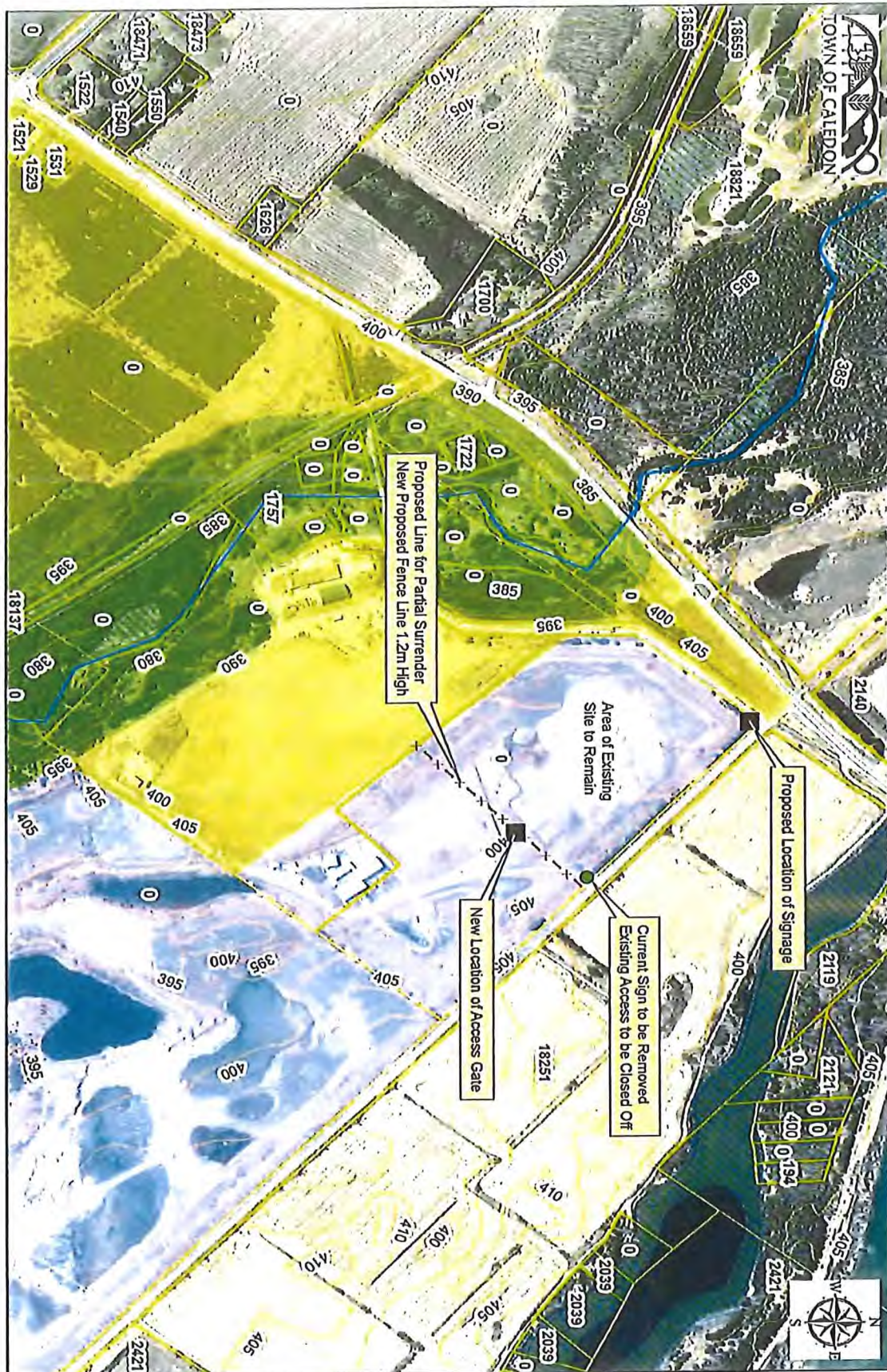
Should you have any questions concerning this matter, please contact Aidan Pereira, Aggregate Resources Technician, at 905-713-7389.

Yours truly,

Jane Ireland
Regional Director
Southern Region

cc. Nancy Mott, Senior Strategic Advisor, Niagara Escarpment Commission

Figure 1





LICENCE
Aggregate Resources Act

PERMIS
Loi sur les ressources en agrégats

Licence No. _____
No du permis _____ 6670
Amended Licence

Pursuant to the Aggregate Resources Act and Regulations thereunder, and subject to the limitations thereof and to the conditions of the licence and the requirements of the site plan,

Conformément à la Loi de 1997 sur les ressources en agrégats et à ses règlements, et sujet aux restrictions qu'ils comportent, aux conditions d'octroi du permis et aux exigences du plan du site,

this Class nous délivrons ce permis de classe: A à: licence is issued to:

TOWN OF CALEDON

P.O. BOX 10
CALEDON EAST, ONTARIO
CALEDON EAST, ON
CANADA
L0N 1E0

to operate a pour exploiter un/tune Pit on a hectare site located in:
hectares situé à l'endroit suivant:

Lot	Concession	Section	Geographic Township	Local Municipality	County / Regional Municipality / District
E 1/2 PT. LOT 153WHS	CALEDON	9.2	CALEDON	PEEL R	

The licence is subject to the following conditions:
Ce permis est assujéti aux conditions suivantes:

Effective the day of
En vigueur le 10 jour de September 2015

James D. Land
Minister of Natural Resources and Forestry
Ministre des Richesses Naturelles et des Forêts

Ministry of Natural
Resources and Forestry

Ministère des ressources
naturelles et des forêts

Aurora District Office
50 Bloomington Road
Aurora, Ontario L4G 0L8

Telephone: (905) 713-7400
Facsimile: (905) 713-7361



MEMORANDUM TO:

Amedeo Valentio CSMP
Town of Caledon

August 12, 2016

Subject: **Extension of McLaren Wayside Permit Pit located on Lot 16,
Concession 2 & 3, Town of Caledon, Region of Peel.**

Mr. Valentino,

Based on communication this office has had with the Town of Caledon, it is our understanding that the Town of Caledon requires an 18 month extension to a Wayside Pit Permit that was issued under the Aggregate Resources Act for a municipal property located on Lot 16, Concessions 2&3, in the Town of Caledon, Region of Peel. The reason for this extension is for the purpose of completing site rehabilitation.

Under section 31(2) of the Aggregate Resources Act, permission to extend this Wayside Permit for an additional 18 months is granted. This permit will now expire on February 2, 2018.

If you have any questions or require any additional information, please contact Andrew Godfrey at (905)-713-7388.

Sincerely

A handwritten signature in black ink, appearing to read "Chris Hislop".

Christopher Hislop
Resource Operations Supervisor
Aurora District

Cc: The Ontario Aggregate Resources Corporation
Dan Labrecque – Region of Peel
Paul Heeney – District Manager-Aurora District

Attachment D - 2nd Line ROW Rehab 2017

2nd Line ROW Rehab – view facing south along length of 2nd Line ROW



Attachment D - 2nd Line ROW Rehab 2017

2nd Line ROW Rehab – planting for reforestation on north sideslope



Attachment D - 2nd Line ROW Rehab 2017

2nd Line ROW Rehab – facing west – photos from south to north



Attachment D - 2nd Line ROW Rehab 2017

2nd Line ROW Rehab – facing northwest



Former McLaren
Wayside Pit
(NORTH of Charleston)

Public Works Yard
(SOUTH of Charleston)

Also, location of Regional Community Recycling Centre
(incl. Yard Waste Drop-off and Business Hazardous
Waste Disposal with approved application)

Asphalt Grindings for gravel road
maintenance



Note: Not to scale. For illustrative purposes.

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