

MAGMA FLOOD CONTROL DISTRICT

P.O. Box 15005 • Casa Grande, AZ 85230-5005 • www.azmfcd.org

September 21, 2009

Re: Update to Magma Flood Control District Members

Dear Property Owner:

We are sending you this letter because, according to public records, you own land within the boundaries of the Magma Flood Control District (the “MFCD” or the “District”). A map showing the District boundaries is enclosed. The purposes of this letter are (1) to provide you with an update on the issues facing the District and how such issues are being resolved, (2) to inform you of a public open house regarding rehabilitation of the Dam, and (3) to remind you of the upcoming District-wide election for the District’s Board of Directors.

DISTRICT STATUS UPDATE

The MFCD is a flood protection district created and governed pursuant to state law with authority over the Magma Flood Retarding Structure (the “Dam”). The Dam is generally located in the northeast portion of the District, as shown on the enclosed map. The Dam provides the District with protection from floodwaters that are generated in the mountainous area to the east.

The Arizona Department of Water Resources (“ADWR”) is the state agency responsible for overseeing dam safety. ADWR assigns each dam in Arizona with both a “hazard” and a “safety” classification. ADWR’s hazard classifications (based primarily upon the size of the population protected by a dam) in order of severity are: very low hazard, low hazard, significant hazard, or high hazard. ADWR has classified the Dam as “high hazard” because of the growing population within the District. ADWR’s safety classifications in order of severity are: safe, unsafe category 4 (requires studying the flood passing capacity), unsafe category 3 (requires studying stability during extreme events), unsafe category 2 (requires repairs), unsafe category 1 (elevated risk of failure). Periodically, ADWR sends a notice to the District regarding the condition of the Dam. On July 29, 2009, the District received its latest notice from ADWR, classifying the Dam as “unsafe category 2 (requires repairs)”.¹ Essentially, the Dam is aging and is in need of repairs to function as originally designed.

For the past several years, the District’s Board has been working diligently to evaluate the scope and cost of the repairs needed for ADWR to classify the Dam as a “safe” structure. Engineering studies recently completed have identified the Dam’s specific deficiencies and have estimated the cost to repair such deficiencies at around \$5.5 million.² This is a significant cost reduction from the original estimates to repair the Dam, which came in at around \$47 million.³ The District Board is working to secure funding for these repairs from the United States Department

¹ A copy of ADWR’s letter dated 7/29/09 is available on the District’s website, www.azmfcd.org.

² AMEC / EPS, Engineer’s Estimate of Probable Cost, June 2009.

³ Kimley Horn, MFRS Alternative Analysis, Final Report, June 2006.

of Agriculture—Natural Resources Conservation Service (“NRCS”), which is the federal agency overseeing dam safety. However, post-Hurricane Katrina, obtaining funding through the NRCS has been extremely competitive. While the District is hopeful that it can secure as much as 65% of the needed funding from the NRCS, the District has also implemented a provident self help program in which it will levy taxes (consistent with that of the 2008 tax year) and independently raise all of the funding needed to repair the dam over the course of the next 5 years. **This pragmatic approach serves as the overall backstop position and gives the District the ability to commit to having the Dam repairs constructed within 5 years.** Should Federal funding materialize, the Dam repairs can be completed sooner.

All-in-all, the past few years have been productive ones for the District in terms of being able to (1) identify the needed repairs to the Dam and (2) quantify the cost associated therewith. A summary review of some of the District’s relevant accomplishments are provided below:

- **Reduced the overall Dam repair cost budget from \$47 Million to \$5.5 Million.**
 - By performing exhaustive engineering studies, engineers have been able to determine that the existing ground cracks running parallel to the Dam are not fissures but rather desiccation cracks that have very little effect upon the Dam. This determination has saved approximately \$21 million.
 - By hiring national experts (we’re told only 2 people in the nation have the knowledge & skill set we needed – we had to hire them both – 1 to perform the study and the other to review the study for accuracy) and performing what is known as a probable maximum precipitation study, we were able to determine that the Dam could safely pass the “probable maximum flood” without needing to raise the height of the Dam or increase the size of the Dam’s emergency spillway. This determination saved approximately \$20 million.
- **Avoided 2 years of down time by securing nearly \$1,000,000 in interim gap funding from several land owners within the District.** This interim funding allowed engineering research on the Dam to begin in 2006 rather than waiting until the District had raised the funds necessary to cover the budgeted costs of the needed studies. The interim funding will ultimately be repaid “interest free” by the District to the landowners after the Dam is repaired.
- **Obtained \$250,000 in federal assistance from the NRCS.** Very recently, as of August of 2009, the District entered into an Agreement with the NRCS to provide \$250,000 for the purpose of obtaining additional planning information from our engineering consultants related to repairing the Dam. The NRCS has also committed to provide an additional \$600,000 to the District for the design and construction phases of the Dam repairs contingent upon continuing appropriations by the U.S. Congress.
- **Submitted complete construction repair drawings to ADWR in June 2009.** We anticipate that, within the near future, ADWR will issue a construction permit which will give the District the right to proceed with construction. At that point, funding of the repairs will be the only major obstacle facing the District.
- **Obtained an upgrade in the Dam’s ADWR safety classification from Unsafe Category 1 (elevated risk of failure) to Unsafe Category 2 (requires repairs).**

- **Arranged for the National Weather Service to provide the District with immediate notice of flood warnings and/or possible large storms** – thereby providing an effective interim risk mitigation measure until the Dam can be rehabilitated.
- **Arranged for instrumentation to be installed within the watershed and at the Dam allowing for monitoring of hydrologic activity** – thereby providing an effective interim risk mitigation measure until the Dam can be rehabilitated.

These actions by the District have resulted not only in greater safety to District members at present, but also will ultimately result in greater flood protection service to all properties within the District. Please review the District's website for further progress reports (see www.azmfcd.org).

PUBLIC OPEN HOUSE

In cooperation with the NRCS, the District has initiated planning for the Dam Rehabilitation Project. The overall objective of the Rehabilitation Project is to develop alternatives to bring the Dam into compliance with current dam safety criteria and to identify that alternative which meets federal planning requirements. **A public open house will be held at Anthem K-8 School (FUSD) -- Band Room, 2700 N. Anthem Way, Florence, AZ, 85232, on Tuesday, November 3, 2009 from 7:00pm to 8:00pm.** The purpose of the open house is to obtain public input and to answer questions regarding the rehabilitation planning effort. For further information please contact the District's General Manager by e-mail (kent@azmfcd.org).

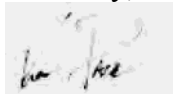
BOARD MEMBER ELECTIONS

We would encourage all members of the District to learn about the issues facing the District and to vote in the upcoming District board member elections. **The election will be held on Wednesday, October 7, 2009 at the F.U.S.D. Anthem K-8 School (located at 2700 N. Anthem Way, Florence, AZ 85132).** Polls will be open from 9:00am to 4:00pm.

In order to vote early (by mail or in person) in this election, an early ballot must be specifically requested—please note that the permanent early voting list does not pertain to this election. **To request an early ballot, contact the Pinal County Elections Department by calling 520-866-7553 or 520-866-7558 before 5:00pm on Monday, September 28, 2009.**

We appreciate your understanding and support. Thank you.

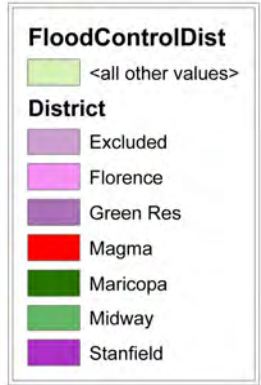
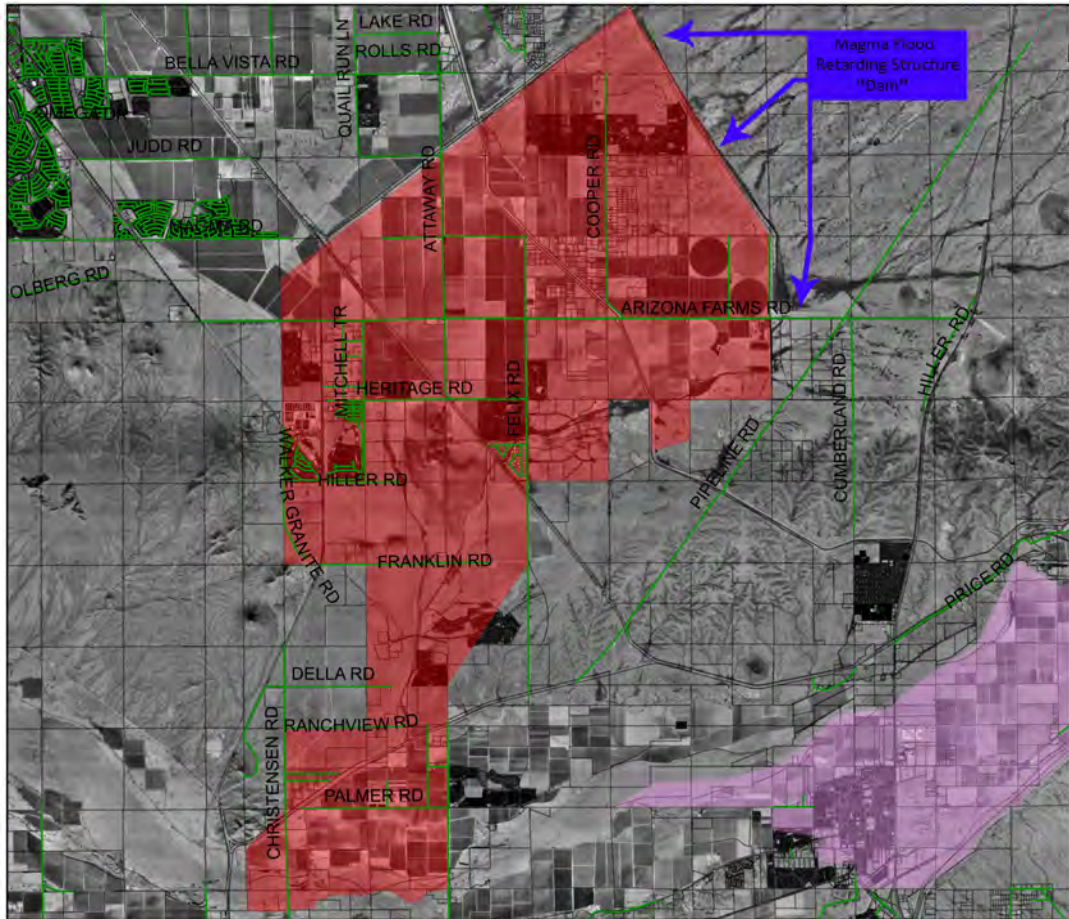
Sincerely,



Kent Pace, General Manager
Magma Flood Control District
kent@azmfcd.org

Magma Flood Control District

0 0.5 1 2 3 4 Miles



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 azmfcd.org
 c/o Cooper & Rueter, LLP
 PO Box 15005
 Casa Grande, AZ 85230-5005

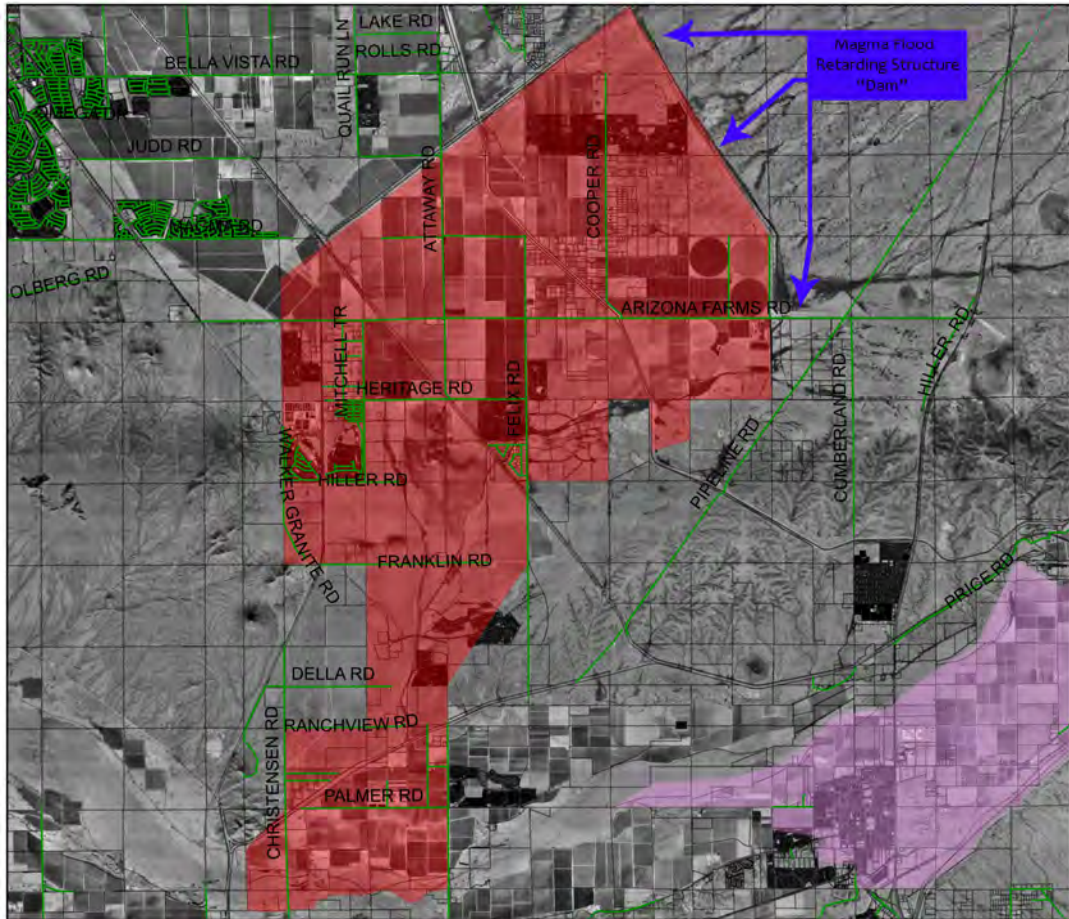
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 ALL PROSPECTIVE ELECTORS OF MAGMA FLOOD CONTROL DISTRICT
 23843 N WILDERNESS WAY
 FLORENCE AZ 85132-5137



Magma Flood Control District

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FloodControlDist

- <all other values>

District

- Excluded
- Florence
- Green Res
- Magma
- Maricopa
- Midway
- Stanfield

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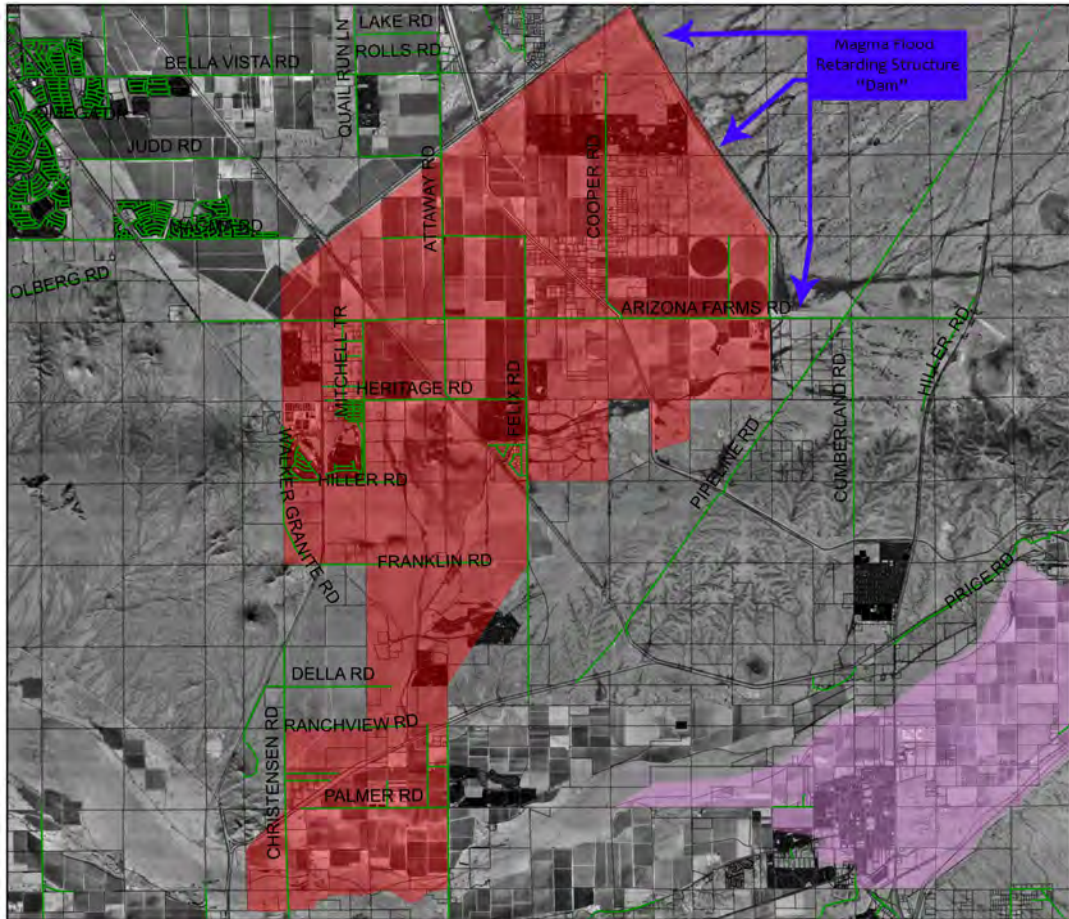
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ALL PROSPECTIVE ELECTORS OF MAGMA FLOOD CONTROL DISTRICT
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 FLORENCE AZ 85132-8048



Magma Flood Control District

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FloodControlDist

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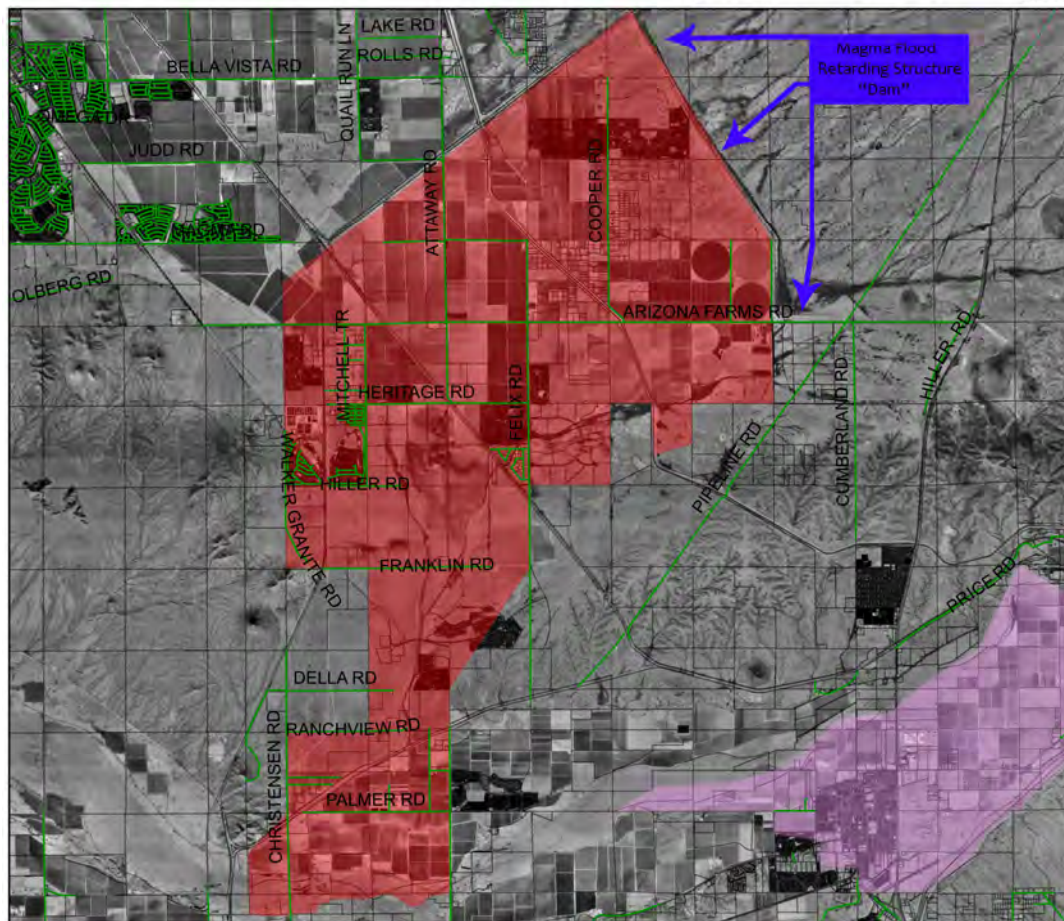
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 MAC #7801-013
 3476 STATEVIEW BLVD
 FORT MILL SC 29715-7203



Magma Flood Control District

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FloodControlDist

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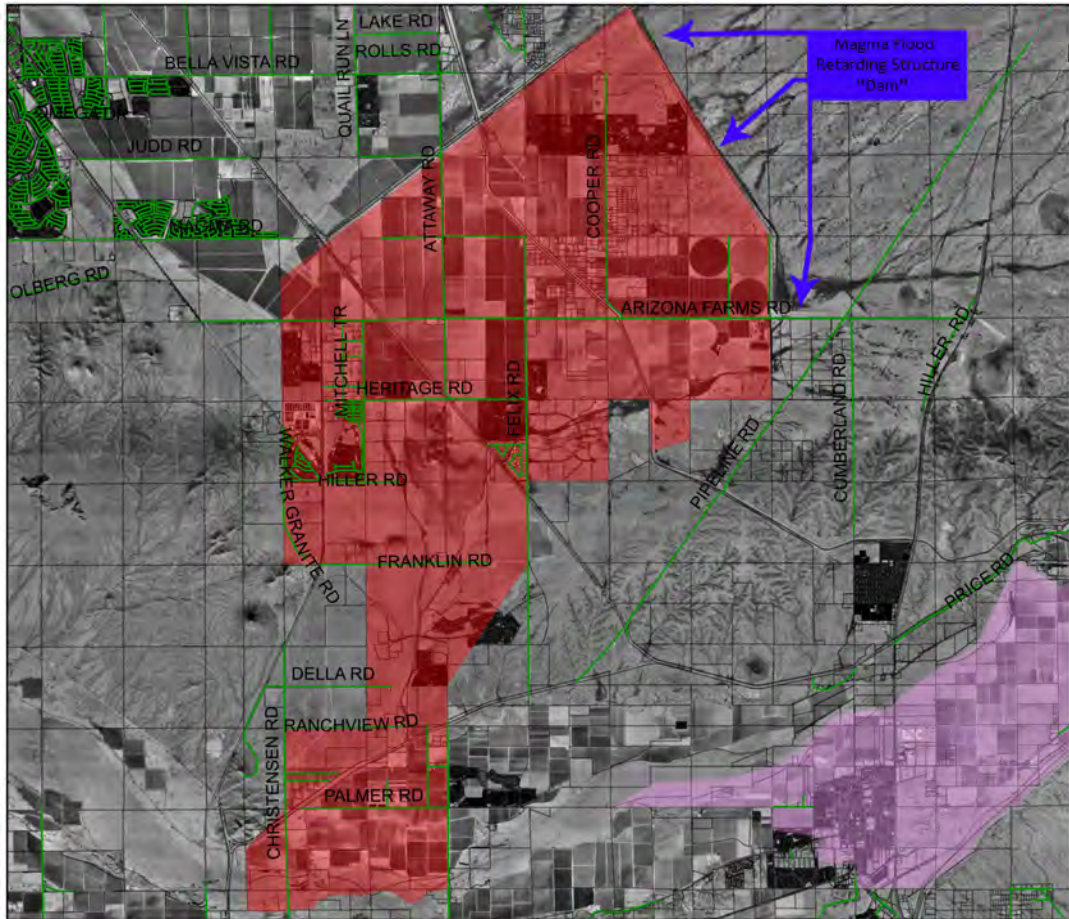
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 6205 PEACHTREE DUNWOODY RD NE FL 7
 ATLANTA GA 30328-4524



Magma Flood Control District

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FloodControlDist

- <all other values>

District

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 ALL PROSPECTIVE ELECTORS OF MAGMA FLOOD CONTROL DISTRICT
 7255 BAYMEADOWS WAY STOP JAXB2007
 JACKSONVILLE FL 32256-6851

