

Bylaws of the Naco Sanitary District

PREAMBLE

These Bylaws are established to provide for the governance and administration of the Naco Sanitary District (the "District"), an Arizona Title 48 Special Taxing District and a Municipal Corporation pursuant to Arizona Revised Statutes § 48-2001[D]. The purpose of the District is to regulate, purchase, establish, construct, and operate sewage and garbage disposal systems for the benefit of the residents within its boundaries, including grants for the Naco community, or Census Data Place (CDP).

ARTICLE I – NAME AND AUTHORITY

Section 1.1. Name. The name of this political subdivision shall be the "Naco Sanitary District" (NSD).

Section 1.2. Statutory Authority. The District is established and operates under the authority of Arizona Revised Statutes, Title 48, Chapter 14 (Sanitary Districts), and all other applicable laws of the State of Arizona.

Section 1.3. Corporate Status. The District is a body corporate with the powers, privileges, and immunities generally granted to municipal corporations under Arizona law.

ARTICLE II – BOARD OF DIRECTORS

Section 2.1. Composition and Eligibility. The governing body of the District shall be a Board of Directors consisting of five (5) elected members. Directors must be qualified electors of the District.

Section 2.2. Term of Office. Directors shall be elected to serve staggered four-year terms as provided by state law.

Section 2.3. Powers and Duties. The Board of Directors shall have all powers and duties prescribed by Arizona law, including but not limited to: managing District property and affairs, enacting ordinances and resolutions, levying taxes and assessments, approving budgets, entering into contracts, and exercising all powers necessary to accomplish the District's statutory purposes.

Section 2.4. Vacancies. A vacancy on the Board occurring other than by expiration of a term shall be filled by appointment by a majority vote of the remaining Board members; **provided, however, that if the remaining directors do not constitute a quorum, the County Board of Supervisors shall make the appointment to fill the vacancy.** The appointed Director shall serve until the next regularly scheduled District election, at which time a Director shall be elected to fill the remainder of the unexpired term.

Section 2.5. Compensation. Directors shall receive compensation as set forth in **Article VII (Compensation)** of these Bylaws. Directors may be reimbursed for actual and necessary traveling expenses incurred in the performance of their duties as provided in Article VII.

Section 2.6. Forfeiture of Office. A Director shall forfeit office if the Director ceases to be a qualified elector of the District, is convicted of a felony, or is found by a court to be in violation of state conflict-of-interest laws.

ARTICLE III – OFFICERS

Section 3.1. Officers. The officers of the Board shall be a Chair, a Vice-Chair, a Secretary, and a Treasurer. The offices of Secretary and Treasurer may be held by the same Director.

Section 3.2. Election and Term. The Board shall elect its officers from among its members at the first regular meeting following the canvass of each biennial election. Officers shall serve a term of two years and until their successors are elected and qualified

Section 3.3. Duties of Officers.

- Chair:** The Chair shall preside at all meetings of the Board, represent the District in an official capacity as its chief elected officer, execute legal documents as authorized by the Board, and perform all other duties customary to the office, including agendas.
- Vice-Chair:** The Vice-Chair shall perform the duties of the Chair in the Chair's absence or inability to act.
- Secretary:** The Secretary shall be responsible for ensuring that minutes are taken for all Board meetings, that official records and ordinances are maintained, and that correspondence and public notices are issued as required by law or directed by the Board.
- Treasurer:** The Treasurer shall oversee the fiscal affairs of the District, ensure the proper collection and disbursement of District funds, and provide regular financial reports to the Board. The Treasurer shall serve as a signatory on District accounts.

Section 3.4. Vacancy in Office. If an office becomes vacant, the Board shall elect a successor from among its members to serve the remainder of the term.

ARTICLE IV – MEETINGS

Section 4.1. Regular Meetings. The Board shall hold its regular meetings on the first Friday of each month at 5:00 PM. Meetings shall be held at the District's office.

Section 4.2. Special Meetings. Special meetings may be called by the Chair or by a majority of the Board members. Notice of a special meeting, stating the time, place, and purpose, shall be delivered to each Board member and posted publicly in accordance with **Arizona's Open Meeting Law (ARS §§ 38-431 through 38-432)** at least 24 hours in advance.

Section 4.3. Work Sessions. The Board may convene work sessions for in-depth discussion of specific District matters. Work sessions shall be publicly noticed and conducted in compliance with the Open Meeting Law.

Section 4.4. Meeting Notice and Agenda. All meetings of the Board shall be preceded by a public notice and an agenda posted as required by Arizona law. The agenda for regular meetings shall be prepared under the direction of the Chair and the District's Office Manager. Directors shall submit agenda items 48 hours before the meeting to ensure proper notices in compliance with the Open Meeting Law.

Section 4.5. Quorum and Voting. A majority of the members of the Board (three members) shall constitute a quorum for the transaction of business. Official action requires the affirmative vote of a majority of the Board members present at a meeting where a quorum exists, unless a higher threshold is required by law or these Bylaws.

Section 4.6. Rules of Order. Meetings shall be conducted in accordance with Robert's Rules of Order, Newly Revised, except where superseded by Arizona law, District ordinance, or these Bylaws.

Section 4.7. Public Participation. A portion of each regular Board meeting shall be designated for public comment regarding items not on the agenda, subject to reasonable time, place, and manner restrictions established by the Board.

ARTICLE V – COMMITTEES

Section 5.1. Establishment. The Board may establish standing and ad hoc committees as it deems necessary. Committee members shall be appointed by the Chair, subject to confirmation by the Board.

Section 5.2. Committee Powers. Committees shall be advisory in nature unless specifically granted limited decision-making authority by formal Board resolution. No committee shall have the power to commit District funds, enact policy, or take final action on behalf of the Board.

Section 5.3. Committee Reports. All committees shall report their findings and recommendations to the Board for consideration and action.

ARTICLE VI – FINANCES

Section 6.1. Fiscal Year. The fiscal year of the District shall begin on July 1 and end on June 30 of the following year.

Section 6.2. Annual Budget. The Board shall adopt an annual operating and capital budget in accordance with the timelines and procedures prescribed by Arizona law.

Section 6.3. Audits. The financial records of the District shall be audited annually as required by law. The audit report shall be presented to the NSD Board, the Cochise County Board of Supervisors, The Cochise County Treasurer and to the public.

Section 6.4. Depository of Funds. The Board shall designate by resolution one or more financial institutions as the official depositories for District funds. Current District financial institutions need not be designated by the Board.

Section 6.5. Expenditures. All District expenditures shall be made in accordance with the adopted budget. Disbursements shall require the signature of the Office Manager or another designated staff member and, for amounts above a threshold set by Board resolution, the counter-signature of the Chair, the Office Manager, or Treasurer.

ARTICLE VII – COMPENSATION

Section 7.1. Authority and Purpose. This Article is adopted pursuant to the authority granted to sanitary districts under Arizona Revised Statutes Title 48, Chapter 14, and specifically ARS §§ 48-402 and 48-2010(E), as well as all other applicable laws of the State of Arizona. The purpose of this Article is to establish the compensation and expense reimbursement policies for members of the Board of Directors in compliance with applicable Arizona law.

Section 7.2. Compensation for Board Meeting Attendance.

A. Per-Meeting Compensation. Members of the Board of Directors may receive compensation for each duly noticed Board meeting attended, in an amount not to exceed the maximum allowable per-meeting rate authorized by law. Unless a different rate is set by the Board by resolution, the per-meeting compensation shall be **\$150.00**.

B. Annual Limit. No Board member shall receive compensation for more than **twenty-four (24)** meetings in any calendar year, consistent with the limitation set forth in ARS § 48-2010(E) (which prohibits compensation for more than four meetings in any calendar month). In no event shall a director receive compensation for more than four meetings in any calendar month.

C. Eligible Meetings. Compensation under this Section shall be paid only for:

1. Regularly scheduled Board meetings;
2. Special Board meetings properly noticed and held;
3. Study sessions or work sessions where a quorum is present and district business is conducted.

D. Ineligible Activities. Compensation shall not be paid for:

1. Informal gatherings of Board members where no official action is taken;
2. Attendance at conferences, seminars, or training events not authorized by the Board. Such attendance shall be governed by expense reimbursement provisions.

E. Optional Reduction. The Board may, by majority vote at a public meeting, elect to reduce or suspend the per-meeting compensation authorized under this Section. Any such action shall be reflected in the Board minutes.

Section 7.3. Compensation for Additional Services (ARS § 48-402).

A. Authorization. A Board member may be compensated for providing actual and necessary services to the District that are **outside the scope** of the member's official duties as a director, subject to the requirements of ARS § 48-402 and this Section.

B. Eligible Services. Services eligible for compensation under this Section include professional services such as legal, engineering, surveying, accounting, construction, or other specialized services that the District would otherwise contract with an unrelated third party to perform.

C. Conditions for Payment. Compensation for additional services shall be lawful only if **all** of the following conditions are satisfied:

1. The services are actual and necessary for the District's operations;
2. The services are outside the scope of the member's official duties as a director;
3. The compensation is approved by a majority vote of the full Board membership;
4. The interested Board member abstains from voting on the approval;
5. The approval occurs during a properly noticed public meeting;
6. The compensation amount is reasonable and customary for such services;
7. The contract or agreement is in writing and made part of the public record.

D. Disclosure Requirements. Any Board member seeking compensation for additional services shall, at the public meeting where the contract is considered, make a full disclosure of:

1. The nature and extent of the member's interest in the contract;
2. The member's qualifications to perform the services;
3. The proposed compensation and its basis in market rates.

E. Written Contract Required. All contracts for additional services under this Section shall be in writing, shall specify the scope of work, timeline, deliverables, and compensation, and shall be maintained as a public record.

Section 7.4. Expense Reimbursement.

A. Authorization. Board members shall be reimbursed for actual and necessary expenses incurred in the performance of their official duties, including attendance at Board meetings, conferences, training events, and other district business.

B. Reimbursable Expenses. Reimbursable expenses may include, but are not limited to:

1. Mileage for travel to and from meetings or district business, at the rate established by the Internal Revenue Service or as otherwise set by Board policy;
2. Lodging and meals when overnight travel is required;
3. Registration fees for conferences, seminars, and training events approved by the Board;
4. Other incidental expenses directly related to district business.

C. Documentation Required. Reimbursement claims shall be submitted on forms approved by the District, accompanied by receipts or other documentation substantiating the expense.

D. Separate from Compensation. Expense reimbursement under this Section is separate and distinct from per-meeting compensation authorized in Section 7.2 and from compensation for additional services authorized in Section 7.3.

Section 7.5. Conflict of Interest Compliance.

A. Application of Title 38. Board members are public officers and are subject to all applicable conflict of interest laws, including Title 38, Chapter 3, Article 8 of the Arizona Revised Statutes (ARS §§ 38-501 through 38-511).

B. Prohibited Actions. No Board member shall:

1. Use the member's position to secure any contract or compensation not authorized by law;
2. Use confidential information obtained through board service for personal gain;
3. Vote on any matter in which the member has a substantial interest without first disclosing that interest and abstaining from participation;
4. Knowingly divide a contract into smaller components to avoid competitive bidding requirements when the member has an interest in the contract.

C. Annual Disclosure. Board members shall file any conflict of interest disclosures required by law and shall annually review and acknowledge the District's conflict of interest policy.

Section 7.6. Budgetary Compliance. All compensation and expense reimbursement paid under this Article shall be from funds budgeted and appropriated for such purposes in the District's annual budget. Payments shall be reflected in the District's financial records and annual report as required by ARS § 48-251.

Section 7.7. Tax Treatment. Board members receiving compensation under this Article are responsible for reporting such compensation as taxable income to the appropriate federal, state, and local taxing authorities. The District shall issue Forms 1099 or W-2 as required by law.

ARTICLE VIII – GENERAL PROVISIONS

Section 8.1. Legal Counsel. The Board shall retain an attorney or law firm to serve as General Counsel. Counsel shall attend Board meetings or video conferences as necessary and provide advice on general municipal law, contracts, public works, environmental compliance, public records, and other legal matters. Counsel serves at the pleasure of the Board.

Section 8.2. Contracts. The Chair, or another officer designated by the Board, is authorized to execute contracts, agreements, and other legally binding documents on behalf of the District, provided such documents have been approved by resolution of the Board.

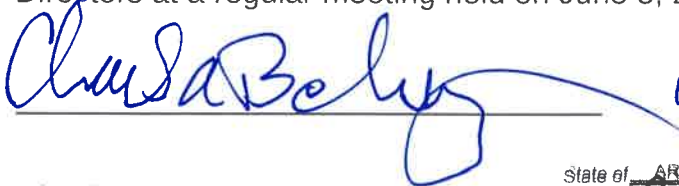
Section 8.3. Amendment of Bylaws. These Bylaws may be amended at any regular meeting of the Board by an affirmative vote of two-thirds of all Board members, provided that the proposed amendment has been included in the written notice and agenda for that meeting.

Section 8.4. Name Change. The District may change its name by a unanimous resolution of the Board, following a public hearing with notice provided to residents and customers as specified in A.R.S. § 48-2001[E].

Section 8.5. Connection Fees. To promote and facilitate local businesses and homeowners, the District will not charge connection fees, unless authorized by the NSD Board.

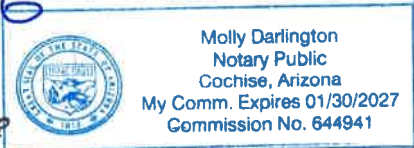
ADOPTION

These Bylaws were duly adopted by a unanimous vote of the Naco Sanitary District Board of Directors at a regular meeting held on June 5, 2026.

 June 10, 2026

Charles A. Behney
Chair, Naco Sanitary District

State of ARIZONA
County of Cochise
On this 10 day of June, 2026
before me personally appeared Charles A. Behney (name of signer), whose identity was provided to me on the basis of satisfactory evidence to be the person whose name is subscribed to this document, and who acknowledged that he/she signed the above/referenced document.




Notary Public
My commission expires
01/30/2027