

**BYLAWS**

**Mountain Club Domestic Water Improvement District (District)**

**Version 1.01**

**January 13, 2026**

## **TABLE OF CONTENTS**

- 1. Article I: Name**
- 2. Article II: Purpose and Mission**
- 3. Article III: Powers and Duties**
- 4. Article IV: District and Operational Administrators**
- 5. Article V: Board of Directors**
- 6. Article VI: Financial Management**
- 7. Article VII: Public Access and Transparency**
- 8. Article VIII: Amendments**
- 9. Article IX: Dissolution**
- 10. Article X: Severability**
- 11. Article XI: Conflicts of Interest**

**BYLAWS – January 13, 2025**

**Mountain Club Domestic Water Improvement District**

**ARTICLE I: NAME**

The official name of the district shall be the **Mountain Club Domestic Water Improvement District (“District” or “MCDWID”)**.

**ARTICLE II: PURPOSE AND MISSION**

**Section 1: Purpose**

The purpose of the District is to improve the domestic water delivery system within the District and to provide reliable water services to its residents.

**Section 2: Mission**

The mission of the District is to ensure the consistent delivery of high-quality water through a system that meets or exceeds all applicable county, state, and federal standards. The District is committed to serving its users with professionalism and responsiveness, while maintaining sufficient water pressure to support residential needs and fire protection infrastructure.

**ARTICLE III: POWERS AND DUTIES**

The public business, property and affairs of the District shall be managed by the Governing Board of the District (the “Board”. The Board shall exercise all powers and responsibilities granted to the District under A.R.S. Title 48, Chapter 6, Articles 1 and 4, including without limitation A.R.S. §§ 48-909, 48-910 and 48-1014, as those provisions may be amended. Without limiting the foregoing, these powers include, but are not limited to:

- **Water Infrastructure Development:** Plan, acquire, construct, reconstruct, maintain, and repair waterworks and pipelines for domestic water delivery, including appurtenances located within or beyond the District boundaries, and under, over, or through public rights-of-way.

- **Property Acquisition:** Acquire real or personal property, or interests therein, by gift, purchase, condemnation, or other lawful means, as necessary for the construction, operation, or maintenance of the District’s water system.
- **Financing Authority:** Issue bonds and levy taxes to fulfill the District’s general obligations.
- **Loan Procurement:** Borrow funds from the Water Infrastructure Finance Authority of Arizona (WIFA) or other authorized entities.
- **Fee Establishment:** Set user fees to cover administrative, engineering, legal, and operational costs, including contracted services.
- **Connection Fees:** Establish hook-up fees for system access, exclusive of the cost of physical connection.
- **Lateral Fees:** Set fees for constructing water laterals from the user’s property line to the centerline of the easement or right-of-way.
- **Lien Authority:** File liens in accordance with Arizona law. Liens shall be subordinate to general tax liens and prior recorded mortgages. All associated costs—including interest, legal fees, and enforcement expenses—shall be added to the lien balance. No lien will be filed against residential properties occupied by lessees responsible for user fees.
- **Annexation:** Expand District boundaries through lawful annexation procedures.

The District shall, in accordance with Arizona law:

- Have new Board members take the oath of office prior to assuming duties and being seated on the Board.
- Have new Board members review the open meeting law materials at least one day before taking office and sign the Open Meeting Law Certificate of Compliance Certificate.
- In conjunction with an election – canvass the Election between 6- and 20-days post-election.
- Appoint a qualified elector of the District to fill a vacancy. A Board member who wishes to resign must continue to discharge their duties until successor is appointed.
- Elect a chairperson annually.

- Make annual statements and estimates for the District, publish notice thereof, have hearings thereon and adopt them at the times and in the manner provided for county statements and estimates by Title 42, Chapter 17, Article 3.

## **ARTICLE IV: DISTRICT AND OPERATIONAL ADMINISTRATORS**

### **Section 1: Appointment and Oversight**

The Board shall appoint individuals or companies to serve in two key administrative roles. Each role may be filled by more than one appointee, as determined by the Board:

- **District Administrator:** Responsible for administrative oversight and strategic management.
- **Operational Administrator:** Responsible for the technical operations and maintenance of the water system.

Appointees shall serve at the pleasure of the Board unless otherwise governed by contract. Their duties shall align with District Policies and Procedures and remain subject to Board approval.

### **Section 2: District Administrator Responsibilities**

The District Administrator shall oversee the day-to-day administrative functions of the District, including:

- Personnel management, including hiring, supervision, and discipline
- Budget development and financial reporting
- Procurement coordination and quote solicitation for projects and purchases
- Regular reporting to the Board on District activities and finances
- Attendance at all Board meetings (unless excused by the Chair), with authority to participate in discussions except where conflicts of interest or ethical considerations apply
- Delegation of meeting attendance to qualified staff when necessary
- Preparation and submission of required administrative reports, including but not limited to: bookkeeping, billing, budgeting, customer service, WIFA compliance, and other relevant matters

### **Section 3: Operational Administrator Responsibilities**

The Operational Administrator shall manage all aspects of the District's water system operations, including:

- Maintenance and repair of water lines and infrastructure
- Compliance with regulatory requirements (e.g., ADEQ)
- Water quality testing and meter reading
- Preparation of Monthly Operations Reports (MOR) and other reports as required by law or requested by the Board

## **ARTICLE V: BOARD OF DIRECTORS**

### **Section 1: Composition**

The Board of Directors shall consist of five (5) elected members who are qualified electors owning real property within the District. Other than those certain initial directors of the Board serving a two-year term, Directors shall serve staggered four-year terms to ensure continuity of governance in accordance with A.R.S. § 48-1012(B). If vacancy occurs on the Board, other than upon the expiration of a Director's term, the remaining Directors of the Board shall fill the vacancy by appointment pursuant to Arizona law.

### **Section 2: Powers and Responsibilities**

The Board shall govern the District in accordance with Arizona law and these Bylaws. Responsibilities include:

- Setting policy and strategic direction
- Approving budgets, contracts, and major expenditures
- Appointing and overseeing the District and Operational Administrators
- Ensuring compliance with all applicable laws and regulations
- Facilitating community engagement and transparency

Every Director has a fiduciary duty to the District. By accepting office, each Director agrees to act in good faith to give the District the benefit of his/her best judgment and to act solely in the interest of the District.

This relationship is not without potential liability. Every Director is bound by law to be diligent with respect to the management and administration of District affairs.

Every Director must act to ensure, as a member of the Board, that funds are expended only for District purposes. Additionally, if a Director causes damage to the District as a result of improper actions, this Director may become liable to the District.

Every Director owes the District a duty of full disclosure of information relating to the business of the District.

Any matter under consideration by the Board which involves a personal interest on the part of a Director shall constitute a conflict of interest and shall cause said Director to disclose the potential conflict and excuse themselves from the vote.

Directors shall adhere to all applicable state, county and IRS laws and regulations and pledge cooperation to achieve the goals and objectives of the District.

The District may indemnify any and all of its Directors and former Directors against expenses incurred by them or levied against them for actions and/or omissions alleged to have been committed while serving and acting as a Board member provided that the Board of Directors determines, in good faith, that the Director acted within the scope of their authority and did not act with fraudulent or criminal intent in regard to the matter involved in the action.

The Board may employ such agents, employees or attorneys as, in its opinion, shall be necessary to transact the business of the District. No Director shall be responsible for default or misconduct of such agents, employees, or attorneys; nor for the misconduct of any other Director or his successor; nor shall any Director be responsible for fraud or negligence of another Director.

### **Section 3: Meetings**

The Board shall hold regular meetings as required by law, with notice provided to the public in accordance with Arizona Open Meeting Law. Special or emergency meetings may be called by the Chair or a majority of the Board.

### **Section 4: Officers**

The Board shall elect a Chair, Secretary, and Treasurer from among its members. Officer selections shall occur annually in January. In addition to the powers conferred upon the selected Officers, those persons shall continue to have all the rights, privileges, and immunities of a Director of the Board. If an Officer vacancy occurs, at their next regular meeting, the Board shall make a new selection from amongst their numbers; however, Officers shall serve until their successor is appointed.

- The Chairperson shall serve as a CEO of the Board; shall act as the public spokesperson for the District; shall preside at Board meetings and shall perform all other duties customary for a Chairperson. The Chairperson shall make assignments, as may be necessary and expeditious, to implement the business of the Board. In addition, the Chairperson may serve as an ex-officio member of all sub-committees.
- The Treasurer shall serve as the office staff liaison Officer of the Board with the bookkeeping/accounting/secretarial staff (be they contractual or employees of the District). The Treasurer shall meet with staff, as may be necessary and as often as the Board shall prescribe, to examine financial/business records to assure the Board that prescribed procedures are being implemented. The Treasurer shall perform such additional financial/business functions as the Board may request. The Treasurer shall consult with staff in the preparation of the proposed annual budget and shall act as liaison with the accountant performing the annual audit or financial review.
- The Clerk of the Board shall ultimately be responsible for maintaining the records of the Board and may delegate to department staff the responsibility of keeping minutes or performing such other and further duties in the meeting as may be required by the Board Chair.

### **Section 5: Compensation of Board Members**

Directors may receive a stipend of up to \$75.00 per Board meeting, for each Board meeting not to exceed 4 Board meetings each calendar month, as determined by the Board, for services as members of the Board, as set forth in the statute. Members may also be reimbursed for their actual expenses incurred in the performance of their official duties.

### **Section 6: Committees**

The Chairperson or the Governing Board may appoint members to Advisory Committees.

Advisory Committees may be created for a particular purpose. Committee members may be appointed by the Governing Board, or by the Chairperson, with the advice and consent of the Board, where appropriate. The Chairperson shall designate the chair of the committee. A Board member may be appointed as a member or liaison to an Advisory Committee. Citizen study committees shall sunset at the end of their mission.

All such Committees shall comply with the Open Meeting Laws of the State of Arizona. A Committee shall provide the Board with copies of any Minutes taken of meetings and shall communicate to the Board the results of the deliberation of the Committee.

Any such communication shall be officially acknowledged by the Board and receipt noted in the Minutes. The procedure for acknowledging such receipt shall be that the Manager or any Member of the Board may bring such communication to the Chairperson's attention under an appropriately agendized item (such as reports, correspondence or a Manager's reports, etc.). The Chairperson shall acknowledge the receipt of that communication on the record, and an appropriate notation shall be made in the minutes. Should any Member of the Board determine that any such communication needs to be responded to by the Board, the Chairperson shall add the matter to the agenda of a subsequent meeting.

## **ARTICLE VI: FINANCIAL MANAGEMENT**

### **Section 1: Fiscal Year**

The District's fiscal year shall begin on July 1 and end on June 30 of the following year.

### **Section 2: Budget**

The District Administrator shall prepare or cause to be prepared an annual budget for Board review and approval not later than July 10 of each year.<sup>1</sup> The budget shall include anticipated revenues, expenditures, capital projects, and reserve allocations.

A complete copy shall be made available at the city, town, or county libraries and or city, town or county administrative offices and shall be posted on the District's website no later than seven days after being initially presented to the Board. Publication of the proposed Annual Budget, or a summary, and a notice of public hearing shall be made in a newspaper of general circulation within the District, together with the library addresses and websites where a complete copy may be found, once a week for at least two weeks after it is tentatively approved. Following the public hearing, which shall be held on or before the fourteenth day before the day that the District plans to levy taxes, the Board shall adopt the Annual Budget at a public meeting.

When the Annual Budget is adopted by the Board, it shall be submitted to the County Board of Supervisors no later than July 10 of each year and shall be posted in a prominent location on the District's website no later than seven business days after final adoption and retained

---

<sup>1</sup> As a result of the passage of HB 2161 (effective September 14, 2024), the timing for preparing and adopting the budget is somewhat inconsistent with the timing to submit the annual budget to the County Board of Supervisors (BOS). 2024 Ariz. Sess. Laws, ch. 118 (H.B. 2161). The budget is required to be prepared on or before the "third Monday in July." A.R.S. 42-17101. In contrast, the new law requires DWIDs to submit their annual budget to the BOS not later than July 10 of each year. A.R.S. § 48-252. Therefore, we have opted for the earlier of the two dates to ensure compliance and to provide the BOS with the most current version of the District's budget each year.

for at least sixty months. The Annual Budget shall be final and shall serve as a guide to the District's financial activities and to limit the District's expenditures. The District may not operate at a deficit or incur indebtedness except as permitted by law. The Board may not disperse any funds in excess of the amount allocated under the Annual Budget.

### **Section 3: Audits and Reporting**

The District shall comply with all statutory requirements for financial audits and reporting. The Board may authorize additional audits or reviews as needed. (See A.R.S. §§ 48-251 to 48-253).

## **ARTICLE VII: PUBLIC ACCESS AND TRANSPARENCY**

### **Section 1: Records**

District records shall be maintained in accordance with Arizona public records laws. Requests for access shall be handled promptly and professionally.

### **Section 2: Notices**

Public notices, including meeting agendas and election information, shall be posted in designated locations and online, as required by law.

### **Section 3: Community Engagement**

The District shall encourage public participation through outreach, education, and transparent communication.

## **ARTICLE VIII: AMENDMENTS**

These Bylaws may be amended by a majority vote of the Board of Directors at any regular or special meeting, provided that notice of the proposed amendment is given in advance and made available to the public.

## **ARTICLE IX: DISSOLUTION**

In the event of dissolution, the District shall follow all applicable legal procedures. Assets shall be disposed of in accordance with Arizona law, and any remaining funds shall be used to satisfy outstanding obligations or returned to taxpayers as appropriate.

## **ARTICLE X: SEVERABILITY**

These Bylaws and the several parts thereof are hereby declared to be severable.

## **ARTICLE XI: CONFLICTS OF INTEREST**

A Director shall not participate in or take action on any item in which the Director, a Director's business, or a Director's family member has a financial interest (a "substantial interest," as defined by A.R.S. § 48-502). In addition, a Director shall refrain from participating in an item if doing so would create an appearance of impropriety.

In the event it is determined that a Director has a conflict of interest, that conflict of interest will be disclosed in writing and placed in the permanent records of the District. The Director shall also declare on the record the existence of that conflict, and refrain from participation in Board consideration, discussion or action as it relates to that subject matter involving the conflict of interest.

Directors may not participate, except under very limited circumstances, in any action item or in the consideration of any item which involves the hiring of a person related to a Director.

Directors may not, except under circumstances narrowly defined under Arizona law, enter into a contract to provide services, materials or equipment to the District for compensation.