

BYLAWS

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PREAMBLE

The Alto Lakes Water & Sanitation District is a quasi-municipal governmental entity created in 2005 to provide water, wastewater, and other services in the subdivisions of Alto Lakes and adjacent areas of Lincoln County, New Mexico. The District was created and operates under the authority of the Water and Sanitation District Act, NMSA 1978, Sections 73-21-1 through 73-21-54.

ARTICLE I

PURPOSE, AUTHORITY AND SCOPE

Section 1. Purpose

The purpose of these By-Laws is to provide a framework for the governance of the District and for the operations of the District's Board of Directors and any other advisory or managerial bodies that may be created by the Board in accordance with these By-Laws.

Section 2. Authority and Scope

These By-Laws are adopted by the Board under the authority of NMSA 1978, § 73-21-16(M), and are subject to the limitations set forth therein. These By-Laws, in conjunction with the Water and Sanitation District Act and other applicable laws and regulations, shall govern the business, operations and other affairs of the Board and of the District. In case of any conflict between these By-Laws and laws of New Mexico or of the United States of America, the latter shall prevail.

ARTICLE II

DEFINITIONS

In these By-Laws, the following terms shall have the meanings stated herein:

Section 1. "District" means the Alto Lakes Water & Sanitation District.

Section 2. "Board" means the Board of Directors of the District.

Section 3. "Chair" means the Chairman or Chairwoman of the Board and the President of the District, who are one and the same. NMSA 1978, Section 73-21-12.

Section 4. "Director" means any member of the Board of Directors of the District.

Section 5. "Officer" means the Chair, the Secretary, or the Treasurer of the District, whether or not a member of the Board.

Section 6. "Qualified Registered Elector" or "Qualified Registered Elector of the District" means a person who meets the requirements of the Water & Sanitation District Act.

Section 7. "Fiscal Year" means the period from July 1 of one calendar year until June 30 of the next calendar year, unless a different period is established for public bodies of the State of New Mexico by law. See NMSA 1978, Section 6-10-1.

Section 8. "Quorum" means the number of members of a body entitled to vote who must be present in order that business may be transacted by that body.

Section 9. With regard to meetings of the Board, the following definitions shall apply:

"Regular Meetings" means regularly scheduled meetings held once each month to conduct the regular business of the District, pursuant to NMSA 1978, Section 73-21-13.

"Special Meetings" means meetings, other than regular meetings, called to conduct regular or unforeseen business of the District which due to timing or for any other reason is not scheduled at a Regular Meeting. A Special Meeting may also be called for the specific purpose of seeking public input on major issues affecting the residents of the District.

"Emergency Meetings" means meetings called to address an unforeseen emergency situation.

"Public Hearings" means meetings of an administrative adjudicatory nature.

"Informational Meetings" means meetings of the Board, or members thereof, for the purpose of gathering working information through discussions with other Board members, governmental agencies, legislative representatives, consultants, or others with special knowledge and information that may be of value to the District.

"Educational Meetings" means meetings of the Board, or members thereof, at seminars, classes, training sessions, briefings, and similar events related to technical, managerial, operational, and public policy aspects of water supply, wastewater collection and treatment, and other activities conducted by or authorized to be conducted by the District.

ARTICLE III

MEMBERS AND ORGANIZATION OF THE BOARD OF DIRECTORS

Section 1. Number of Directors

The affairs of the District shall be managed by a Board consisting of five Directors.

Section 2. Election and Term of Office

The Directors shall be elected for staggered terms of six (6) years, as provided by NMSA 1978, Section 73-21-14. Elections for Directors of the District shall be held on the second Tuesday in January of each odd-numbered year.

Section 3. Conduct of Elections for Directors

Elections shall be conducted in accordance with NMSA 1978, Section 73-21-14 and other applicable provisions of the Water and Sanitation District Act, the General Election Code, the Special Election Code, and any other relevant statutory provisions. All Qualified Registered Electors of the District are eligible to vote in District elections.

Section 4. Removal of Directors and Filling of Vacant Positions

A member of the Board may be removed by the Twelfth Judicial District Court, for cause shown, as provided in NMSA 1978, Section 73-21-12. In the event of a vacancy on the Board for any reason, the remaining Board members or member shall promptly appoint a person to fill the vacancy until the next biennial election, at which time the position will be filled by election for the unexpired portion of the original term.

Section 5. Conflicts of Interest

The members of the Board shall avoid any conflict of interest or any appearance of a conflict of interest. No member of the Board may take part in any deliberations, present testimony or vote on any matter in which the Board member or an immediate family member has a pecuniary interest, either direct or indirect. However, this provision shall not be construed to prevent any Board member from participating in and voting on matters affecting generally the residents of the District or the customers of any utility operated by the District, even though the Board member or members of his family will be affected as residents of the District or customers of the utility.

ARTICLE IV

MEETINGS OF THE BOARD OF DIRECTORS

Section 1. Calling and Scheduling of Meetings

- (a) Regular Meetings shall take place once each month at a time and place set by action of the Board.
- b) All meetings shall be held in a Public Place.

(c) Special Meetings may be called by the Chair or by a majority of the members of the Board with at least seventy-two (72) hours notice to all Board members, and may take place at any time and place which is mutually convenient for the members of the Board. Major issues affecting the residents of the District should be presented and discussed in Special Meetings wherever possible, with significant advance notice to the public and opportunity for participation by the public.

(d) Emergency Meetings may be called by the Chair or by a majority of the members of the Board, with such notice as is reasonable under the circumstances, to address an emergency situation not allowing of seventy-two (72) hours notice to all Board members. At least eight (8) hours notice is recommended for Emergency Meetings.

(e) Public Hearings may be called by the Chair or by a majority of the members of the Board upon such notice to the Board members and to the public as is required by statute and by the Board's Open Meetings Resolution. Public Hearings may, but need not, be conducted in conjunction with Regular Meetings or Special Meetings of the Board.

(f) Informational Meetings may be called by the Chair or by a majority of the members of the Board. The Board shall not take any formal action or make any policy decision at an Informational Meeting. Notice of the Informational Meeting shall be provided in accordance with the District's Open Meetings Resolution, but no agenda is required and no minutes need be recorded.

(g) Educational Meetings generally are scheduled by persons or entities other than the Board. When it is anticipated that a quorum of the Board will be present at an Educational Meeting, notice of that fact shall be provided in accordance with the District's Open Meetings Resolution, but no agenda is required and no minutes need be recorded.

Section 2. Open Meetings Policy and Notice of Meetings

(a) The Board shall annually adopt an Open Meetings Resolution in accordance with the Open Meetings Act, NMSA 1978, Sections 10-15-1 through 10-15-4. The Open Meetings Resolution will generally be adopted at the first Regular Meeting of the calendar year but may, at the discretion of the Board, be adopted or amended at any other Regular Meeting.

(b) Notice of all Board meetings shall be published or posted in accordance with the Board's Open Meetings Resolution then in effect. In general, notice of Regular Meetings and Public Hearings will be published on local and County bulletin boards, and when deemed advisable by the board in a newspaper of general circulation in the Alto Lakes area, unless such publication is not possible for reasons beyond the control of the Board. Notice of other meetings will be made by posting in accordance with the Open Meetings Resolution then in effect.

(c) Except in case of emergency, the agenda of any meeting will be made available to the public at least twenty-four (24) hours before the meeting. and

Section 3. Conduct of Meetings

(a) Conduct of Board meetings shall be in accordance with the current edition of Robert's Rules of Order, unless there is a conflict between Robert's Rules of Order and the laws of New Mexico or of the United States of America, in which case the latter shall prevail.

(b) All meetings shall be held in a location sufficiently large to reasonably and comfortably accommodate all persons who are expected to be present at the meeting, including members of the public.

(c) The public may be provided an opportunity to address the Board on any matter coming before the Board for discussion, consideration, or action. Any person addressing the Board on any matter shall be required to state his or her name and address for the record. Any person testifying before the Board in a Public Hearing may be required to swear or affirm that the testimony presented is true. Except for testimony presented in a Public Hearing, the Chair may limit the time allotted to each speaker and the number of times that any speaker is permitted to address the Board on any given topic.

(d) The proceedings of all meetings and public hearings (except meetings, or portions thereof, that are closed to the public in accordance with the Open Meetings Act and the Board's Open Meetings Resolution) shall be recorded electronically.

Section 4. Order of Business

In general, the order of business at a Regular Meeting or Special Meeting of the Board should be as follows; however, not every item shown need necessarily be on the agenda of any particular meeting:

1. Call to Order
2. Roll Call
3. Pledge of Allegiance
4. Approval of the Agenda
5. Approval of the Minutes

This item is for Board approval of the minutes of any prior meetings, including notice of any closed meetings (as allowed in accordance with the Open Meetings Act) that may have been held since the last public meeting of the Board.

6. Public Comment

In a Regular Meeting or in a Special Meeting called to conduct regular business of the Board, this agenda item provides an opportunity for the public and members of other organizations to address the Board on informational matters or other items related to District business that are not listed on the agenda. In a Special Meeting called for the purpose of obtaining public input on a particular question or questions facing the District, public comment may be restricted to the subject or subjects at hand. In either case, the Chair may limit the time allowed to each speaker and the number of times each speaker is allowed to address the assembly.

7. Consent Agenda

The Consent Agenda includes routine action items which are not expected to be controversial or require discussion by the Board. The title of each item should be read by the Chair (or another

person designated to do so), and the entire Consent Agenda voted on as a unit. Any Board member may request that an item on the Consent Agenda be removed there from and placed on the Regular Agenda of the same meeting, and such request shall thereupon take effect without further discussion.

8. Reports

This item includes reports to the Board by contractors, special committees of the District, and individual Board members. Reports may be presented and accepted in written form, in which case copies of the report shall be made available to the public.

9. Regular Agenda

All items for discussion, consideration, and possible action by the Board should be placed on the Regular Agenda. If the Regular Agenda includes both unfinished business carried forward from a previous meeting and new business coming before the Board for the first time, the unfinished business should in general be addressed before the new business.

10. Board Comments

This provides an opportunity for Board members to comment on items not included in the agenda, for example, a request that an item be placed on the agenda for action at a future meeting. However, the Board may not take formal action on any matter raised under this item.

11. Adjournment

The Chair shall have authority to modify the proposed order of business for any particular meeting, for good cause shown, which proposal shall be reflected in the agenda posted for such meeting. The Board, prior to approving the agenda for any particular meeting, may amend the order of business reflected in the agenda; provided, however, that no business item requiring formal consideration or action by the Board may be added to the agenda without prior notice to the public in accordance with the Open Meetings Act and the Board's Open Meetings Resolution.

ARTICLE V

GENERAL POWERS OF THE BOARD OF DIRECTORS

For and on behalf of the District, the Board shall have all powers vested in it under the Water and Sanitation District Act, as amended from time to time by the legislature of the State of New Mexico, and including but not limited to those powers enumerated in NMSA 1978, Section 73-21-16.

ARTICLE VI

OFFICERS; COMPENSATION; DUTIES

Section 1. Officers

The Officers of the District shall be a Chairman or Chairwoman (the "Chair") of the Board who shall also serve as President of the District, a Vice-Chairman or Chairwoman (the "Vice-Chair") who shall also serve as Vice-President of the District, a Secretary of the Board and the District, and a

Treasurer of the Board and the District. The Chair and Vice-Chair shall be a member of the Board. The Secretary and the Treasurer may, but need not, be members of the Board.

Section 2. Election of Officers

The Board shall elect Officers of the District at the next Regular Meeting of the Board following each biennial election of Directors (such elections being in January of each odd-numbered year). Each Officer shall hold office until his or her successor has been duly elected. In the event of a vacancy due to resignation of an Officer or for any other reason, the Board shall elect a person to fill the vacancy at the next Regular Meeting of the Board following the vacancy.

Section 3. Compensation

Neither Directors nor Officers shall receive compensation for their services to the District. Directors and Officers shall be allowed compensation for their actual and necessary expenses incurred in performance of their duties for the District.

Section 4. Duties of the Chair of the Board and President of the District

(a) The Chair and President of the District shall, when present, preside at all meetings of the Board and shall perform other duties incidental to the office of President, including but not limited to the duties of that office as set forth in the Water and Sanitation District Act and other duties prescribed by the Board from time to time.

(b) The Chair shall establish the agenda for all meetings of the Board and shall provide the agenda to the Secretary sufficiently in advance of the meeting to provide for publishing or posting of the agenda as required by the Open Meetings Act and the Board's Open Meetings Resolution.

Section 5: Duties of the Vice-Chair of the Board and Vice-President of the District

a) The Vice-Chair shall chair meetings when the Chair is not in attendance and as act for the President when the President is unable to serve.

Section 6. Duties of the Secretary of the Board and of the District

(a) The Secretary shall keep a record of all Board proceedings, including minutes of Board meetings, original signed copies of the Board's resolutions, by-laws, certificates, contracts, annual audit reports, and copies of all official correspondence and legal documents relating to the District's activities. The Secretary shall keep such records in a secure place and shall make them available for inspection and copying by residents of the District and any other interested parties, in accordance with the Inspection of Public Records Act, NMSA 1978, Sections 14-2-1 through 14-2-12.

(b) The Secretary shall arrange a meeting place for the meetings of the Board and shall publish or post notices of the Board's meetings in accordance with the Board's Open Meetings Resolution and these By-Laws.

(c) In keeping a record of the Board's meetings, the Secretary may utilize the services of a recorder to assist the Secretary. Subject to approval by the Board, the Secretary may employ a secretarial or clerical service to maintain the District's files, prepare correspondence, prepare reports, and perform other clerical services on behalf of the District.

(d) The Secretary shall give notice of District elections and shall receive nominations of candidates for positions on the Board of Directors. The Secretary shall effect any necessary correspondence and coordination with the County Clerk and any other officials with regard to all District elections, and shall provide for the conduct of such elections to the extent that function is not performed by the County Clerk or other appropriate county or state officials.

(e) The Secretary shall perform other duties incidental to that office and such other duties as may be assigned by the Board from time to time.

Section 7. Duties of the Treasurer of the Board and of the District

(a) The Treasurer shall receive and deposit in appropriate accounts all monies of the District and shall disburse such funds as directed by resolution of the Board. The Treasurer shall maintain strict and accurate records of all monies of the District and of all income and disbursements of the District, and shall keep permanent records thereof, in the manner prescribed by the New Mexico Department of Finance and Administration.

(b) The Treasurer shall annually prepare a budget for the upcoming Fiscal Year, which shall be timely submitted to the Board for its approval and subsequent submittal to the Department of Finance and Administration for review and approval in accordance with law. The proposed budget should be submitted to the Department of Finance and Administration by June 1 each year. The Treasurer shall also provide regular reports to the Board on the state of the District's finances and shall submit a quarterly accounting thereof to the Department of Finance and Administration.

(c) Following the end of each Fiscal Year the Treasurer shall submit to the Board a financial report that will be presented for audit by a professional auditing or accounting firm retained by the Board. The annual financial report shall become a part of the District's permanent records and a copy shall be submitted to the Department of Finance and Administration for its review.

(d) During any time that general obligation bonds or revenue bonds of the District are outstanding, the Treasurer shall provide for the timely payment of the interest on and principal of the bonds and shall ensure that all necessary notifications and other actions with regard to the bonds are made in a timely manner, as provided in the Official Statement, Transcript, or in any other documents related to the bonds.

(e) At the expense of the District, the Treasurer shall have a corporate fidelity bond in an amount not less than \$5,000, conditioned on the faithful performance of the duties of that office. A certificate of such bonding will be submitted to the Secretary for placement in the District's records.

(f) In performing the duties described herein, the Treasurer, with the approval by the Board, may employ a bookkeeping service, an accountant, or other qualified persons or professionals to assist the Treasurer in performing the duties of that office.

(g) The Treasurer shall perform other duties incidental to that office and such other duties as may be assigned by the Board from time to time.

ARTICLE VII

ADVISORY COMMITTEES: APPOINTMENTS, DUTIES

Section 1. Advisory Committees

The Board shall designate Advisory Committees which shall serve at the pleasure of the Board. Advisory Committees shall not be decision making bodies and are not required to comply with the NM Open Meetings Act. Generally, Advisory Committees will be created to bring specialized knowledge and/or project capabilities to the work of the Board.

Section 2. Committee Organization

Advisory Committees may range in size from 3 to 7 members at the discretion of the Board. The Board shall make all appointments to Advisory Committees and designate the Chairperson. The Chairperson or the Chairperson's designee, shall report to the Board as requested during any scheduled meeting of the Board.

Section 3. Compensation

Members of Advisory Committees shall not receive compensation for their services to the District. Subject to advance approval by the Board, members shall be allowed compensation for their actual and necessary expenses incurred in performance of their duties for the District.

ARTICLE VIII

FINANCIAL MATTERS

Section 1. Levy and Collection of Taxes

The District's annual budget must be presented at a Regular Meeting or Special Meeting of the Board, with appropriate time for public consideration of the proposed budget before final action on it is taken by the Board.

Annually as a part of the budget process, the Board shall determine the amount of money necessary to be raised for operations of the District through ad valorem taxes on property located within the District, taking into account the costs of construction, operation and maintenance of the works and equipment of the District and the interest on and principal of the District's bonds and any other obligations of the District, and shall with the assistance of the Department of Finance and Administration determine the rate of levy necessary to raise the amount of money needed. On or before October 1 of each year, the Board shall certify the rate of levy so determined to the Board of County Commissioners of Lincoln County, with instructions that the County should levy such taxes upon the taxable property located within the District, as provided in NMSA 1978, Section 73-21-18.

Section 2. Budget Management

Final approval of the District's Fiscal Year budget by the Department of Finance Administration generally is received by the first Monday in September. Following such approval, any amendment or adjustment of the budget requires a resolution of the Board and approval by the Department of Finance and Administration. The Board will periodically review the reports submitted to it by the Treasurer to ensure that expenditures during the Fiscal Year do not exceed budget authority, and that any budget adjustments which may be necessary are timely made by the Board and approved by the Department of Finance and Administration.

Section 3. Procurement Procedures

All procurements of tangible personal property, services, and construction shall be made in accordance with the New Mexico Procurement Code, NMSA 1978, Section 13-1-28 through 13-1-199, and any New Mexico state purchasing regulations then in effect. The Board has by resolution designated the office of Treasurer as the District's Central Purchasing Office in accordance with the Procurement Code. The Treasurer, or such other official as the Board may from time to time designate as the District's Central Purchasing Office, shall ensure that procurements of tangible personal property, services, and construction are conducted in accordance with the Procurement Code.

Section 4. Reimbursement for Travel Expenses, Mileage, or Per Diem

(a) Directors and Officers may receive reimbursement for actual and necessary travel expenses incurred in performing services for the District, or in the alternative may be eligible for per diem for official business requiring travel more than 35 miles from Alto Lakes, in accordance with applicable New Mexico laws and regulations, including the Per Diem and Mileage Act, NMSA 1978, Sections 10-8-1 through 10-8-8, and Section 2.42.2 of the New Mexico Administrative Code (NMAC) (formerly DFA Rule 95-1), as amended.

(b) Directors and Officers may receive reimbursement for reasonable and necessary use of a privately owned automobile on District business in accordance with the mileage rates set forth in the Per Diem and Mileage Act and Section 2.42.2 NMAC. The District does not authorize reimbursement for use of a privately owned airplane.

(c) Directors and Officers seeking reimbursement for travel expenses, per diem, mileage, or any other reasonable and necessary expenses incurred on behalf of the District, shall make application for such reimbursement to the Treasurer, including appropriate documentation of all expenses, travel and mileage in accordance with the provisions of Section 2.42.2 NMAC. If the Treasurer finds that the application and supporting documentation are complete, the Treasurer shall forward them to the Board for consideration. The Board shall approve and authorize such reimbursement unless it finds that the expenses were not reasonable and necessary, that they were not in fact incurred in the conduct of District business, or that for some other reason reimbursement is not proper under applicable statutes, regulations, and policies of the Board.

ARTICLE IX

LIABILITY AND INSURANCE

Section 1. Liability Insurance

The District shall carry adequate liability insurance coverage for the activities and actions of the District and its Directors, Officers and employees, taking into account the scope of District operations and the immunities granted to the District and its Directors, Officers and employees under the Tort Claims Act, NMSA 1978, Sections 41-4-1 through 41-4-27.

Section 2. Other District Insurance

The District shall carry appropriate insurance, as determined by the Board, to protect the District from major loss as a consequence of damage to or destruction of District property, including real

property, personal property, District business and financial records, equipment, supplies, vehicles, leased and rented property, and all other District property of any nature.

Section 3. Coverage of Privately Owned Automobiles Used on District Business

Officers, Directors, and any other persons using a privately owned automobile on District business shall carry, as a minimum, automobile liability and property damage insurance as required by New Mexico law. It is the responsibility of the automobile owner to ensure that such coverage will provide protection while the automobile is used on District business. The Board may require the automobile owner to provide proof of such insurance coverage to the Board.

ARTICLE X

CHANGES IN DISTRICT BOUNDARIES

The boundaries of the District may be changed by action of the Board in accordance with the procedures set forth in the Water and Sanitation District Act. Upon receipt of a complete petition for inclusion of real property in the District or for exclusion of real property from the District, the Board will schedule a Public Hearing on the matter and the Secretary will provide notice of the petition and the Public Hearing as required by law. The petitioner will be required to reimburse the District for the District's costs incurred in processing the petition before the Board renders a decision whether to grant the petition. If the Board determines that the petition should be granted and that the costs have been paid, the Board will enter an order granting the petition and will file a copy of the order in the Lincoln County District Court.

ARTICLE XI

AMENDMENT OF THE BY-LAWS

These By-Laws may be amended by a majority vote of the Board.

History

Original adopted 26th day of January 2005

Amended June 15, 2005

Amended June 18, 2007

In witness whereof, we have hereunto set our hands this 18th day of June 2007.

ALTO LAKES WATER &
SANITATION DISTRICT,
LINCOLN COUNTY, NEW MEXICO

President and Chairman of the
Board of Directors