

## FINANCIAL POLICIES AND PROCEDURES

POLICY NUMBER: FP-108  
SUBJECT: CONFLICT OF INTEREST  
EFFECTIVE DATE: May 4, 1983  
REVISION DATE: 4/21/91; 4/18/95; 9/25/00; 4/28/09  
APPROVED BY: CWEA Board of Directors

---

### POLICY

This Conflict of Interest Policy (the "Policy") of the California Water Environment Association (the "Association"):

1. defines conflicts of interest
2. identifies classes of individuals with the Association covered by this Policy
3. facilitates disclosure of information that may help identify conflicts of interest
4. specifies procedures to be followed in managing conflicts of interest

**Definition of conflicts of interest.** A conflict of interest arises when a person in a position of authority over the Association may benefit financially from a decision he or she could make in that capacity, including indirect benefits such as to family members or businesses with which the person is closely associated. This Policy is focused upon material financial interest of, or benefit to, such persons.

**Persons covered.** Persons covered by this Policy ("Covered Persons") are the Association's officers, directors, Executive Director (who is the Association's top management official and top financial official), Key Employees, all current Committee Officers and Local Section Officers, and any other volunteers in a position to influence a decision that may result in a personal gain for such volunteer.

**Top Management and Financial Officials.** For purposes of this Policy, the Association's top management and financial officials shall be treated as Officers, regardless of their titles.

1. The Association's top management official is the person who has ultimate responsibility for implementing the decisions of the governing body or for supervising the management, administration, or operation of the Association.

2. The Association's top financial official is the person who has ultimate responsibility for managing the Association's finances.

If ultimate responsibility resides with two or more individuals, who may exercise such responsibility in concert or individually, then all such individuals shall be treated as Officers.

**Key Employees.** An individual is a Key Employee if he or she meets all three of the following factors, applied in the following order:

1. Receives reportable compensation from the Association and all related organizations in excess of \$150,000 for the calendar year ending with or within the Association's tax year.

2. Has the following responsibilities:

- a) Has responsibilities, powers, or influence over the Association as a whole that is similar to those of officers or directors;

- b) Manages a discrete segment or activity of the Association that represents ten percent or more of the activities, assets, income, or expenses of the Association, as compared to the Association as a whole; or
- c) Has or shares authority to control or determine ten percent or more of the Association's capital expenditures, operating budget, or compensation for employees.

3. If more than twenty employees satisfy factors 1 and 2 above, then is among the top twenty employees with the highest reportable compensation from the Association and related organizations for the calendar year ending with or within the Association's tax year.

### **Specific Policy Guidelines and Standards of Conduct**

1. Covered Persons must act at all times in the best interests of the Association.
2. Covered Persons shall scrupulously avoid any conflict of interest between their own respective individual interests and the interests of the Association, in any and all decision-making processes or other actions taken by them on behalf of the Association in their respective capacities. Specifically, Covered Persons, acting in their capacity with the Association shall:
  - a. Avoid placing financial self-interest or the interests of a third party above the interests of the Association and avoid the appearance of placing self-interest or the interests of a third party above the interest of the Association;
  - b. Refrain from using the Association's staff, services, equipment, materials, resources, or property for personal or third-party gain, and from representing to third parties that individual authority extends any further than that which it actually extends;
  - c. Not engage in any activities that may be directly or indirectly adverse to the financial interests of the Association;
  - d. Not solicit or accept gifts, gratuities, free travel, or any other item of value from any person or entity without fully disclosing such an exchange to the Association's Executive Committee;
  - e. Not persuade any employee of the Association to leave the employ of the Association or to become employed by any person or entity other than the Association; and
  - f. Not persuade or attempt to persuade any member, exhibitor, advertiser, sponsor, subscriber, supplier, contractor, or any other person or entity with an actual or potential relationship with the Association to terminate, curtail, or not enter into its relationship with the Association, or to reduce any benefit that may be provided to the Association with respect to such relationship.
3. No Officer or Director of the Association may contract to provide goods or services for the Association or its committees.

4. No committee officer or Local Section officer may contract with the same committee or Local Section for provision of goods or services.
5. A member of the Association may contract with the Association to provide goods or services, provided that the member is not part of the decision-making process for selecting him or herself as an Association contractor, and provided that such contract has been subject to a written and competitive proposal.
6. No Officer or Director of the Association may vote upon any decision in which he/she has an interest, nor shall he/she attempt to affect in any fashion, any decision under consideration that is pending the vote of the Executive Committee or the Board of Directors.
7. Contracts with Association members shall be subject to approval by the Board of Directors.
8. No Officer, Director or volunteer acting on behalf of the Association shall usurp or acquire for his or her own benefit, any business opportunity that should belong to the Association.
9. Each Covered Person acting on behalf of the Association, shall have the affirmative responsibility to advise the Board of Directors immediately upon becoming aware of any potential conflict of interest.

#### **RECEIPT OF POLICY**

All Covered Persons shall be provided with a copy of this Policy.

#### **DISCLOSURE**

Covered Persons. All Covered Persons must disclose actual or potential conflicts of interest to the Association's Executive Committee or to the Executive Director as soon as practicable after the Covered Person learns of the actual or potential conflict of interest.

Officers, Directors, and Key Employees. In addition to the disclosure that all Covered Persons must make, Officers, Directors, and Key Employees must, annually, complete and sign the Acknowledgment of Receipt and Annual Disclosure of Interests on the form attached to this Policy as **Exhibit A**. Officers, Directors, and Key Employees shall remit the completed and signed form to the Executive Committee.

#### **PROCEDURES TO MANAGE CONFLICTS OF INTERESTS**

For each interest disclosed to the Executive Committee, the Executive Committee will determine whether to: (a) take no action; (b) assure full disclosure to the Board of Directors and other individuals covered by this Policy; (c) ask the person to recuse him or herself from participation in related discussions or decisions within the Association; or (d) ask the person to resign from his or her position in the Association or, if the person refuses to resign, become subject to possible removal in accordance with the Association's removal procedures. The Association's Executive Director and top financial official will monitor proposed or ongoing transactions for conflicts of interest and disclose them to the President, provided that the President is a member of the Executive Committee, in order to deal with potential or actual conflicts, whether discovered before or after the transaction has occurred. Minutes of the Executive Committee meeting at which such notice is presented shall reflect the notice of conflict of interest, and any action taken with regards to such notice.

The Executive Director may adopt additional procedures to implement this Policy, which shall have the same force and effect as the procedures contained herein.

## CONFORMITY WITH ASSOCIATION'S CONSTITUTION

Transactions with directors and officers will conform to Article 23 of the Association's Constitution, excerpted below:

### 23.0 TRANSACTIONS WITH DIRECTORS AND OFFICERS

23.1. The Association shall not enter into transactions to which the Association (or affiliates) is a party and in which one or more of its Directors has a material financial interest unless approved by the Board after meeting the following conditions:

23.1.1. The material facts regarding that Director's financial interest in such contract or transaction or regarding such common directorship, common officer status, or financial interest are fully disclosed in good faith and noted in the minutes, or are known to all members of the Board prior to the Board's consideration of such contract or transaction;

23.1.2. Such contract or transaction is authorized in good faith by a majority of the Board by a vote sufficient for that purpose without counting the votes of interested directors;

23.1.3. Before authorizing or approving the transaction, the Board considers and in good faith decides after reasonable investigation, that the corporation could not obtain a more advantageous arrangement with reasonable effort under the circumstances; and

23.1.4. The Association for its own benefit, enters into the transaction, which is determined by the Board to be fair and reasonable to the Association at the time the transaction is entered into.

23.2. Any Director, officer or senior staff member with a material financial interest in a proposed contract or transaction shall be required to disclose the material facts regarding the financial interest in the same manner as provided in Paragraph 23.1.1. above, and the Board shall consider and act upon the transaction in the same manner as provided in Paragraphs 23.1.3.4. above.

23.3. Where it is not reasonably practical to obtain approval of the Board before entering into a transaction in which a Director, Officer, or senior staff member has a material financial interest, the Executive Committee may approve such transactions or contract in a manner consistent with the foregoing requirements; provided that the majority of the Executive Committee are not financially interested and at its next meeting, the Board determined in good faith that the Executive Committee's approval of the transaction was consistent with such requirements, including that it was not

reasonably practical to obtain advance approval of the Board, and ratifies the transaction by a majority of the Directors (without counting votes of interested Directors).

- 23.4. The Association shall not make any loan of money or property to guarantee the obligation of any director or officer. However, the Association may reimburse expenses reasonably incurred in the performance of the duties of such director or officer in accordance with policies of the Board.
- 23.5. A copy of this conflict of interest policy and this section of the Constitution shall be furnished to each Director and senior staff member who is presently serving the Association. This section shall be reviewed annually for the information and guidance of directors, officers, and staff members. Any new Directors, Officers or staff members shall be advised of this section upon undertaking the duties of such office.

**EXHIBIT A**  
**ACKNOWLEDGMENT OF RECEIPT**  
**AND**  
**ANNUAL DISCLOSURE OF INTERESTS**

**Acknowledgment of Receipt.** I have read the Association's Conflict of Interest Policy and agree to comply fully with its terms and conditions at all times during my service with the Association. If I become aware of any actual or potential conflicts of interest at any time, I will promptly notify the Association's Executive Committee or the Association's Executive Director in writing.

**Annual Disclosure.** To be completed by each Officer, including the top management official and the top financial official, Director, and Key Employee of California Water Environment Association.

**Section I**

**Please check ONE of the following boxes:**

- My interests and relationships have not changed since my last disclosure of interests.  
[Proceed to signature block in Section IV.]

**OR**

- I hereby disclose or update my interests and relationships that could give rise to a Conflict of Interest: [Provide the information requested below; use additional pages as needed.]

**Section II**

**Family Relationships Presenting a Potential Conflict of Interest**

Please list the names of any family members who receive or may receive compensation or material financial benefit from the Association directly or through their business. Please list the names of any other Officers, Directors, or Key Employees of the Association with whom you have a family relationship. Please use additional sheets as necessary.

Family members include your: spouse/domestic partner, living ancestors, brothers and sisters (whether whole or half blood), children (whether natural or adopted), grandchildren, great grandchildren, and spouses/ domestic partners of brothers, sisters, children, grandchildren, and great grandchildren.

Name	Relationship and Nature of Potential Conflict

**Section III**

**Interests That Could Give Rise to a Conflict**

Please describe your interest, if any, in the following types of transactions that could give rise to a conflict of interest. If a particular type of interest does not apply to you, please write "none" or "N/A" where appropriate.

1. Please describe any transactions, contracts or other arrangements you have with the Association, including, but not limited to compensation as an Officer, Director or Key Employee or as an independent contractor.

---

---

---

---

2. Please describe any substantial business or investment holdings that could give rise to a conflict of interest.

---

---

---

---

3. Please describe any other affiliates with other businesses or organizations that could give rise to a conflict of interest.

---

---

---

---

4. Please describe any business relationship with any current or former Officer, Director, or Key Employee of the Association.

---

---

---

---

**Section IV**  
**Signature**

I am not aware of any material financial interest involving me or a family member that could present a Conflict of Interest that I have not disclosed either above or in a previous disclosure statement.

Date: \_\_\_\_\_

\_\_\_\_\_  
[print or type name and Association title]

\_\_\_\_\_  
Signature