

CONFLICT OF INTEREST POLICY

Whidbey West Water Association (WWWA)

(State ID No. 363146 / Island County Franchise No.327) <http://whidbeywestwater.org/>

Published 26 May 2019

Article I

Purpose:

The purpose of the conflict of interest policy is to protect this nonprofit organization, Whidbey West Water Association (WWWA), interest when it is contemplating entering into a transaction or arrangement that might benefit the private interest of an officer or director of WWWW or might result in a possible excess benefit transaction. This policy is intended to supplement but not replace any applicable state and/or federal laws governing conflict of interest applicable to nonprofit and charitable organizations.

Article II

Definitions:

1. Interested Person: Any director, principal officer, or member of a committee with governing board delegated powers, who has a direct or indirect financial interest, as defined below, is an interested person.

2. Financial Interest: A person has a financial interest if the person has directly or indirectly, through business, investment, or family:

a. An ownership or investment interest in any entity with which WWWW has a transaction or arrangement.

b. A compensation arrangement with WWWW or with any entity or individual with which the transaction or arrangement or

c. A potential ownership or investment interest in, or compensation arrangement with, any entity or individual with which WWWW is negotiating a transaction or arrangement.

Compensation includes direct and indirect remuneration as well as gifts or favors that aren't insubstantial.

A financial interest isn't necessarily a conflict of interest. Under Article III, Section 2, a person who has financial interest may have a conflict of interest only if the board or committee decides that a conflict of interest exists.

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Article III

Procedures:

1. Duty to Disclose: In connection with any actual or possible conflict of interest, an interested person must disclose the existence of the financial interest and be given the opportunity to disclose all material facts to the board considering the proposed transaction or arrangement.

2. Determining Whether a Conflict of Interest Exists: After disclosure of the financial interest and all material facts, and after any discussion with the interested person, he/she shall leave the board meeting while the determination of a conflict of interest is discussed and voted upon. The remaining board members shall decide if a conflict of interest exists.

3. Procedures for Addressing the Conflict of Interest:

a. An interested person may make a presentation at the board meeting, but after the presentation, he/she shall leave the meeting during the discussion of, and the vote on, the transaction or arrangement from a person or entity that would not give rise to a conflict of interest.

b. The Chairperson of the board shall, if appropriate, appoint a disinterested person or committee to investigate alternatives to the proposed transaction or arrangement.

c. After exercising due diligence, the board shall determine whether WWWA can obtain with reasonable efforts a more advantageous transaction or arrangement from a person or entity that would not give rise to a conflict of interest.

d. If a more advantageous transaction or arrangement isn't reasonably possible under circumstances not producing a conflict of interest, the board shall determine a majority vote of the disinterested directors whether the transaction or arrangement is in WWWA's best interest, for its own benefit, and whether it is fair and reasonable. In conformity with the above determination it shall make its decision as to whether to enter into the transaction or arrangement.

4. Violations of the Conflicts of Interest Policy:

a. If the board has reasonable cause to believe a member has failed to disclose actual or possible conflicts of interest, it shall inform the member of the basis for such belief and afford the member an opportunity to explain the alleged failure to disclose.

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b. If after hearing the member's response and after making further investigation as warranted by the circumstances, the board determines the member has failed to disclose an actual or possible conflict of interest, it shall take appropriate disciplinary and corrective action.

Article IV

Records of Proceedings:

The minutes of the board and all committees with board delegated powers shall contain:

a. The names of the persons who disclosed or otherwise were found to have a financial interest in connection with an actual or possible conflict of interest, the nature of the financial interest, any action taken to determine whether a conflict of interest was present, and the board's or committee's decision as to whether a conflict of interest in fact existed.

b. The names of the persons who were present for discussions and votes relating to the transaction or arrangement, the content of the discussion, including any alternatives to the proposed transaction or arrangement, and a record of any votes taken in connection with the proceedings.

Article V

Compensation:

1. A voting member of the board who receives compensation, directly or indirectly, from WWWA for services is precluded from voting on matters pertaining to that member's compensation.

2. A voting member of any committee whose jurisdiction includes compensation matters and who receives compensation directly or indirectly, from WWWA for services is precluded from voting on matters pertaining to the member's compensation.

3. No voting member of the board or any committee whose jurisdiction includes compensation matters, is prohibited from providing information regarding compensation.

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Article VI

Annual Statements:

Each director, principal officer and member of a committee with governing board delegated powers shall annually sign a statement which affirms such person:

- a. Has received a copy of the conflicts of interest policy.
- b. Has read and understands the policy.
- c. Has agreed to comply with the policy, and
- d. Understands WWWA necessity to maintain its non-profit status, it must engage primarily in activities which accomplish one or more of its non-profit purposes.

Article VII

Periodic Reviews:

To ensure WWWA operates in a manner consistent with this policy and doesn't engage in activities that could jeopardize its non-profit status, periodic reviews shall be conducted. The periodic reviews shall, at a minimum, include the following subjects:

- a. Whether compensation arrangements and benefits are reasonable, based on competent survey information, and the results of arm's length bargaining.
- b. Whether partnerships, joint ventures, and arrangements with management organizations conform to WWWA's written policies, are properly recorded, reflect reasonable investment or payments for goods and services, and don't result in inurement, impermissible private benefit or in an excess benefit transaction.

Article VIII

Use of Outside Experts:

When conducting the periodic reviews as provided for in Article VII, the WWWA Board may, but need not, use outside advisors. If outside experts are used, their use shall not relieve the board of its responsibility for ensuring periodic reviews are conducted.

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