

Forest Lakes Mutual Water Company

Board of Directors Series

Training:

*Code of Conduct and Ethics:
Legal/Moral Obligations and
Best Practices*

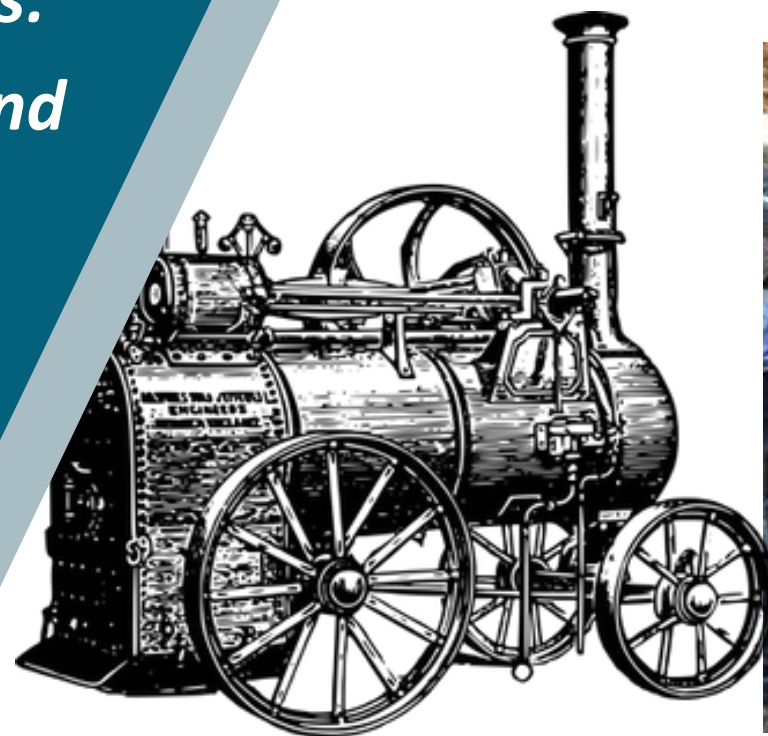
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Forest Lakes Mutual Water Company
Water Conservation Level



Training Topics

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- A. Conducting Board meetings
 - B. Board member responsibilities
 - C. Code of conduct and ethics***
 - D. Open meeting requirements

Code of Conduct and Ethics: Legal/Moral Obligations and Best Practices

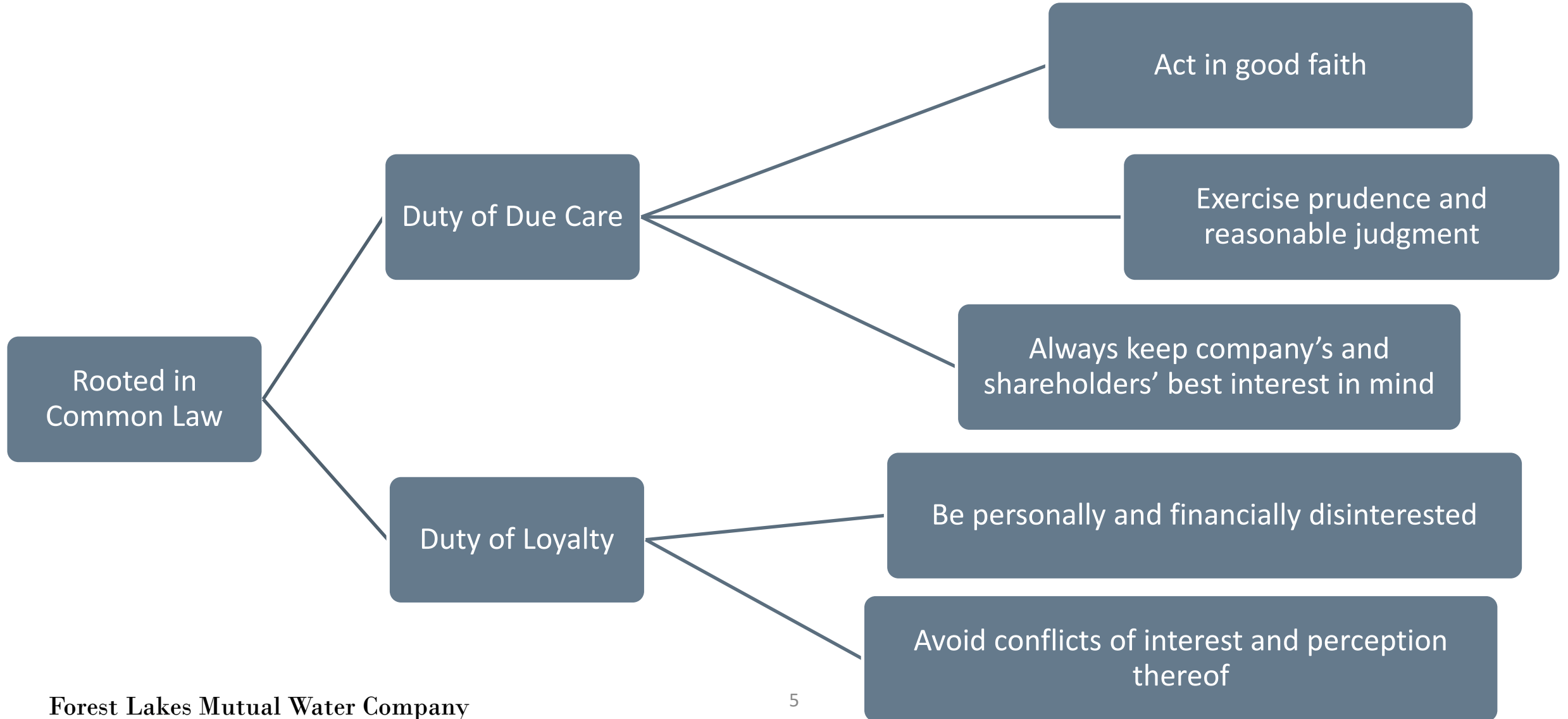
Sources:

- City of Santa Cruz Code of Ethics and Conduct for Council Members
- Rural Community Assistance Corporation (RCAC), Water Board Roles, Policies and Responsibilities, August 2021
- RCAC, AB 54 Ethics and Board Regulations for Mutual Water Systems, 2016
- Rural Community Assistance Partnership (RCAP), The Big Guide for Small Systems: A Resource for Board Members, 2011
- International City/County Management Association (ICMA), Ethics: The Leader's Role in Building and Ethical Culture

Shareholder/Stakeholder Expectations

- Expectation of fairness, honesty and transparency
- Right to conscientious, loyal, faithful, disinterested and unbiased services
- Freedom from deceit, undue influence, conflict of interest, self-enrichment, self-dealing, concealment, bribery, fraud or corruption

Board members have legal obligations to the organizations they serve



What is ethics and why is ethical conduct important?

- Ethics and ethical conduct is about choices and discretion
 - Applying appropriate community service values to achieve the right outcome in the right way
- More than lawful compliance, it's our moral obligation, i.e., what we should do or how we ought to act
- Laws on ethical conduct represent the floor, not the ceiling
 - Protect agencies from a Board member's or staff member's personal financial enrichment from Board decisions

Ethics laws that apply to board members of mutual water companies: AB 54

- Training within 6 months of taking office, then every 6 years thereafter
- Training must cover basic duties of Board members
- Training must cover:
 - Conflicts of interest
 - Fiduciary duties
 - Duty to provide safe drinking water
 - Long-term management of a public water system
- Enforced by State



Conflict of Interest

- Occurs when a board member gains financially from a contract award or Board decision
- AB 54 prohibits directors from personal financial gain to the detriment of the company
 - Applies to contracts, other transactions
 - Interested director not entitled to vote; recusal is required
 - Director's interest must be disclosed to other Board members

Examples of Violations of Ethics Laws and Unethical Conduct

Violations of Ethics Laws

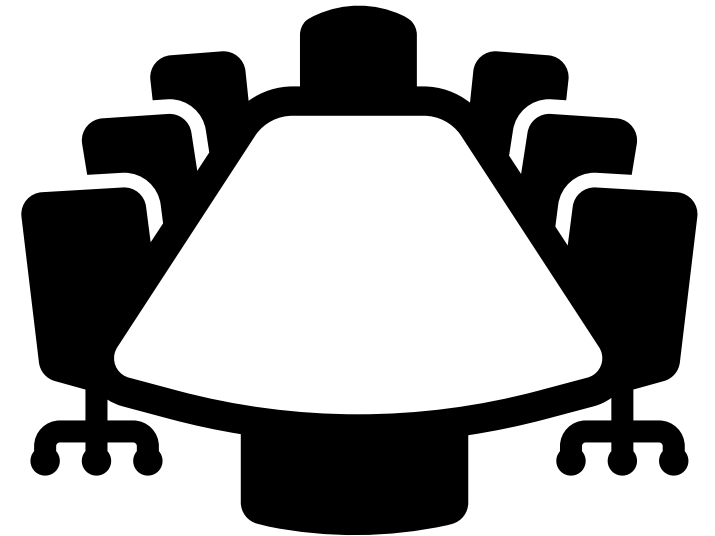
- Being financially interested in a company contract
- Accepting gifts or favors in connection with a contract award or other Board decision
- Representing company interests when not specifically authorized by Board to do so, and gaining from that representation

Unethical Conduct

- Implying Board authority as an individual to influence outcomes
- Using position of authority to obtain favorable treatment
- Representing company interests when not specifically authorized by Board to do so
- Committing company resources or making promises before Board consideration
- Disclosing information discussed in closed session or deemed to be confidential
- Interfering with operational management of the company
- Conducting Board business under the influence of alcohol or drugs

Consequences for Ethics Violations

- Public reprimand (censure) – Best Practice
- Stripped of committee assignments – Best Practice
- Removal from office – Bylaw IV, Powers and Duties of Directors
- Potential civil/criminal penalties



Code of Conduct:

How Board members should treat one another, staff, shareholders and outside entities when representing FLMWC

Conduct in Meetings

- Practice civility and decorum when discussing issues
- Honor role of Board President in managing meetings
- Avoid personal comments that could offend others
- Demonstrate effective problem solving

Conduct with Staff

- Practice civility and decorum in all interactions
- Be mindful of staff workload when contemplating requests for assistance
- Ensure that Board President is aware of requests for assistance of staff
- Direct requests for assistance only to General Manager
- Do not attempt to manage or interfere with day-to-day operations

Conduct with Outside Entities

- Practice civility and decorum in all interactions
- Convey official company position, not a personal viewpoint
- Keep a written record of verbal conversations
- Retain written communications and share with Board and General Manager
- **Never** make commitments before questions and issues are fully discussed at Board meetings

Code of Conduct: Effectively resolving conflicts

- Conflict resolution is central part of Board's business
 - Individuals have different values, goals, positions and perceptions
- Conflict can be positive when it leads to open, civil discussion and debate
 - Opportunity to hear other viewpoints that may impact decision-making or result in consensus

Code of Conduct: Effectively resolving conflicts

Listen

- Listen to other Board members and try to understand their perspectives
- Be supportive and say so if there is agreement on others' opinions

Compromise

- Work toward consensus but look for ways to compromise
- Be prepared to concede secondary issues if consensus can be gained on primary issue
- Do not view compromise as defeat

Disagree Agreeably!

- Disagree in a cordial and respectful manner
- Do not allow a disagreement on one issue affect decision-making on other issues
- Speak for oneself (“I believe” or “I feel”) rather than attacking someone else’s opinion (“He doesn’t believe”)

Code Conduct: Moving on from conflict

- After a vote is taken, move on to next issue with an open mind
- Do not take Board disagreements outside of the boardroom
- Do not look for agreement on your viewpoint with non-board members
- Do not allow personal conflicts to influence support for other Board members or employees

Next Session(s): Open Meetings, Public Records and Fiduciary Duties