

PRO-302.3 CONFLICT OF INTEREST ADMINISTRATIVE PROCEDURE

1.0 Purpose.

The purpose of this Administrative Procedure is to implement Sections 301.8 and 301.9 of TRWD Board Policy 301 Employment Practices and Sections 302.3.1 and 302.4, including 302.4.1 through 302.4.11, of TRWD Board Policy 302 Employee Standards of Conduct and Code of Ethics to protect the ethical and civic responsibilities of TRWD and its mission.

2.0 Scope.

This Conflict of Interest Administrative Procedure applies to all departments, divisions, and offices within TRWD, all TRWD employees, and all consultants, vendors, contractors or any other individuals engaged in a business relationship with the District.

3.0 Definitions.

The following definitions, some of which are set forth in Section 302.4.1 of TRWD Board Policy 302 Employee Standards of Conduct and Code of Ethics, apply to this Administrative Procedure.

Benefit – A benefit is anything reasonably regarded as pecuniary gain or pecuniary advantage, including benefit to any other person in whose welfare a TRWD employee has a direct and substantial interest. Pecuniary gain or advantage includes monetary, financial, or economic gain or advantage.

Business Entity – Any business, proprietorship, firm, partnership, or person in a representative or fiduciary capacity, association, venture, trust, corporation, or any other entity recognized by law.

Contract – A written agreement for sale or purchase of real property, goods, or services, including professional services. Employee - Any person who is hired in a full-time, part-time, or temporary capacity in a position of employment with TRWD, including an independent contractor.

Family Member – A person related to another person within the first degree by consanguinity or affinity, as described by Texas Government Code Chapter 573, Subchapter B.

Family Relationship – A relationship between a person and another person within the third degree by consanguinity, as described by Texas Government Code § 573.023, or second degree by affinity, as described by Texas Government Code § 573.025.

Gift – A benefit offered by a person to a TRWD Official or employee, or family member of the TRWD Official or employee, including food, lodging, transportation, and entertainment accepted as a guest. A gift does not include a benefit offered on account of kinship or a personal, professional, or business relationship independent of the official status of the recipient.

A "gift" includes, but is not limited to:

- Vacations, pleasure trips, or hunting trips;
- Discounts, favors, benefits, products or services not available to the general public under similar circumstances;
- Loans or advances; or
- Tickets or other entertainment free or at a discount unavailable to the general public.

A "gift" does not include: a reasonable meal accepted as a guest, or a promotional item of nominal value, typical of items given at vendor booths at conferences. The prohibition on gifts, likewise, does not apply to food, lodging, transportation, or entertainment accepted as a guest, if the donee is required by law to report those items and reports those items.

Substantial Interest - A substantial direct or indirect pecuniary or material benefit accruing to a TRWD Official or employee as a result of a contract or transaction which is or may be the subject of an official act or action by or with the District. For the purposes of this Code of Ethics, a TRWD Official or employee shall be deemed to have a substantial interest in the affairs of:

- Any person related to him or her in the second degree or closer of consanguinity or affinity; or
- Any business entity or real property if:
 - The interest is ownership of ten percent (10%) or more of the voting stock or shares of the business entity; or ownership of \$15,000 or more of the fair market value of the business entity;
 - The interest is equitable or legal ownership in real property and the fair market value of the interest is \$2,500 or more; or
 - The funds received by a TRWD Official or employee from the business entity exceed ten percent (10%) of the TRWD Official's or employee's gross income for the previous year or which exceed \$2,500 during the preceding twelve (12) months.

Vendor – A person, including the vendor's agent, who enters or seeks to enter a contract with TRWD.

4.0 General Conduct and Reporting Requirements.

It is the responsibility of each employee to maintain the highest standards of integrity and personal conduct, and to prevent and report others engaging in unethical behavior. All TRWD employees must follow federal, state and local laws and regulations. All TRWD employees must faithfully adhere to all requirements of TRWD Board Policy 302 Employee Standards of Conduct and Code of Ethics, which includes all requirements in Section 302.4, the Employee Code of Ethics.

TRWD employees shall not intentionally or knowingly offer, confer, agree to confer on another, solicit, accept, or agree to accept a benefit in exchange for the employee's

decision, opinion, recommendation, or other exercise of discretion, or violation of a duty owed to TRWD or the law as a TRWD employee.

Bribes, kickbacks, and other unlawful payments are specifically prohibited. Any unlawful or unethical activities of employees, officers, vendors, contractors, suppliers or consultants must be reported immediately including as discussed in this Administrative Procedure. Engaging in or failing to report unlawful or unethical activities will result in disciplinary action up to and including termination.

5.0 Gifts and Benefits.

As set forth in Board Policy 302.4.5, TRWD Employees shall not solicit or accept any gift, favor, or service of any kind from a current or potential vendor or contractor that might reasonably tend to influence the TRWD official in the exercise or performance of the employee's official duties, or that the TRWD employee knows or should know is being offered with the intent to influence their official conduct, regardless of value.

6.0 Interest of TRWD Employee in Contract or Transaction.

Selection of outside vendors, contractors, and consultants shall be based on the business's or individual's merits, and there should be no actual or appearance of improper bias or profit or personal motive in selection.

Under Board Policy Section 302.4.2, no TRWD employee having the power or duty to perform an official act or action related to a contract or transaction which is or may be the subject of an official act or action of TRWD or the power to exercise discretion in the planning, recommending, selecting or contracting of a vendor shall:

- Have or thereafter acquire a substantial interest in such contract or transaction; or
- Have a substantial interest in any business entity or real property involved in such contract or transaction; or
- Have solicited or accepted present or future employment with a person or business entity involved in such contract or transaction.

In addition to the requirements of Board Policy Section 302.4.2, if any employee has a family member or family relationship, financial, a present or known future employment relationship, management, officer/board membership, or ownership interest in a business entity being considered to serve as a contractor, vendor, or consultant of TRWD, that employee must notify the Director of Purchasing in writing, and must remove him or herself from any decision-making process including the planning, recommending, selecting, or contracting of a contractor or vendor. For purposes of this Administrative Procedure, employees need not report financial interests consisting only of less than five percent (5%) common stock or share ownership.

If TRWD does contract with an outside business that an employee has an above-listed interest in, that employee must be kept completely separate from any transactions and communications between TRWD and the business.

If a TRWD employee knowingly owns property within proposed boundaries of a TRWD project under consideration, the employee shall inform the Director of Purchasing in writing. Such employee must then remove himself or herself from consideration of or involvement in such transaction.

7.0 Conflict of Interest Disclosure.

A TRWD employee must file a Conflicts of Disclosure Statement, Form CIS, with TRWD's Records Management Officer within seven business days after the employee becomes aware that a vendor contract has been signed or is being considered in accordance with Board Policy 302.4.4. An employee must submit a CIS if any of the following are present.

- The vendor has an employment or business relationship with the employee or a family member or family relationship of the employee that results in the employee or family member of the employee receiving taxable income, other than investment income, that exceeds \$2,500 during the twelve months preceding the date the employee becomes aware that:
 - A contract between TRWD and the vendor has been executed; or
 - TRWD is considering entering into a contract with the vendor.

- The vendor has given gifts to the employee or a family member of the employee that have an aggregate value of more than \$100 in the 12-month period preceding the date that the employee becomes aware that:
 - A contract between TRWD and the vendor has been executed; or
 - TRWD is considering entering into a contract with the vendor.

- The vendor has a family relationship with the employee.

A TRWD employee is not required to file a Form CIS, with respect to a gift accepted by the employee or family member of the employee if the gift is a political contribution as defined by Title 15 of the Election Code or food accepted as a guest.

8.0 Outside Employment.

Employees should consider their first and primary responsibility to be to TRWD. As set forth in Board Policy 302.4.3, regarding "Incompatible Service," no TRWD employee shall engage in or accept private employment or render service for a private interest when such employment or service is incompatible with the proper discharge of the employee's official duties, or would possibly impair the employee's independence of judgment or action in the performance of the employee's official duties, unless otherwise permitted by law and by TRWD. Outside employment or provision of service for a private interest shall not be of such a nature to reflect adversely on TRWD or impair the employee's ability to do an effective job for TRWD.

9.0 Political Activities.

Employees are encouraged to exercise their civic rights and to be involved in activities of their community. TRWD and TRWD supervisors shall not require employees to contribute to any political fund or render any political service to any person or political party, and no

employee shall be disciplined, adversely affected, or otherwise prejudiced for failure to do so.

Employees shall not perform or be involved in political campaigning or related activities during normal working hours; while wearing TRWD uniforms, badges, or insignia; or while using TRWD property. Employees may serve on boards or commissions but are prohibited from serving on the governing body of a city or any other entity with a contractual relationship with TRWD unless approved by the General Manager and/or the Board of Directors, where appropriate, after determining that it is in the best interest of TRWD.

10.0 Duty to Inquire.

If an employee is uncertain or has a question regarding the applicability of this Administrative Procedure, the employee should inquire with the General Counsel. TRWD encourages employees to err on the side of caution and ask any questions the employee has regarding whether the prohibition on impermissible gifts or benefits, the actions required of employees with an interest in a contract or transaction, the duty to submit Form CIS, the incompatibility of outside employment or provisions of services, or the rules regarding political activities applies to the employee's situation.

11.0 Duty to Report.

An employee shall immediately report the following under TRWD Board Policy Section 302.4 Employee Code of Ethics and this Administrative Procedure to the General Manager or designee.

- If an employee receives an offer of an impermissible gift, favor, or service from a current or potential vendor or contractor, or knows that another TRWD employee has received such an offer.
- If an employee has an interest in a TRWD contract or transaction and has failed to properly disclose such interest or failed to improperly remove themselves from the decision-making processes regarding such contract or transaction, as required by Section 6 of this Administrative Procedure.
- If an employee has a conflict of interest, as set forth in Section 7 of this Administrative Procedure, and has failed to file a Form CIS.
- If an employee has accepted private employment or engaged in the rendering of services for private interest that is incompatible with the employee's duties or responsibilities to TRWD in violation of Section 8 of this Administrative Procedure.
- If an employee has engaged in political activities while on TRWD time, while wearing TRWD uniforms or insignia, or while using TRWD property in violation of Section 9 of this Administrative Procedure.

If a supervisor has a reasonable suspicion that an employee has failed to comply with this Administrative Procedure, the supervisor shall immediately report this information to the General Manager or designee.

12.0 Failure to Report.

An employee's or supervisor's failure to report in compliance with this Administrative Procedure may result in disciplinary action, including termination of employment.