

**ASSOCIATION OF WATER BOARD DIRECTORS - TX:**

# **WATER DISTRICT ETHICS**

## **101**



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**AWBD New  
Director Workshop:  
DIRECTORS - 101**

# What is a Conflict of Interest?

**A SITUATION IN WHICH A PERSON IS IN A POSITION TO DERIVE PERSONAL BENEFIT FROM ACTIONS OR DECISIONS MADE IN THEIR OFFICIAL CAPACITY.**

# Conflict of Interest: Severity

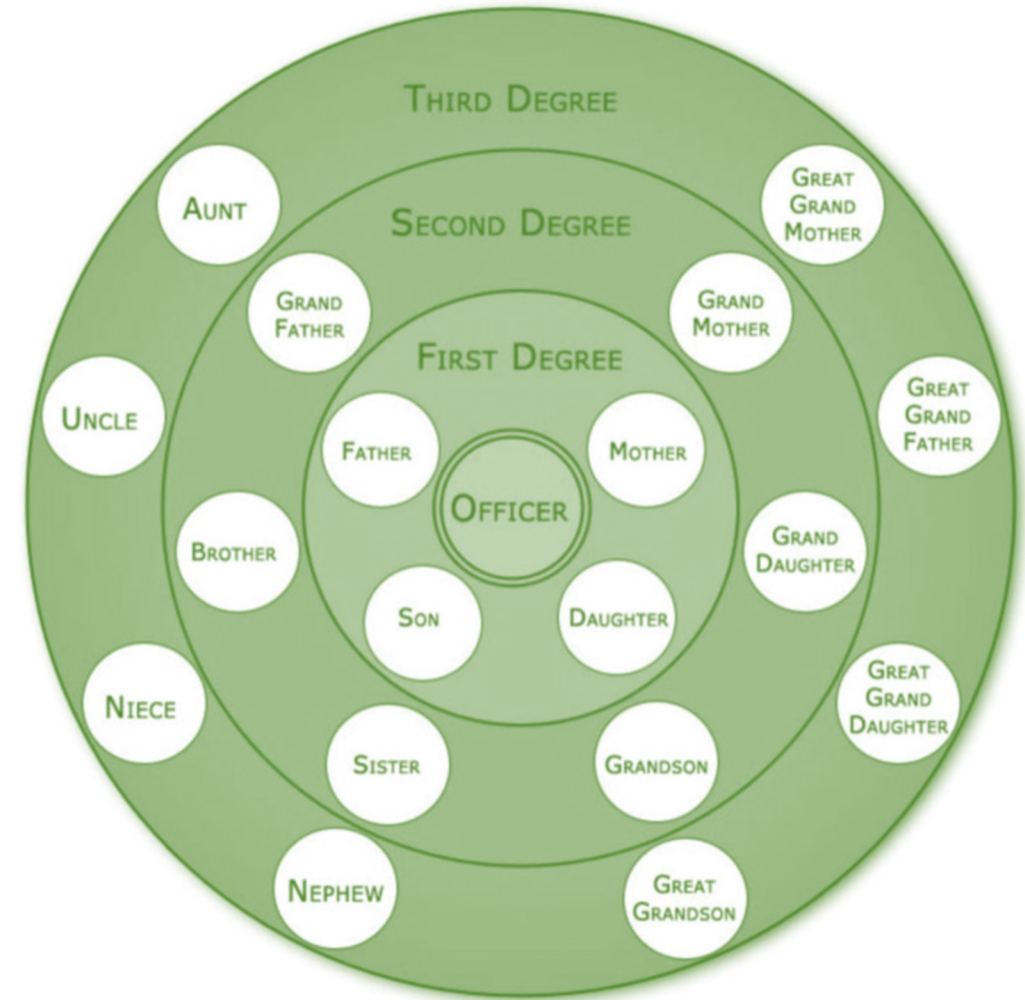
	CLASS A MISDEMEANOR	CLASS B MISDEMEANOR	CLASS C MISDEMEANOR	FELONY
Nepotism	X			
Bribery				X
Honorariums	X			
Abuse of Office	X	X	X	X
Misuse of Official Info			X	X
Official Oppression	X			X
Financial Conflict	X			
Conflict Disclosure	X	X	X	



# Nepotism: Government Code Chapter 573

Close relative is a relative who is either in the **1st, 2nd, or 3rd degree** of consanguinity – **BLOOD**

Gov. Code § 573.002



**CONSANGUINITY KINSHIP**  
Relationship by Blood

# Nepotism: Government Code Chapter 573

Close relative is a relative who is either in the **1<sup>st</sup> or 2<sup>nd</sup> degree of affinity – MARRIAGE**

Gov. Code § 573.002



**AFFINITY KINSHIP**  
Relationship by Marriage

# Bribery and Public Gifts: Texas Penal Code Chapter 36

## BRIBERY

### Texas Penal Code Section 36.02

Any benefit (pecuniary gain or advantage) for:

Decision

Opinion

Recommendation

Vote

Exercise of discretion

## HONORARIUMS

### Texas Penal Code Section 36.07

Not OK if received  
because of  
position.

## EXCEPTIONS

### Texas Penal Code Section 36.10

- Money you are entitled to receive outside of public servant capacity
- Gift given because of a personal, professional, or business relationship
- Value less than \$50 (NOT CASH)
- ***Transportation, lodging, and food***
- Benefit to defray expense related to being a public servant
- Items issued by the governmental entity



# Abuse of Office: Texas Penal Code Chapter 39

Abuse of Official Capacity (Section 39.02)

Official Oppression (Section 39.03)

Misuse of Information (39.06)

# Financial Conflicts of Interest: LGC Chapter 171

Substantial Interest in a **Business Entity**

Substantial Interest in a **Real Property**



# Financial Conflicts of Interest: LGC Chapter 171

***Substantial Interest*** in a ***Business Entity*** that has an issue ***before the governmental unit***. Section 171.002 (a) & (c)

<b>Stock Interest</b>	owns <b>10% or more</b> of the <b>total voting stock or shares</b>
<b>Other Ownership Interest</b>	owns either <b>10% or more</b> , or <b>\$15,000</b> or more, of the <b>fair market value of the business entity</b>
<b>Income Interest</b>	received more than <b>10%</b> of his/her <b>gross income</b> from the previous year from the business entity
<b>Close Relative w/any of the above interests</b>	close relative within the 1st degree of consanguinity (blood) or affinity (marriage)

# Financial Conflicts of Interest: LGC Chapter 171

***Substantial Interest in Real Property*** that would be affected by the ***governmental unit's actions***. Section 171.002 (a) & (c)

\$2,500 Ownership Interest

Close Relative w/\$2,500 Ownership Interest

# Financial Conflicts of Interest: LGC Chapter 171

What do you do if there is a financial conflict?

- File an affidavit
- Do not discuss
- Do not vote

Section 171.004 (a) & (b)



# Mandatory Conflict Disclosures: LGC Chapter 176

A vendor or a local government officer of a local governmental entity **MUST** disclose certain business relationships.

# Mandatory Conflict Disclosures: LGC Chapter 176

A local government officer of a local governmental entity **MUST** disclose certain business relationships with **vendors** who are conducting business with the entity.

# Mandatory Conflict Disclosures: LGC Chapter 176

## Who is a “government officer”?

A member of the governing body of a local governmental entity;

A director, superintendent, administrator, president, or other person designated as the executive officer of a local governmental entity; or

An agent (including employee) of a local governmental entity who exercises discretion in the planning, recommending, selecting or contracting of a vendor.

Section 176.001(4)



# Mandatory Conflict Disclosures: LGC Chapter 176

## What must be disclosed?

Official or family member has taxable income that exceeds \$2,500 during the 12-month period preceding the date that the officer becomes aware that vendor contract is executed or vendor contract is being sought.

# Mandatory Conflict Disclosures: LGC Chapter 176

## What must be disclosed?

Official or family member receives one or more gifts that have an aggregate value of more than \$100 in the 12-month period preceding the date the officer becomes aware that vendor contract is executed or vendor contract is being sought.

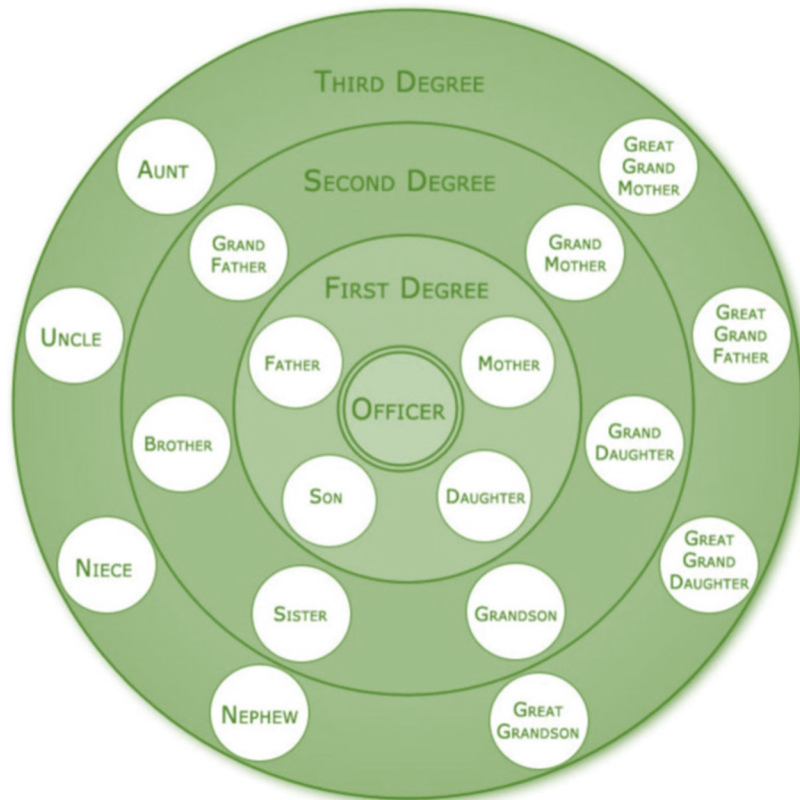
## What must be disclosed?

- Family relationship with a vendor.
  - A person related to another person within the 1st degree by consanguinity (blood) or affinity (marriage).
  - A relationship between a person and another person within the 3rd degree by consanguinity (blood) or the 2nd degree by affinity (marriage).



# Mandatory Conflict Disclosures: LGC Chapter 176

## Consanguinity



**CONSANGUINITY KINSHIP**  
Relationship by Blood

## Affinity



**AFFINITY KINSHIP**  
Relationship by Marriage

# Conflicts of Interest

Civil Liability

Removal From Office

# PREVENTION: Proactively Manage Conflicts

1. Policies
2. Training
3. Culture



# PREVENTION: Proactively Manage Conflicts

## **Policies**

- Conflict of Interest Statement
  - Conflict of Interest Policy
  - Conflicts Forms
- Investigation Procedures
  - Crisis Response Team
- Defense Counsel (for you)

# PREVENTION: Proactively Manage Conflicts

## **Training**

- Spend the Money  
or
- Designate Trainer

# **PREVENTION: Proactively Manage Conflicts**

## **Culture**

- With Openness**
- Without EGO**





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# AGENDA: NEXT UP

1. WELCOME
2. WATER DISTRICT CREATION
3. COFFEE BREAK
4. WATER DISTRICT OPERATION & ADMINISTRATION
5. COFFEE BREAK
6. WATER DISTRICT FINANCE & TAXATION
7. LUNCH SERVICE
8. WATER DISTRICT ETHICS
9. WATER DISTRICT MEETINGS & COMMUNICATIONS
10. TEA BREAK
11. WATER DISTRICT INNOVATION