

The Federation, AFT Local 1388
Conflict of Interest Policy (adopted August 06, 2020)

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Article I: Purpose

A. This conflict of interest policy (“Policy”) is designed to protect the interests and organizational objectives of the Federation, Local 1388, a nonprofit corporation. The Federation is governed by its Federation Executive Board. The Federation Executive Board takes or delegates actions based upon its constitutional authority to fulfill Federation’s essential work.

B. When Federation is contemplating an action, transaction, or arrangement, this Policy requires that Federation’s interests must take precedence over any private interest of a Federation Executive Board member, Federation Officer or key Federation employee (including any committee member who has been delegated powers to act for the Federation).

C. This Policy prohibits any excess-benefit transaction.

D. This Policy is intended to support Federation’s organizational objectives by requiring consistent, loyal and trustworthy actions by its decision-makers. The Federation Executive Board, Federation Committee members, principal officers and key employees each owe a fiduciary responsibility to Federation and its members. Their fiduciary duty requires that they act in Federation’s best interest, particularly when Federation’s best interest conflicts with their own self-interest. The Federation’s collective interest must supersede any competing individual concerns, and this must be reflected in the decisions and actions of the Federation Executive Board, Federation Committee members, and Federation’s managerial employees. Fiduciary duty requires the exercise of a high degree of diligence, skill, and care when Federation’s organizational objectives and interests are at stake. The Federation Executive Board and those within Federation who are responsible for its proper management have a duty to exercise honesty, full disclosure, and good judgment in dealing with the Federation financial matters. The Federation is governed and administered in trust for Federation’s members, and no one should gain any improper personal benefit at Federation’s expense.

E. This Policy governs the Federation Executive Board, Federation Committee members, Federation officers, and all key Federation employees who exercise managerial authority within Federation.

F. This Policy shall govern past, current, and future behavior of those defined in Article 1, section E.

Article II. Definitions for the Federation Conflict of Interest Policy

A. “Compensation” includes direct and indirect remuneration as well as gifts or favors that are not insubstantial.

B. An “Interested Person” includes the Federation President, Federation Executive Board Member, Federation officer, or Federation member of a committee with governing board delegated powers, who has a direct or indirect financial interest, as defined below.

C. A “Financial Interest” is when a person has, directly or indirectly, through business, investment, or family:

1. An ownership or investment interest in any entity with which Federation has a transaction or arrangement,
2. A compensation arrangement with Federation or with any entity or individual with which the Federation has a transaction or arrangement, or
3. A potential ownership or investment interest in, or compensation arrangement with, any entity or individual with which Federation is negotiating a transaction or arrangement.

A financial interest is not necessarily a conflict of interest. Under Article III below, a person who has a financial interest may have a conflict of interest only if the Federation Executive Board decides that a conflict of interest exists.

Article III: Procedures

A. Duty to Disclose:

Any interested person must disclose the existence of a financial interest and be given the opportunity to disclose all material facts to the Federation Executive Board or Federation Committees before it considers the proposed action, transaction, or arrangement. When a key Federation employee is an interested person who is connected to an action, transaction, or arrangement that is ordinarily approved by Federation staff, the possible conflict of interest should be referred to the Federation Executive Board or Federation Committee to take appropriate action and determine whether an actual conflict of interest exists.

B. Determining Whether a Conflict of Interest Exists:

An interested person may make a presentation to the Federation Executive Board or Federation Committee and answer any questions about the possible conflict of interest. After making this presentation and answering questions, the interested person shall leave the meeting. The disinterested Federation Executive Board or its Committee shall then decide if a conflict of interest exists.

C. Procedures for Addressing the Conflict of Interest:

If the Federation Executive Board’s disinterested members (or disinterested Federation Committee members, if relevant) determine that a conflict of interest exists, they shall discuss, and vote on whether to engage in or undertake the action, transaction, or arrangement involving the possible conflict of interest. During this time, the interested person shall not be involved in the meeting.

The Federation President, Federation Committee chair, or disinterested members of the Federation Executive Board shall, if appropriate, appoint a disinterested person, committee, or subcommittee to investigate alternatives to the proposed action, transaction, or arrangement. The individuals making this appointment must themselves be disinterested in the proposed action, transaction, or arrangement. After exercising due diligence, the Federation Executive Board or its Committee shall determine whether Federation can obtain a more advantageous action, transaction, or arrangement from a person or entity that would not give rise to a conflict of interest.

If a more advantageous action, transaction, or arrangement is not reasonably possible under circumstances that avoid a conflict of interest, the Federation Executive Board or its Committee shall determine by a majority vote of the disinterested directors (or committee members) whether the action, transaction, or arrangement is in Federation’s best interest, for Federation’s own benefit, and whether it is fair and reasonable. Based on this determination, the Federation Executive Board or its Committee shall decide whether to enter into the action, transaction, or arrangement.

D. Violations of Conflicts of Interest Policy

If the Federation Executive Board or its Committee has reasonable cause to believe an individual covered by the Policy has failed to disclose actual or possible conflicts of interest, it shall inform the individual of the basis for this belief and afford them the opportunity to respond and explain the alleged failure to disclose. If, after hearing the response and making further investigation as warranted by the circumstances, the Federation Executive Board or its Committee determines the person in question has failed to disclose an actual or possible conflict of interest, it shall take appropriate disciplinary and corrective action.

Article IV. Records of Proceedings or Actions

A. The minutes of the Federation Executive Board and its Committees shall contain the names of the persons who disclosed—or otherwise were found to have an interest in connection with—an actual or possible conflict of interest, the Federation Executive Board’s or the Committee’s decision determining whether a conflict of interest existed, and the action ultimately taken, if any.

The minutes shall also contain the names of those who were present for discussions and votes relating to the action, transaction, or arrangement; the content of the discussion, including any alternatives to the proposed action, transaction, or arrangement; and a record of any votes taken in connection with the proceedings.

The minutes of any meeting discussing or taking action on actual or possible conflict of interest shall be approved contemporaneously, and approval of any part of the minutes involving the actual or possible conflict of interest shall be voted on only by disinterested members of the Federation Executive Board or its committee designated to act on this issue. Interested persons may be present during the discussion and voting on minutes on an actual or possible conflict of interest, but may not participate in any discussion or vote. The minutes shall indicate the disinterested members who participated in the discussion and voted on the minutes of any actual or possible conflict of interest.

Article V: Compensation

A. A voting member of the Federation Executive Board or an Federation Executive Board-created or -controlled committee who receives compensation, directly or indirectly, from Federation for services, other than those of an Federation Executive Board member or committee member, is precluded from voting on any matters pertaining to his or her compensation.

B. There is no prohibition on any voting member of the Federation Executive Board or committee who receives compensation, directly or indirectly, from Federation, either individually or collectively, from providing information to any committee regarding compensation.

Article VI: Annual Statements

A. Information to Be Provided

Each Federation Executive Board member, Federation officer, committee member, key employee and other interested persons shall annually sign a statement approved by the Treasurer affirming that the signer:

1. Has received a copy of this Policy;
2. Has read and understands this Policy;
3. Has agreed to comply with this Policy;
4. Has disclosed all family and business relationships with the Federation;
5. Has disclosed all transactions, arrangements or relationships reportable on IRS Form 990 Schedules J, L, and R, as well as any other applicable reporting requirements designated by the Treasurer;
6. Has agreed to update these statements whenever there is a material change in the information already provided on the statement; and
7. Understands that Federation is a nonprofit organization and its federal tax exemption requires Federation to engage primarily in activities which accomplish one or more of its tax-exempt purposes.

B. Dissemination

All annual statements shall be made available to all Federation Executive Board members, Federation Committee members. and Federation officers. Annual statements of the Federation Executive Board members shall be made available to all members of the Federation Executive Board and any relevant committee, as designated by the Federation Executive Board.

Article VII: Periodic Reviews & Distribution of Policy Materials

A. The Federation must operate in a manner consistent with its tax-exempt purposes and avoid engaging in activities that could jeopardize its tax-exempt status. Therefore, periodic reviews shall be conducted by a committee of independent Federation Executive Board members. A periodic review shall include the following subjects:

1. Whether compensation arrangements and benefits are reasonable, based on reliable survey information and objective bargaining; and
2. Whether partnerships, joint ventures, and arrangements with related and affiliated organizations conform to the Federation's written policies, are properly recorded, reflect reasonable investment or payments for goods and services, further Federation's purposes, and do not result in inurement, impermissible private benefit, or in an excess-benefit transaction.

After each election of Federation Executive Board members, these materials will be provided and a period review shall be conducted. Each new Federation Executive Board member shall be provided these materials upon joining the Federation Executive Board.

Article VIII: Use of Outside Experts

A. When conducting the periodic reviews as provided for in Article VII, the Federation may use outside advisors. If outside experts are used, their use shall not relieve the Federation Executive Board of its responsibility for ensuring that periodic reviews are conducted.

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The Federation, AFT Local 1388 Annual Disclosure Form

As a current or former Federation President, Federation Executive Board member, Federation Officer, Federation Executive Board Committee Member, Key Employee, or Highest Compensated Employee of Federation, I recognize that Federation must provide independent governance to Federation's constituency and that Federation must regularly report to government agencies to retain its tax-exempt status. I further understand that I owe a duty of loyalty to Federation. One aspect of fulfilling my duty is to avoid or disclose interests according to Federation's Conflict of Interest Policy ("Policy").

By signing below, I acknowledge that:

1. I have received a copy of the Policy;
2. I have read and understand the Policy;
3. I have agreed to comply with the Policy;
4. I have disclosed all family and business relationships with the Federation on this Form;
5. I have disclosed all transactions, arrangements, or relationships involving me that are reportable on Internal Revenue Service (IRS) Form 990 Schedules J, L, and R and any required California disclosures on this Form, after consultation with the Federation President;
6. I have agreed to update the information on this Form whenever there is a material change in the information; and
7. I understand that Federation is tax-exempt and to maintain its federal tax exemption, it must engage primarily in activities which accomplish one or more of its tax-exempt purposes.

In accordance with the Policy, I am disclosing the following interests as defined by the Policy. I will provide further information if requested and will cooperate with any review and evaluation on behalf of Federation.

1. Any ownership or investment interest in any entity with which Federation has a transaction or arrangement:

2. Any compensation arrangement with Federation or with any entity or individual with which Federation has a transaction or arrangement:

3. Any potential ownership or investment interest in, or compensation arrangement with, any entity or individual with which Federation is negotiating a transaction or arrangement:

4. Board membership, officer position, or agency interest in a commercial entity or nonprofit organization with which Federation has, or is negotiating, a transaction or arrangement:

5. Ownership, investment interest, compensation arrangement, board membership, officer position, or agency interest in a commercial entity, nonprofit organization or labor organization that competes with Federation:

6. Ownership, investment interest, compensation arrangement, board membership, officer position, or agency interest in a commercial entity, nonprofit organization or labor organization that advances opposing or adverse public policy positions from those of the Federation:

On an attached and dated document, please list all family members and individuals that you have a business relationship or involvements that are reportable (according to questions 1 through 6, above), by name, relationship, home address, and business address.

Below are listed any additional transactions, arrangements, or relationships involving me that are reportable on IRS Form 990 Schedules J, L, or R. I have sought the guidance of the Federation President in determining whether a transaction is reportable on such a schedule or form, and if there are any additional obligations under California reporting requirements:

Please use additional sheets or attach explanatory documents, if necessary. Please indicate whether any information provided here is to be kept confidential by the Federation. This information is accurate and complete to the best of my knowledge and ability.

Signature and date

Printed Name

Union Position

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