

Conflict of Interest and Recusal Rules for the Board Members

What is a Conflict of Interest?

A conflict of interest is a conflict between an individual's personal interests and his/her public duties – even if it only appears that way. A conflict of interest is a situation that may appear to an outside observer to cause a conflict. If a conflict exists, it undermines the appearance of fairness and impartiality and undermines the public's trust that all decisions are being made for the public good.

The City Code Recusal Requirements

The City Code applies to all city board members and it requires the board members to recuse themselves when they have a “substantial interest” in a person; in an association, business, corporation, government agency, or other entity; or in a piece of real estate that would be **affected** by a vote of the board on which he/she serves. A board member has a substantial interest in real property if his/her interest has a market value of \$5,000 or more. One has a substantial interest in a person, business, or entity if:

- he/she owns 5% of a business or an interest worth \$5,000 in a business
- during a year, he/she receives income from a person or business that amounts to \$5,000 in salary or professional fees
- during a year, he/she receives \$20,000 in payment for goods or on professional services, or 10% of his/her gross income
- he/she serves as a corporate officer or member of the board of directors or other governing board of an entity
- he/she owes money or is owed money by a person or business in an amount of \$5,000 or more

An interest in real estate worth \$5,000 or more is a **substantial interest**. A substantial interest of a board member's spouse is the board member's substantial interest, even if it is separate property.

Other substantial interests include:

- If a board member owns, partly owns, or conducts business through a partnership, professional corporation, or other entity, a substantial interest of that entity is likely to be the board member's substantial interest.
- A board member may also have a substantial interest in a client of a partnership, professional corporation, or entity through which he/she conducts business.

If a board member has a substantial interest, he/she must recuse himself/herself.

To recuse himself/herself under the City Code:

- The board member must make a public disclosure revealing the nature and the extent of his/her substantial interest.
- The board member must make sure his/her disclosure is recorded in the board's official records.
- The board member must NOT participate in the discussion.
- The board member must NOT vote.

Leaving the dais is a good way to emphasize that the board member is abstaining from participating in the discussion and the vote.