Ethics Committee

Ethics Education: Overview of Ethics Rule

Item 6a

October 12, 2026

Presented by: Kelli Shope

Item 6a

Subject

Ethics Education: Overview of Ethics Rule

Purpose

To provide a brief reminder on two key conflicts of interest rules.

Background

- Purpose of Conflicts of Interest provisions
  * Laws are intended to avoid even the appearance of impropriety
- Metropolitan rules and state laws
- Two key conflict of interest provisions:
  1) Conflicts of interest in government decisions
  2) Conflicts of interest in government contracts
- Potential impacts of conflict of interest missteps

Conflicts of Interest in Government Decisions

- Political Reform Act, Government Code § 87100:

  Public officials may not participate in a government decision if it is reasonably foreseeable that the decision will have a financial impact on their personal finances or other financial interests.

  (*Interpreting Regulations: California Code of Regulations §§ 18700 – 18757*)

- Metropolitan Administrative Code § 7112

  Same as § 87100

What is Considered a Financial Interest?

Financial interests include:

- ❑ Source of Income
- ❑ Business Entity/Investment/Business Position
- ❑ Real Property
- ❑ Source of Gift
- ❑ Official’s Personal Finances

*Including those of spouse/dependent children

Plain Meaning of Section 87100

Do not participate in any way in any Metropolitan matter involving a financial interest.

**If you believe an exception applies, seek advice before participating in any way.*

Conflicts of Interest in Government Contracts

- California Government Code § 1090:

  Public officials may not be financially interested in any government contract made by them in their official capacity or by any body or board of which they are members.

- Metropolitan Administrative Code § 7111:

  Same as § 1090

What is “Financially Interested” Under Section 1090?

Not defined but interpreted very broadly to include indirect and direct financial interests. Consider same interests as with section 87100:

- ❑ Source of Income
- ❑ Business Entity/Investment/Business Position
- ❑ Real Property
- ❑ Source of Gift
- ❑ Official’s Personal Finances

*Including those of spouse/dependent children

What is a Contract Under Section 1090?

Contract generally means any agreement.

Examples:

- ❑ Contract for goods/services
- ❑ Sponsorships/donations
- ❑ MOUs
- ❑ Grants
- ❑ Purchases/expenditures
- ❑ Contract renewals/amendments
- ❑ Even contracts “for free”/pro bono

Plain Meaning of Section 1090

Do not participate in any way in any Metropolitan contract involving a financial interest.

**If you believe an exception applies, seek advice before participating in any way.*

Key Takeaways

- Complex law and dependent on facts involved
- Does not require any actual personal financial gain
- Applies to any Metropolitan matter, whether in public meetings or outside of public meetings
- Disqualification requires avoiding all participation in matter/contract – not just voting (discussing, advising, recommendation, providing information, etc.)
- Read conflicts bulletin before public meetings to help screen for potential conflicts
- Consider your and your spouse's financial interests, clients, roles on non-profit boards
- Seek advice if personal interests could overlap with Metropolitan
- Limited exceptions can apply but require thorough legal analysis
- Conflict of interest provisions are construed broadly – exceptions are construed narrowly
- "When in Doubt, Sit it Out"

Resources

- Conflicts Bulletin (issued twice per month)
- Ethics Office Advice
- Form 700
- Fair Political Practices Commission – formal advice letters and educational materials
- AB 1234 training: In-person training at November Board meeting

THE ETHICS OFFICE

THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

Questions?

THE METROPOLITAN WATER DISTRICT OF
SOUTHERN CALIFORNIA
1928