



WESTERN PACIFIC RAILROAD MUSEUM POLICY

Committees

Effective Date: 05/01/04
Next Review Date: 05/01/2020
Replaces:

Legal Review Date:

Policy Statement

It is Feather River Rail Society's policy that the Board of Directors and/or the President shall appoint committees as necessary to assist in the discharge of the business of the Society.

Overall Accountability

The Board of Directors and/or the President is responsible for appointment of committee chairs and/or the membership of a given committee.

Scope

This policy applies to the Board of Directors, the President and the members of all committees.

Definitions

Special Committees are temporary or ad hoc groups established for only a limited purpose.

Standing Committees are permanent, generally described in the bylaws or by resolution and may make recommendations, oversee operations, study specific areas of activity and the like. Depending on the bylaws or resolutions creating them, they may have limited power to bind the corporation.

Implementation

The Directors of a nonprofit corporation will frequently do business through committees formed by the Board. The Directors should understand what functions can be delegated to committees and what responsibilities the Board has for their activities.

Committees are usually necessary for the efficient discharge of the Board of Directors' business. The Boards of virtually all nonprofit corporations form committees for various purposes and, indeed, many of them would find it impossible to discharge their responsibilities without doing so.

The purpose, powers and limitations of any committee should be clearly stated in the bylaws or by resolution. These documents should define the membership, term of office, and method of appointment.

1. Types of Committees

(a) Special Committees

Special Committees do not differ legally from agents appointed by a Board of Directors to perform limited functions.

Special committees can be either advisory with no power to bind or act for the corporation or created for a certain purpose with limited powers. The Board of Directors may, from time to time, create committees to investigate or recommend actions of a special nature. Those committees may be formed to buy a building, plan a reception, approve drafts of documents, make a public relations statement, or some similar purpose. They may also be asked to represent the corporation in dealing with another group or meeting. However, these committees can be delegated special powers to act as agents or to act in place of the Board if the Board so decides.

Of course, a Board of Directors may, at any time, retain persons, entities, or organizations to investigate a problem and report to it or to serve as agents of the Corporation in some matter. Thus, even the naming of a committee of total outsiders to perform some function is not outside the normal discretion of the Board of Directors. However, in each case the Board should consider if the authority granted to such a committee is proper.

The Board should note that even where a special committee has either no authority, or strictly limited authority to bind the Corporation, parties outside the Corporation may be entitled to rely on the apparent authority of the committee, and the committee should be warned against this danger.

(b) Standing Committees

Most nonprofit corporations find it necessary to have permanent standing committees of the Board in order to efficiently discharge their business.

The Board of Directors may discharge their business on a particular issue through a committee created to assemble information and make recommendations concerning a particular corporate activity. The Board is entitled to rely on such a committee in the normal course of business, unless it has some reason to know that the committee's report is deficient.

Because the work product of the committee forms part of the record of the Board's action in regard to an issue, its formation, purpose and authority to act on behalf of the corporation should be clearly stated in the bylaws or in the minutes of the Board meeting at which it was created. Even if the specific action taken at the meeting is simply to empower the chair to appoint the committee, and the appointment is not made until after the meeting, the purpose of the committee should also be set forth in the minutes and the chair's responsibility accordingly defined. If the committee is a permanent one, or maintained from year to year, its function should be described in the bylaws or by Board resolution.

2. The Composition Of Committees

The appropriate composition of a committee will depend upon the type of committee involved.

The committee members need not be members of the Board of Directors. The extent to which a committee should consist solely or predominantly of Directors, or may be appointed without any Directors at all, depends upon the purpose of the committee and the authority given it. In most cases at least one of the members of a standing committee should be a Director.

3. **Procedural Issues Related To Committees**

The procedures, records and operations of committees should be as clearly defined as those of the Board itself.

The distinction between the Board of Directors' procedures and those of committees will depend somewhat on the size of the corporation. Large nonprofit Boards and their committees, such as those of national associations of various kinds, may require, for orderly or efficient procedure, a degree of formality that would be inefficient and possibly ridiculous in a small Board of five or six people. Committees may be a more flexible way of achieving results.

One of the principal reasons for working through committees is partly to avoid the formalities, which are sometimes necessary in a Board of Directors' meeting. Smaller groups may offer a greater openness of discussion.

Committee members are entitled to notices of meetings, quorum requirements, and access to records, clear resolutions in the event of controversy, and a right to record dissent. Informality of discussions should not amount to or imply an infringement of the committee members' rights in this regard.

(a) **Size**

As with the Board itself, committees should be selected and managed so as to maximize the efficiency of the committee in discharging their duties.

In general, smaller groups are more efficient. Three to seven is an optimal size as larger committees are unwieldy. Awarding committee memberships as "perks" or to assuage egos is a sure prescription for poor performance. However, the committee must contain enough people to carry out the committee's mission and to provide representation from all whose concerns shall be examined in the committee's work. The bylaws or the resolution appointing the committee may specify the size of any committee by setting forth a permissible range of committee members.

(b) **Committee Minutes and Records**

Committees should maintain minutes of meetings and other records appropriate to their purposes. The more a Board relies on a committee in the discharge of the Board's duty of care, as in reliance upon the judgment and actions of an investment committee, the more a committee should be expected to maintain fully detailed minutes and records and to make regular reports to the Board.

As a practical matter it may be sufficient for the Board to require that a special committee

prepare only a report. Standing committees should submit reports to the Board.

4. **Conflict Of Interest**

The Duty of Loyalty applicable to Directors is also applicable to committee service.

All standards set forth regarding conflicts of interest apply to members of committees. Indeed, they apply with somewhat greater force since a conflict of a single member of a small committee directly affects whether a nonmember Director not serving on the committee may reasonably believe that the committee's recommendations merit confidence.

5. **Specific Committees**

The Board of Directors should, from time to time, create various committees and define their functions for the efficient discharge of its duties. However, it should specifically examine the possible need for a Nominating (Election) Committee, a Bylaws Committee and an Audit Committee.

Most standing and special committees will be created as the need arises, and include committees such as Personnel or Human Resources, Planning, Public Relations, Finance, Programming, Capital Campaigns and Grants. However, the Nominating, Bylaws, and Audit Committees need special attention and are recommended for all nonprofit corporations.

(a) **Nominating (Election) Committee**

Good corporate practice suggests the appointment of a Nominating Committee in order to strengthen the corporate mission.

A Nominating Committee is almost always a standing committee and is rarely regarded as a body whose diligence or negligence is legally reviewed. Yet, even if the corporation has no legal obligations to others concerning the choice of its Directors or officers, the process of this choice may seriously alter the corporation's future.

The corporate mission may require racial and gender diversification in the Corporation's controlling bodies, or such diversity may be necessary in order to be considered for government and other funds.

The presence of a Nominating Committee also helps to ensure that important Board decisions regarding the appointment of Directors, management, and committee members will not be handled on a default basis by management alone.

The Nominating Committee may also have responsibility for recommending removal of a Director in the unusual circumstances when removal is appropriate, prior to the expiration of a Director's term of office.

Ideally, the Nominating Committee should be composed of Directors and non-Directors who will exercise their independent judgment and objectivity. In addition, it may, in some situations, be prudent to rotate the members of the committee. A compromise should be reached between the need to draw on the Corporation's present activities, history and

experience, and the need for fresh insights into the Corporation's present and future mission.

Board Development or Nominating (Election) Committee Responsibilities

The primary responsibilities of the Nominating (Election) Committee are to identify, recruit, and nominate persons to serve as members and officers of the Board of Directors and to provide development opportunities for Board membership.

The committee will also be responsible for preparing and mailing ballots and qualification statements submitted by the candidates. Additionally, the committee will receive and count the ballots according to a schedule prepared by the committee and approved by the Board of Directors. This schedule is to be approved no later than the December Board meeting. Finally, the committee will prepare a report with the results of the election and present the report at the annual membership meeting as provided in the bylaws.

Identification of well-qualified candidates will result from a carefully planned process designed to obtain influential, knowledgeable, and representative leadership from the organization.

The major steps in this process are:

- 1) Determining what is needed to strengthen the Board;
- 2) Putting together a list of prospective nominees;
- 3) Developing a tentative slate of nominees;
- 4) Recruiting candidates who are willing to serve; and
- 5) Developing a final slate of nominees.

For a variety of reasons, vacancies may occur on the Board during the period between elections. When these occur, it is the responsibility of the President and/or the Nominating Committee to recommend a suitable candidate for appointment by the Board to fill the vacancy.

(b) **Bylaws Committee**

Good corporate practice suggests the need of a committee to review and guide the development and updating of the Corporation's bylaws.

A Bylaws Committee has the responsibility concerning the Corporation's bylaws. In fulfilling these functions, the committee is responsible for the review, suggested changes, and recommendations to the membership.

The committee's duties usually include choosing services needed, reviewing reports and determining adequate changes in the make-up and structure of the bylaws. A review of legal compliance is included within the duties of a Bylaws Committee.

The committee has full authority to solicit members input and comments for revisions to the current bylaws.

The committee would normally assist the Nominating (Election) Committee in assembling

the draft revision of changes being proposed for the membership and help prepare the notice to the membership for approval.

(c) **Audit Committee**

Good corporate practice suggests the need of a committee to review and guide accounting and audit practices. Such a committee should be comprised solely of Directors.

An audit committee has responsibilities concerning the Corporation's auditing, accounting and control functions. In fulfilling these functions, for all but the very small corporations, an outside accountant should be retained to review and comment on the Corporation's books and records. Federal and state laws or regulation may require a formal audit by a certified public accountant. In order to retain objectivity of the audit process, employees of the Corporation, even if serving on the Board of Directors, should not be a member of the Audit Committee.

The committee's duties usually include choosing services needed, reviewing reports and determining adequate procedures and controls, reviewing financial performance and approving the annual budget for submission to the Board. Sometimes a review of legal compliance is included within the duties of an Audit Committee. Any additional duties should be undertaken with caution, for if the committee becomes involved in operational matters, it may jeopardize its essential independence from management. In order to adhere to the proper limits, the duties delegated to the committee should be spelled out very specifically, after consultation with and the concurrence of the outside accountant. This definition of duties can be accomplished either by bylaw or by Board resolution.

6. **Committee Chair**

(a) **Job Description**

- Appointed by the President.
- Provides leadership for their respective committee to fulfill the charge of the President and program objectives as approved by the Board.
- Report to the Board at its regularly scheduled meetings (and otherwise as necessary) regarding activities, work-in-progress, and accomplishments of their respective committees.
- Work with the Feather River Rail Society members to achieve committee goals and objectives.
- Work with the Feather River Rail Society members to develop committee budget and monitor activities within budget limits.

(b) **Responsibilities**

- Attend all committee meetings.
- Call and preside over meetings of the committee.
- Set the agenda for committee meetings.
- Record decisions and recommendations made by the committee.
- Report the committee's activities and recommendations to the full Board.
- Invite the President to attend committee meetings.

- Select who should serve on the committee.
- Delegate responsibilities to other committee members and encourage their full participation.
- Evaluate the work of the committee with other committee officers and the President in concert with the organization's strategic plan.
- At time of appointment, committee chairs will receive direction by the President and regular lines of communication will be established.
- Annually, the committee chair will develop a committee-specific action plan implementing the association's strategic plan and submit it to the Board of Director's liaison for approval. The action plan delineates goals, objectives, tactics, time frames and costs.
- The committee chair will develop a budget to support the committee plan and submit it to the budget and finance committee (if one exists) and subsequently to the Board of Directors for approval.
- The committee chair will submit committee reports when requested by the President, written reports for each Board meeting, and a written annual report to be presented to the membership.
- The committee chair will send minutes of committee meetings to committee members, the Board of Directors, and other committee chairs as appropriate, and file the minutes with the Corporate Secretary.
- Committee chairs may be requested to attend Feather River Rail Society Board meetings.
- Following each Board of Directors meeting, each committee chair will be sent a copy of the meeting minutes for review and action if required.
- The committee chair may request the use of a telephone credit card to be used for Feather River Rail Society committee work with the approval of the Board of Directors.
- The committee chair will review and revise committee procedures annually. The committee procedure manual must be submitted to the policy committee for review. A copy of the committee procedure manual will be maintained at Feather River Rail Society's corporate office.
- Committee communications, which will be presented to the membership will have prior approval of the President or designee.
- The committee chair is responsible for the annual evaluation of their committees utilizing the criteria approved by the Board of Directors. This will include the committee chair evaluating the committee members and the committee members evaluating the committee chair.