

ONEOTA CO-OP BOARD MEETING  
Spectrum Meeting Room  
June 24, 2008

Present: Board members, Steve P., Georgie K., Lyle L., Onita M., Joan L.; General Manager, Christopher DeAngelis; visitors John and Jana Klosterboer. Absent: Board members Toni S. and Keith L.

Board President Steve P. called meeting to order at 5:05 p.m.

Review Agenda – Steve P. added an item, an update on the HVAC system. Joan moved to approve the agenda with Steve's addition. Georgie seconded. Approved.

Member-Owner Comments – John K. asked why board meetings were held at 5:00 p.m., rather than later in the evening, say at 7:00. The early meeting time was chosen to accommodate board member schedules. Some board members have had other meeting obligations or classes later in the evenings. Some live outside of town and prefer to have the meetings start at the end of the work day, so they do not have to drive home and back to Decorah, or wait in town, as they would if meetings were at a later time. Also, since board meetings typically last two or more hours, members preferred to start early and get done so they did not have to stay so late in the evening.

Approval of Minutes from May 27, 2008 meetings – Joan recommended a change in the section on policy monitoring for Policy L5.7. The term “Audit Review” should be changed to “Financial Statement Review.” The correction will be made. The board thought the minutes of future policy monitoring reports need not be so detailed. They should include a notation of whether the board members 1) had received and read the report, 2) accepted or rejected the policy interpretation(s), 3) accepted or rejected the data and 4) found that the data supported the determination of compliance or noncompliance with the policy. Highlights of the monitoring report could be done in bullet form. Lyle suggested having an ongoing monitoring chart that could be referenced and would include compliance and noncompliance information, with interpretation referenced back to the chart. Georgie moved acceptance of minutes as corrected. Lyle seconded. Approved unanimously.

Policy Monitoring, G1 – Governance Style, D1 – Unity of Control – Steve P. did the written reports. All board members present acknowledged receiving and reading them. Board members agreed that the policy interpretations were reasonable, the data was sufficient and supported the finding of compliance with the policies. Steve thought it would be good to develop a survey tool, so that board members can be polled prior to the policy monitoring report on whether they were aware of any noncompliance issues. The board has been working on improving the governance process by adopting the new policy manual and its participating in the Cooperative Board Leadership Development programs.

GM Report – Sales Update/Sales Improvement – Christopher provided an update on the policy monitoring report for Policy L.5, “Financial Condition.” All board members present acknowledged receiving and reading the report. Board members agreed that the policy interpretations were reasonable, the data was sufficient and supported the report as to whether compliance had been met. Highlights include:

- The current ratio (ratio of current assets to current liabilities) was 1.91, not 3.2, due to

adjustments for the current portion of long-term debt. The adjustment did not affect compliance with the policy on the liquidity and cash needs of the coop.

- The financial statements were reviewed by the bookkeeper and finance manager, and an adjustment was made for the current portion of long-term debt. Christopher reported compliance with the policy regarding generating adequate income.
- The financial record keeping systems can adequately meet the needs of the coop, except that financial statements have not been consistently completed within six to seven weeks of the close of the fiscal period. Christopher updated the board on ways that the record keeping was being improved.

Christopher gave the board notice under Policy L.6.1 of a possible risk of incurring conditions described as unacceptable in the board policy on “Financial Condition and Activities.” The notice was given due to his estimate that first year sales will be below the pro forma business plan projection of \$3.5 million. Christopher estimates that first year sales will be between \$3.2 and 3.5 million. He will be consulting with Stephen Wolfe to see if the coop may be at risk of not being able to meet cash needs in the next two years as a result of the lower sales this year.

The coop experienced a drop in sales the week of the flood, but sales have returned to normal levels since then. The two weeks prior to the flood saw sales exceeding projections.

Christopher provided a report on sales improvement and labor expense reduction strategies. The coop will be opening an hour earlier, at 10:00 a.m., on Sundays to try to gain additional sales at a relatively low investment of labor. The grocery department will be having stockers work during peak sales hours so they can assist customers. The produce department is working with a consultant to improve efficiency and sales. Weekly sales goals and targets for sales per labor hour are being set for the produce department. Their productivity will be re-assessed monthly. Other departments will not have specific sales improvement targets until Christopher assesses the impact of reduced staffing hours during July. The front end, deli and administration departments are reducing staffing hours. Overtime has been steadily declining, and some new hires have been made to reduce the risk of overtime. Christopher aims to get the cost of labor as a percentage of sales down from the current level of around 31% to 26% by year end.

Christopher and the management team will be starting the business planning process for Fiscal Year 2009, after learning more about the process from Michelle Schry of People's Coop and Jan Rasikas of Viroqua Coop. He anticipates the process will take three to four months. Jan Rasikas and her front-end manager were also consulted on how to cut front-end costs and increase efficiency. The board commended Christopher for seeking input from other area coop managers who have recently experienced store expansion.

Report on Staff Survey – The staff survey will be completed soon. The selection of questions is being finished, with an eye to obtaining a balance between questions that will generate comparative data and questions that are specific to our store. Christopher will advise the board if the survey results will not be analyzed in time for the September policy monitoring report on staff treatment. Christopher was appreciative of the survey team's hard work.

End Discussion – Steve P. presented a draft for Ends Policies. The board will be discussing this in

future months, developing a draft version that will be presented to the membership for input. The draft will serve as a starting point for discussions. The first section of the ends policies seeks to establish who the coop serves and what its purpose is. For the “who does the coop serve” section, the board identified members, customers, vendors (in providing an outlet for local and regional products), staff (in having a good work environment), other coops, and the wider community that may not shop at the coop. Board member homework for the next meeting: 1) Look at the existing mission statement and see if the five bullet points in the draft ends policies cover all of the items that should be covered; and 2) draft a one sentence mission statement for the coop. Next month, the board will discuss options for how to incorporate member input into the process of developing the new policies.

Discussion about Committee Charters – The old policy manual had a Nominating Committee, Evaluation Committee, Finance Committee, and Membership and Marketing Committee. There are no committee charters under the recently adopted policy governance manual. The board agreed that there should be a Nominating Committee. The board calendar has a schedule of items aimed at notifying members of the board election cycle and recruiting board candidates. The Evaluation Committee will be an ad hoc committee this year during the transition to the new policy monitoring system for the general manager evaluation. No charter will be needed. Steve P. read the Finance Committee charter under the old policy manual. The board agreed that such a charter was no longer appropriate. Christopher would still like to be able to have a sounding board for ideas. Joan thought an auditing company could provide advice, once the coop starts having regular audits. It might be more appropriate for Christopher to consult advisers other than the board eventually. In the meantime, the Finance Committee will serve as an ad hoc committee, without a charter, as a transition while Christopher creates the initial policy monitoring reports from the general manager. The board will discuss at a future time the role it might have in the Membership and Marketing Committee.

Discussion about Member Discounts – The board policy stating that the impact of member discounts could not exceed 1.1% of sales did not get carried over into the new policy governance manual. The question for the board is whether it wants to adopt the policy again as an executive limitation. The issue came up for Christopher in a customer service context, because cashiers have not been reminding members of the discount at checkout. Christopher wanted to know if the board had any directives on how this should be handled. Georgie gave Christopher some historical background about the member discount issue. The limitation was imposed because discounts meant there was less possibility of a patronage dividend at the end of the fiscal year. The coop was in effect giving money to members throughout the year, through the member discount, before it knew whether it had a profit. It has always been a management call as to how the discount percentage was to be kept below the limit. Christopher may direct the cashiers to remind shopper at checkout if he wishes. Steve P. will check to see whether other coops have this sort of restriction. Christopher will check to see if the discount is promoted in membership share sales. His main concern is that he does not want the discount to create customer service issues for the front-end staff. The board will revisit the issue next month.

Discussion about New Checking Account – Christopher reported that Viking Bank pointed out that coop did not have an account with them but was using their services to get change for the cash registers. Christopher wanted to be able to open a new checking account at Viking Bank. Joan moved that Oneota Coop open a checking account at Viking State Bank. Lyle seconded. Approved unanimously. Two board officers (the treasurer and secretary), signed the authorization and gave it to Christopher.

Update on HVAC System – Christopher reported that the store renovation plan had anticipated that an upgrade would be needed for the air conditioning system. While the existing system worked well for the previous users, it is probably not going to be adequate for the coop's needs, since we have a kitchen and deli in operation. The expansion budget allowed \$20,200 for this upgrade. Christopher said an initial bid estimated the cost to be \$35,000. He is getting additional bids from other vendors. The store must be kept at 75 degrees or less to avoid stress to the refrigeration units and spoilage in the produce section. The coop has the budgeted amount for the upgrade, but it may need to borrow money if the cost is higher than \$20,200. Christopher would like authority for such a loan, so that he can proceed. The board consensus was that the coop should do what is required to correct the problem. Lyle moved to authorize Christopher to take out a loan, if necessary, of up to \$15,000 to cover the cost of the HVAC upgrade. Georgie seconded. Approved unanimously.

Personnel Discussion (Executive Session) – Joan moved to go into executive session to discuss personnel issues. Georgie seconded. Approved unanimously. Christopher provided an update on personnel issues. Lyle moved to leave executive session. Joan seconded. Approved unanimously.

Georgie moved to adjourn. Lyle seconded. Approved unanimously.

Meeting adjourned at 7:40 p.m.

Next meeting is July 22, 2008 at 5:00 pm at the Oneota Coop meeting room.

Respectfully submitted:

Onita Mohr, secretary

Arlllys Adelman, Scribe

Documents Reviewed:

Agenda

Minutes, May 27, 2008

Policy G1 Monitoring Report, Governance Style

Policy D1 Monitoring Report, Unity of Control

GM Report

Sales Recap June 1 through June 21, 2007 and 2008