

ONEOTA CO-OP BOARD MEETING
Oneota Co-op Meeting Room
August 26, 2008

Present: Board members, Steve P., Onita M., Lyle L., Joan L., Georgie K., Toni S. (Keith L. was absent); General Manager: Christopher DeAngelis; Visitors: Liz Rog and Barrett Krepfield.

Board President Steve P. called meeting to order at 5:10 p.m.

Review Agenda – Lyle moved approval of agenda as presented. Joan seconded. Approved unanimously.

Member-Owner Comments – Steve P. reminded participants that the board asks that members refrain from criticizing individual employees. Criticism of the board is welcome. There were no member comments.

Approval of Minutes from July 22, 2008 meeting – Georgie moved approval of the minutes as presented. Lyle seconded. Approved unanimously.

Ends Discussion – Steve P. provided a revised draft of the global ends statement. After reviewing the “ends policy checklist,” he changed the active verb tense statements like “the coop will...” to a passive tense, “because the coop exists, there will be...” The latter format lends itself to ends statements that address the effects that are sought. The active verbs can draw people to focus on activities rather than outcomes. Some board members still preferred active verbs. Steve asked that the board review the checklist for guidelines about drafting ends statements. The consultant who gave board advice about Ends Policies convinced Steve that the passive tense will shift the focus toward what the coop CAN do. The GM and staff will then have a more open mandate to find ways to meet the ends. Under the new draft of the ends policy, because the coop exists there will be various functions that can be achieved, including 1) customer outlet, 2) food sourcing, 3) local economy, 4) education, 5) environment, and 6) employment/business practices.

The board discussed the revised draft. The board needs to resolve what the role of the terms “organic,” “local,” and “sustainable” will be in the ends policies. There are generally recognized definitions of “sustainable” and “organic” under U.N. mandate and U.S. law respectively. “Local” can be defined by the board in the ends policies, or by others in the process of interpreting the policies. Christopher noted that products sold at the coop are vetted for various criteria now.

The employment/business practices function of policy 6 could be deemed covered in the local economy function of policy 3. In policy 2, the board would like “cooperative” added, so that it reads “a locally-owned *cooperative* business...” The board suggested a modifier to “local food sources” under policy 2, such as “sustainable,” since not all “local” foods would be acceptable. The board thought the term “healthy” in policy 1 was too vague and subject to conflicting interpretations. A substitute could be “sustainably produced,” or the term “healthy” could just be deleted. The board should set the broadest general standard that defines the outcomes that are sought, for whom, and at what cost or relative priority. If future policy interpretations are unacceptable, the policies could be amended to be more specific. The Ends will be monitored, reinterpreted and discussed every year.

Next month, the board will decide which draft version of the ends policies it wants to work from. It will also decide how member input will be sought. There was general consensus that “healthy” should be taken out of policy 1, “healthy” should be changed to “vibrant” in policy 3, and “organic” should appear in some manner in the ends policies.

Discussion on Strategic Planning and Board Learning – The priorities for the board's strategic planning and learning in the next year are: 1) improving the board candidate nomination process (almost done); 2) completing the ends policies (the goal is to have them completed by November, so they can be used in the business plan for next year); 3) board learning (ongoing through CBLD); 4) working through the policy governance process (ongoing); 5) organizing board information (Steve has opened a Google account but all members need to sign up to access it); 6) member linkage (the board's CBLD consultant recommended starting on this soon); and 7) creating a board budget to be included in next year's coop budget. The board agreed that Steve P. and Christopher should communicate to members in the next Scoop about the financial condition of the coop. The Scoop deadline is September 15.

Policy Monitoring, G7 – Board President's Role, D8 – Vice-President's Role – The monitoring reports from Steve P. and Georgie were distributed ahead of time. Board members had reviewed the reports and were ready to proceed. The board agreed the policy interpretations were reasonable, with adequate data to determine compliance, and the data demonstrated compliance. Lyle moved to accept the G7 monitoring report. Toni seconded. Approved unanimously. Joan moved to accept the G8 monitoring report. Onita seconded. Approved unanimously. Next month's board monitoring reports will be assigned to Joan and Onita (Treasurer's and Secretary's Roles). Joan said she would be out of town at the time of the September meeting, but she will have her report in to the board before she leaves.

Policy Monitoring, L5 – Financial Performance – Christopher provided the monitoring report, including the quarterly financial statements. Lyle stated he had not received the report but he was willing for the board to proceed. All other board members had received and reviewed it.

Christopher reported compliance on Policies L5.1 (incurring debt), L5.2 (use of restricted funds), L5.3.2 (tax payments), and L5.5 (member equity). The board agreed the policy interpretations were reasonable, with adequate data to determine compliance, and the data demonstrated compliance. On Policy L5.7 (financial record keeping), Christopher reported compliance with a caveat that the labor expense data was previously mis-reported. The board found the interpretation to be reasonable, with adequate data to determine compliance, but it thought the error in labor expense reporting indicated that noncompliance should have been reported. However, a remediation plan has already been implemented to correct the reporting of the labor expense, so no follow-up reporting will be required on that section. The board appreciated receiving the quarterly financial reports early.

Christopher reported noncompliance on Policies L5.3 (liquidity) and L5.4 (adequate income). The board agreed the policy interpretations were reasonable, with adequate data to determine compliance, and that the data demonstrated noncompliance. The data for L5.3 was the ratio of current assets to current liabilities (the “Current Ratio”). The Current Ratio is now below the target set in the business plan pro forma and is out of compliance.

Christopher stated that he and the Finance Department had been tracking the labor expense per pay

period and had not included several benefit expenses. As a result, they had thought labor as a percent of sales was 2% less than it actually was. The labor cost targets that had previously been given to department heads were inadequate. Christopher's remediation plan includes revised labor expense goals for each department, bi-weekly monitoring, cost containment in other areas, a revised budget and improved sales.

The data for Policy L5.4 was Net Income, the Debt to Equity Ratio and Cash Flow. Targets for those figures for 2008 were set in the business plan pro forma. Based on the second quarter financial information, the coop is out of compliance, or will be out of compliance by year-end, on those measurements. The remediation plan is the same as for Policy L5.3. A reduction in the labor expense is of primary importance in preserving the coop's working capital. The coop may still be out of compliance on the Current Ratio and the Debt to Equity Ratio at the end of the year, but those figures should be moving in the right direction and Cash Flow should be positive for the fourth quarter.

Christopher provided a report under L6.1, regarding the risk of incurring conditions described as unacceptable in the board policy "Financial Condition and Activities." He stated that the revised first year sales target of \$3.2 million might not be met. He anticipated a shortfall of around \$30,000. Sales have not been as high as hoped. This holds true across the industry right now. The economic recession is a financial challenge. The coop has to adjust to changing conditions.

The board agreed that the remediation plan was reasonable and a timeline had been established. The board requested that Christopher provide a monthly report on the L5.3 and L5.4 remediation results. The board also noted that the L5 Monitoring Report did not contain sections L5.3.1 or L5.6. Christopher is to provide reports on those sections next month.

Georgie moved acceptance of the L5 Monitoring Report, with the stipulation that there be monthly reporting on the remediation plan for non-compliant sections L5.3 and L5.4, and that the GM provide reports on the missing sections L5.3.1 and L5.6 next month. Toni seconded. Approved unanimously, including Lyle, who was prepared to vote after hearing and seeing the report at the meeting. Steve P. updated in the Monitoring Summary report.

GM Report – Christopher provided a report on the staff survey and other personnel issues. This will be discussed in executive session. Storewide margin is improving. The member discount impact was .69% during the second quarter. The average customer sale was up \$1.23. The percentage of sales to members continues to be high, at about 75%. Credit card purchases are growing. New memberships are well along toward reaching the member equity target for the year. Steps are being taken to place caps on member and staff IOUs.

The coop will not be purchasing the dehumidification system for the store this year. During an air balance test, it became apparent that there were problems with penetrations in the mechanical tunnel, such that outside air and humidity would overwhelm the HVAC system. The penetrations are being addressed and the system is being reprogrammed. Once an air balance test can be done, Christopher will know if the dehumidification unit is needed. If so, he will budget it for next year and plan to have it in place before the cooling season.

The problems in the HVAC system and roof leaks from last winter resulted in some mold problems.

The local site has been addressed. The report is not yet back on whether there is an airborne mold problem. If there is, remediation should be completed by the end of September.

Nomination Committee Update – Georgie had provided the board with a draft committee charter for a Board Development Committee, along with documents to be included in a board candidate recruitment packet (application, duties and responsibilities for board members, characteristics of effective directors, and a checklist for what the recruitment packet might include). The committee charter will provide for recruiting candidates, an application process, screening of applicants, an orientation process, reporting of activities to the board, and planning ongoing board training. The packet will include the list of current board members. Each board member should do a short statement about why they wanted to serve on the board and what they like about it. The committee may edit the statements. Georgie or Toni will send reminders. Georgie emphasized the importance of personal contact to recruit new board members. Joan moved to approve the charter for the Board Development Committee. Onita seconded. Approved unanimously. The committee will report in October on the screening process.

Executive Session – Lyle moved to go into executive session to discuss personnel matters. Joan seconded. Approved unanimously. The board discussed the GM's written and oral report on personnel matters. Georgie moved to leave executive session. Joan seconded. Approved unanimously.

Lyle moved that the board adopt the expectations discussed in executive session, as follows:

In reviewing the challenges caused by the coop's major expansion and organizational transition, the board sets out these expectations for the GM. The GM shall:

1. Develop the chain of authority;
2. Reverse areas of poor store financial performance;
3. Develop a business plan for next year that is forward-looking and financially viable;
4. Report updates regularly.

Georgie seconded the motion. Approved unanimously.

Joan and Toni moved adjournment.

Meeting adjourned at 8:20 p.m.

Next meeting is September 23, 2008 at 5:00 pm at the Oneota Coop meeting room.

Respectfully submitted:

Onita Mohr, secretary

Arlllys Adelman, Scribe

Documents Reviewed:

Agenda

Minutes, July 22, 2008, regular and executive session

Policy G7 Monitoring Report, Role of the Board President

Policy G8, Monitoring Report, Role of the Vice President

Policy L5, Financial Performance
Board Development Committee documents
Ends Policies draft documents