

ONEOTA CO-OP BOARD MEETING  
Spectrum Meeting Room  
November 18, 2008

Board members present: Steve P., Onita M., Lyle L., Georgie K., Joan L. and Toni S.

Absent: Keith L.

GM present: Christopher DeAngelis

Guests: John Klosterboer

President Steve P. called the meeting to order at 5:06.

Agenda Review – Steve added the following items to the agenda: 1) organizing board documents through Google, 2) approving a board budget, 3) initial planning of forums for member input on the ends policies, 4) an executive session for discussion of personnel issues; Onita requested the addition of an item for the approval of board action taken outside of a regular meeting. Lyle moved to approve the amended agenda. Joan seconded. Unanimous approval.

Member Comments – No comments.

Approval of Minutes, October 28, 2008 and October 31, 2008 – Georgie noted a correction in the October 28, 2008 confidential executive session minutes. Paragraph five should reflect that Georgie, not Toni, made the telephone call. Lyle moved approval of all minutes as corrected. Toni seconded. Unanimous approval.

Policy Monitoring: G3, Agenda Planning – Joan provided the monitoring report in time for the board to review it. All board members were ready to proceed. Compliance was reported in all sections. The board agreed that the interpretations were reasonable, the data was adequate and supported the findings of compliance. Georgie moved to accept the report. Toni seconded. Unanimous approval.

Board Budget – The board's working member discount is a board cost, to be included in the board budget. Joan moved to approve the budget. Toni seconded. Unanimous approval. The board will provide its budget to Christopher to include in the overall store budget for 2009.

Policy Monitoring: L1.2 (carts), L2.2 (grievance procedures) L5 (financial) – Christopher provided the monitoring report updates. The board did not receive the report with adequate time to review it prior to the meeting but decided to proceed. Board members reviewed the report at the meeting and Christopher answered questions.

The noncompliance issue regarding the grocery carts (Policy L1.2) has been remedied for the short term by installing seat belts in all carts. The 2009 budget will include replacement carts. Christopher is still working on the grievance procedure, which was a noncompliance issue in Policy L2.2. He thought it would be done by the end of the year.

Christopher provided updates on Policies L5.3 (liquidity) and L5.4 (net income). He said he was not able to do a current ratio or quick ratio (liquidity measures) without reliable margin estimates in between the quarterly inventories. Monthly net income, EBITDAP and cash flow projection (net

income measures) are also dependent on a margin estimate. There are some volatile sales categories where an inventory would be needed to do the margin. So far, he has thought the time and expense involved in doing a monthly inventory was too high. He thought the store would be able to do estimated margins for the produce department by early next year. That would be one of the more critical categories. EBITDAP can be done independent of inventories if there is a good estimate of margin. The GM can do this in February based on January figures and go forward from there.

Another measure of liquidity is accounts payable, which are current. Other financial performance measures available between quarterly reports are the debt to equity ratio, sales figures and labor as a percent of sales. Debt to equity improved for October. Some of that may be a temporary blip due to the the number of pay periods in the month (reduced current liabilities), but there were also some reductions in long-term liabilities and increases in member equity. Sales growth targets and labor budgets have been set for 2008. Labor as a percent of sales has been coming down, not satisfactorily, but it is moving in the right direction. If sales meet the weekly projections, labor stays at its current level or lower, and margin remains steady, the co-op should be cash neutral for the 4<sup>th</sup> quarter. Sales and labor are the key indicators that need to be watched. Margins in some departments need work, but overall it should not be an issue. There tends to be less loss from spoilage in the 4<sup>th</sup> quarter.

Christopher reported that he is taking steps to implement the NCGA audit recommendations. Inventory will be reduced this quarter and next, so that inventory turnover will increase. The finance department needs to be able to tell the department heads what their turn targets are. A purchasing journal will be implemented to help track inventory. The audit recommended that the GM do a monthly Cash Flow Statement. Christopher has not been able to get these produced. He will have a cash flow budget for the 4<sup>th</sup> quarter prepared soon. Additional labor cost reductions will be needed in January, as that is a time when sales tend to slow.

Christopher is preparing the 2009 budget (Profit and Loss Statement, Balance Sheet and Cash Flow Statement). He will do sales growth targets by department for 2009.

Based on the monitoring updates, the noncompliance in Policy L1.2 has been remedied. Noncompliance remains on the grievance policy, L2.2, and the financial condition policies, L5.3 and L5.4. Monthly monitoring will continue on those policies. The board agreed that the monitoring report interpretations were reasonable. The data was adequate and supported the conclusions of compliance or noncompliance. Joan moved to accept the monitoring report as written. Lyle seconded. Unanimous approval. Next month the GM will report on Policy L6, budget and financial planning, in addition to the updates on the grievance policy and financial condition.

Compare Executive Limitations Financial Conditions – current version and CBLD version 2 – The board reviewed the new Executive Limitation Policy B1, Financial Condition and Activities, which CBLD has proposed as a replacement for Executive Limitation Policy L5. Much of it is the same, but sections 1 through 4 separate the financial indicators more clearly than the current version. Sales, operations, liquidity and solvency are good signals for the board to monitor financial performance. It is clearer vision for board and the GM. Member equity is covered in item 3, in the debt to equity ratio. The board could make an amendment to Policy L4, Membership, regarding attracting new members. Steve P. asked that the board consider adopting Policy B1 at the December meeting, so that it could be in place for the next fiscal quarter.

2009 Board Calendar – The board reviewed its “Board Calendar” for changes that might be needed for 2009. Steve P. asked that the board approve a 2009 calendar at the December meeting so that it will be in place at the beginning of the next fiscal year. The board noted that Christopher reported third quarter financial information in 24 days, which was the soonest ever. Christopher said the year-end statements may take more time. He did not expect that they could be ready for the January 2009 meeting, but other quarterly financial reports should be ready in time for the next board meeting after the quarterly inventory, if the meetings remain in the fourth week of the month.

The Ends Policy Monitoring now scheduled on the calendar will need to be changed to take into account the fact that the board will be adopting new ends policies in April or May 2009, after there has been an opportunity for member input. There are six points in the ends policies. Reporting all of them at once would create a unified picture, but the board and GM would need month with nothing else to report on. The end of year is not good time. Six months into the year might be best. The policies could be reported on in segments over a two month cycle, in May and June. Since the ends policies will not be in place until April or May of 2009, the GM should not be expected to report on them until the 2010 monitoring cycle. Steve P. will present a final version of the calendar next month.

Board Development Committee – Georgie reported there were two candidates for the two board positions at the next election. Lyle Luzum will run again. One other person applied to be a board candidate. Georgie will mention the board election again in the December Scoop. The board will vote on recommendations for board candidates at the December meeting.

The board workshop on change could be scheduled any Tuesday in February or March (4:00-8:00 p.m.) or Sunday afternoon on March 1 or March 8. Lyle will send out a “doodle” request for board members to indicate when they are available to schedule the training.

Ends Policies – Dates for Member Input – The board agreed that some form of “conversation cafe” would be appropriate for eliciting member input on the ends policies. There will be an evening meeting during the week and a Saturday morning meeting. Steve will write about the ends policies in the next Scoop. He will schedule the conversation cafes and facilitate them. Other board members may attend as their schedules allow. The meeting agenda will be to present the policies, state their purpose, and ask members if any of the expectations should be eliminated or reworded or if any expectations are missing.

Google Account for Board Information – Lyle set up a Google account for board communication and information archiving. He provided user names and passwords to the board members. All board member will be able to view. The board president will be able to view and contribute. All documents for board meetings should go to the board president, who will distribute to the rest of the board through the Google portal. This is not a Google “apps” account, as that is only available to non-profits and educational institutions, but it will have similar properties. Board decisions and discussions should be done at in-person meetings, except in emergency situations. The GM will not have access to the account, since there will be some executive session minutes there that are for board access only.

Joan left the meeting at 6:30 p.m.

Next Month Policy Monitoring and December 2008 meeting date – The December meeting date will be Tuesday the 16<sup>th</sup>. Toni will do next month's board monitoring report, Policy G6, Governance Investment.

Approval of Board Action Taken Outside of a Regular Meeting – The board signed the approval of the “Resolution of Lodge, Association or Other Similar Organization” document from the Decorah Bank and Trust Company, amending the list of employees authorized to endorse checks or otherwise withdraw or transfer funds on deposit with the bank. The board action was taken on October 31, 2008 and approved at the next regular meeting as provided in Bylaw 7.5.

Executive Session – Personnel Discussion – The board scribe was excused from the remainder of the meeting. Toni moved to go into executive session to discuss personnel issues. Lyle seconded. Unanimous approval. The board discussed confidential personnel issues . Toni moved to leave executive session. Georgie seconded. Unanimous approval. No motions needed.

Georgie moved adjournment. Toni seconded. Unanimous approval. Adjourned at 7:15 p.m.

Respectfully submitted,

Onita Mohr, board secretary  
Rachel Breitenbach-Dirks, scribe

Documents reviewed:

- Agenda
- Minutes, October 28, 2008, regular and executive session
- Minutes, October 31, 2008, special meeting, executive session
- Policy G3 Monitoring Report, Agenda Planning
- GM Report and Policy L1, L5.3, L5.4 monitoring updates
- Draft 2009 board budget
- Prototype Policy B1, Financial Condition and Activities