

ONEOTA COOPERATIVE BOARD MEETING
SPECTRUM NETWORK
June 23, 2009

Board members present: Lyle Luzum, Onita Mohr, Toni Smith, Joan Leuenberger, Steve Peterson, Birgitta Meade.

Absent: Georgie Klevar

GM present: Troy Bond

Ten co-op member/owners were present.

President Lyle Luzum called the meeting to order at 5:04.

Agenda Review: There were no additions to the agenda. Steve McCarger handed out to the board a letter regarding a personnel matter. However, no topic for an executive session had been announced in advance of the meeting, so no executive session was added to the agenda. Toni moved to approve the agenda. Birgitta seconded. Approved unanimously.

Member Comments: No comments.

Board Member Comments: No comments.

Approval of Minutes: Toni moved to approve May 26, 2009 regular board meeting and executive session minutes. Joan seconded. No discussion. Approved unanimously.

GM Policy Monitoring Policy L5, Financial Condition (ongoing monitoring): Troy Bond provided a written report to the board. Year-to-date sales have increased 3% compared to 2008. Sales in the last six weeks are up 11% from the same period a year ago. In general, this year's sales are consistently pulling away from last year's. Birgitta asked what the co-op's sales goal was. The business plan pro forma done in preparation for the new store had estimated yearly sales growth of 8% after the first year. Given the recession, that figure is not realistic. The preliminary budget done by interim GM Michelle Schry used 6% as the sales growth figure. Troy thought that goal might also be optimistic. The budget should be revised. Troy said he was trying to maintain sales.

Labor costs as a percent of sales were down compared to last year. Troy's target for labor-minus-benefits, is 17.5%, and he reported that the cost has been consistently below 20%. Last year, labor was in the mid-20% range and spiked widely. Troy said the department managers have been trained to be responsible for their labor costs, and overtime has been brought under better control. There have been training costs recently for new staff in Deli, Grocery, Produce and Front End.

The current and quick ratios, which indicate liquidity, have shown a slow but steady improvement since the first of the year. The current ratio is 1.36 and the quick ratio is .46. Industry standards for those ratios are 2 and 1 respectively. The Co-op is not seeing dramatic increases because it is still rebuilding after the relocation/expansion. Troy noted that there is a trade-off between putting money in the bank and investing in things that will prepare the store for future growth. Some of the increased store income is being used for marketing events, advertising, exterior signage, purchases of merchandising fixtures and equipment and a more livable wage for salaried department managers.

Birgitta asked if the member/owners present could look at copies of the monitoring reports during the board meeting so that they could follow the discussion. Lyle said it was a question of whether the monitoring reports were part of the internal board process. Eventually, the board intends to have the monitoring reports on a consent agenda, where they would only be discussed in detail if there were board member questions or objections. Lyle orally summarized the Policy L5 update and reported the financial indicator figures on sales, labor percentage and liquidity ratios.

GM Policy Monitoring Policy L1, Customer Treatment: Lyle gave a preface about the the board's role in monitoring compliance with the governance policies. The board has completed the first year of this type of monthly monitoring. The Co-op has had governance policies for a long time, but in the past, they were monitored in a different way. Most organizations have policies to operate their business, but they usually do not look at them unless some problem comes up. The idea of monitoring policies in an ongoing, systematic way is novel. It requires the board and/or GM to read the policies, consider what they mean, provide an interpretation, gather data and evaluate whether the organization is in compliance with the policy. It also gives the board an opportunity to determine whether the existing policy is serving its intended function. All policies are reviewed at least once a year. This is the method by which the board evaluates its own and the GM's performance.

Brigitta asked if an active member/owner would need to prepare for a board meeting by reviewing the governance policies that were being monitored that month. Lyle said members could comment on matters at any time, not just when a particular policy was being monitored. Steve P. said member/owners do not need to know which policy their issue falls under. It is the board's responsibility to determine that.

Brigitta noted that the GM has decisions to make in the store without people second guessing him a lot. It seems muddy to define when the board is performing its legitimate duty and when it is micro-managing. Steve P. said there is a procedure to deal with this muddiness. The board can discuss the policy interpretations and decide whether they are reasonable. It can clarify or reject an interpretation. The board is supposed to allow any reasonable interpretation. If the interpretation is reasonable but still seems contrary to the desired outcome, the board can look at changing the policy.

Lyle proposed that while the board and the member/owners collectively learn about the process of monitoring, the monitoring reports be read out loud so that everyone present for the meetings can hear and understand the process.

Troy read the Policy L1 monitoring report on treatment of customers. The general policy statement provides that the GM will not fail to ensure that customers receive high value in products and services. Policy L1.1 is about offering a range of products and services to meet customer needs. Policy L1.2 is about not allowing unsafe or unpleasant shopping experiences. Policy L1.3 is about having a system for soliciting and considering customer input.

Interpretations and data. With regard to Policy L1.1, the Co-op, as a natural foods grocery, has a wide variety of shoppers who have different, and sometimes conflicting, needs and interests. The Co-op should use its Merchandising Policy to help balance these needs and accomplish the organization's mission. The Merchandising Policy encourages product selections that meet standards consistent with the Co-op's mission. Compliance was reported.

With regard to Policy L1.2, customers should be safe in the store, and care should be given to make their shopping experience pleasant. Troy reported that there have been no customer injuries. He obtained more “wet floor” signs for use in the store when there are clean-ups. Troy is a certified food safety manager and is providing other staff with food safety training. Cooler temperatures are checked daily. Troy is working with the Front End management to revise guidelines for customer service and provide more proactive engagement with all customers. The Co-op will be getting a new POS system in October, which should make check-out easier. Compliance reported.

With regard to Policy L1.3, there should be methods for customers to register their preferences, product requests, complaints and suggestions. Troy reported that there are a number of methods for this communication, in person to the GM or staff or to the board during meetings, by e-mail, through a suggestion box, or through member surveys. The manager on duty sends a report to Troy at the end of each business day with a summary of all communications. Troy said the Co-op has introduced new products as a result of requests, and special orders are available for products that are not regularly carried. He said he carefully considers all feedback and uses it to help shape the marketing message to educate about the Co-op and its mission. Compliance reported.

The board agreed the interpretations were reasonable, the data was sufficient and supported the reports of compliance. Birgitta moved to accept the report. Toni seconded. No discussion. Approved unanimously.

GM Policy Monitoring Policy L4, Membership: Troy read the report. The general policy states that the GM will not fail to establish, maintain and promote a vital membership program that builds a sense of ownership among members. Policy L4.1 says the GM will not elicit information for which there is no clear necessity and will not use methods of gathering, storing or transmitting member information that fail to protect against improper use or access. Policy L4.2 concerns providing opportunities for members to participate in the co-op. Policy L4.3 concerns providing members with information about board actions, meetings and activities. Policy L4.4 says the GM may not change the member equity requirement. Policy L4.5 concerns providing members with a clear understanding of what may be expected from membership.

Interpretations and data. With regard to Policy L4.1 and L4.1.1, the Co-op should be able to access up-to-date membership information and protect the privacy of the information. The Co-op maintains membership information in the POS system. Membership data has been used to determine voting eligibility and can be used to determine patronage dividends. The Co-op does not share or sell membership lists to other companies or organizations. Individual membership data are only shared with the board at the time of elections or for the purpose of communication. Individual member patronage data is confidential. Compliance was reported.

With regard to policy L4.2, the co-op should provide ways for members to participate in the life of the co-op. This includes the standard member rights of voting and eligibility for patronage dividends, but also includes volunteer opportunities, social events, and community service/outreach events. The Co-op maintains membership data to determine eligibility for elections and patronage. There are volunteer opportunities in the store and at community outreach events. The names of working members are published in the Scoop. The monthly pot luck provides opportunities for members to socialize. The Co-op is planning a Working Member Appreciation pot luck in September. Compliance reported.

With regard to Policy L4.3, the Co-op should assist the board in publicizing its activities. It does so through the Scoop, the Comm-Post, the Co-op website, the board's bulletin board in the foyer, the front desk binder for board minutes and mailing lists when needed for board communications. Compliance reported.

On Policy L4.4, the board, in conjunction with the membership, is the only entity that can change the member equity requirement. Troy reported that he had not made any changes to the requirement. Compliance reported.

With regard to Policy L4.5, membership rights and responsibilities should be clearly spelled out when new members join. In addition, the Co-op should periodically publicize member benefits and expectations. New members are given a written statement of their rights and benefits. The Co-op publicizes member benefits in the Scoop. The board binder at the front desk contains the Co-op bylaws and board governance policies. Compliance reported.

Brigitta asked if under Policy L4.1 there are enough people at the Co-op who can manage the POS system. Troy said current POS system is DOS based, and it is not all that user friendly. The GM and other staff at the Viroqua Co-op use the same system and have been able to answer questions. The Co-op will be getting a new POS system in October. Birgitta noted that when the new POS system is installed there should be more than one person who knows how to run it, especially during the data transfer. All prior patronage information needs to be preserved and correctly transferred. Lyle agreed there should be redundancy of knowledge.

Brigitta had a question about staff members as member/owners. They may have access to information that regular members do not. Are there safeguards? How do the staff members know whether to bring concerns to Troy or to the board? Toni said board members had the same issues. Hopefully employee member/owners will understand their multiple roles and be mindful of their responsibilities. Steve P. said the board had developed a policy for staff members to bring concerns to the board. As a board, it might be useful to have some training to figure out how the board can deal with those situations in ways that are productive rather than destructive. Lyle said it may turn out that some policy is insufficient. In that case, the board will have to consider how to amend it and implement the new language.

Toni moved to accept the monitoring report. Joan seconded. No discussion. Approved unanimously.

Board/GM Policy Monitoring Policy D1, Unity of Control: Georgie had done the monitoring report. In her absence, Lyle read the report. The general policy states that only officially passed motions of the board are binding on the GM. Policy D1.1 states that directives from individual board members or committees are not binding on the GM unless the board has authorized such an exercise of authority. Policy D1.2 states that the GM may refuse requests for information or assistance from board members or committees acting without board authorization, if they require excessive staff time or funds or are disruptive.

Interpretations and data. Board members should not act as individuals in giving directions to the GM, but only as board members acting on behalf of the board. The board should not use up the co-op's resources unless the request is deemed necessary through action of the entire board. There have been no reported instances of violations of this policy in the last year. Compliance reported

Toni moved to accept the monitoring report. Steve P. seconded. No discussion. Unanimously approved.

Board/GM Policy Monitoring Policy G1, Governance Style: Joan read the report. The general policy states that the board will govern in a way that emphasizes future vision, initiative and strategic leadership, provides clear distinctions between board and management roles, and deliberates in many voices but governs in one voice. Policy G1.1 states the board will direct the co-op through written policies reflecting the ends to be achieved and the means to be avoided, with a focus on long-term effects rather than the administrative or programmatic means for achieving the effects. Policy G1.2 states the board will cultivate a sense of group responsibility for excellence in governing. The board will not use the expertise of individual members to substitute for the judgment of the board. Policy G1.3 states the board will discipline itself to govern with excellence, and may enforce discipline in such areas as attendance, preparation, policy-making principles, respect for roles, and ensuring continuance of governance capability. Policy G1.4 requires the board to monitor its own process and performance at each meeting and rotate the duties of preparing monitoring reports.

Interpretations and data. For Policy G1.1, the board should operate with a policy manual that includes executive limitations and ends/goals policies. Board policies should have a long-term, forward-looking focus and not be a reaction to specific current situations. The board policy manual includes executive limitation policies that have been in place and monitored for the past year. The board is in the process of adopting final Ends Policies which would state desired outcomes and allow the GM to determine the programmatic means to achieve the ends. Compliance reported.

With regard to Policy G1.2, the board interprets it to mean that all board members are equal, regardless of experience or expertise, and all have a responsibility to contribute to the success of the board. Discussions at board meetings show a willingness to respectfully disagree and to learn from each other's ideas. All board members have committed the time and energy to deal with the challenges the Co-op faced in the past year. Compliance reported.

Regarding Policy G1.3, board members demonstrate their commitment to their duties by their attendance at, preparation for and participation in meetings and training, in recruitment of new members and respect for their role under the policy governance structure. Board members are rarely absent. They report on their preparation for meetings by acknowledging that they have reviewed all monitoring reports. All monitoring reports from board members have been timely received. The board is committed to providing training for new and existing members. It has laid the groundwork for continuing excellence by revitalizing the nomination process and bringing the election process more in line with other cooperatives. The board's new member was welcomed and given orientation. Compliance reported.

On Policy G1.4, the board should regularly hold itself accountable for how it governs the Co-op. It does so by having written expectations regarding the governance process and the board-GM delegation of authority and by monitoring its performance against the expectations. The board does a systematic monitoring of all policies, so that each is reviewed at least yearly. Board members take turns doing the monitoring reports. Compliance reported.

The board agreed the interpretations were reasonable, the data was sufficient and supported the reports

of compliance. Steve P. moved to accept the report. Toni seconded. No discussion. Approved unanimously.

Committee Report – Member Connection: Board members Steve P, Toni and Onita and member/owners Laura Kener and Dena Chambliss comprise the committee. The group met last week and talked about the various needs and motivations of the membership and how the board can better assess those needs and communicate with members. The committee began making a grid of needs and the communication methods currently in place. Assessing member needs is difficult process and will require a lot of thinking. The board members on the committee will research co-op resources to see what other cooperatives are doing along these lines. The committee talked about surveys, but it wants to know what the purpose is before attempting to gather data. The committee will meet again in August.

Brigitta thought the co-op did regular member surveys, but they did not always have a high participation rate. Steve P. said those surveys tended to be for operational purposes, not about the board linkage with members. Steve thought there might be ways to increase the participation rate. Data collection and collation technology has greatly improved and become inexpensive in the past few years.

Committee Report – Board Development: Steve P. reported that the committee has not met yet. He, Birgitta and Joan are the board members on the committee. They would like to have some member/owners on the committee also. Birgitta said she made an effort to encourage members to seek the committee assignment. The invitation for members to join the committee went out in the Comm Post. Additional solicitations for member/owners to serve on the committee may be needed.

Committee Report – Ad Hoc Bylaw Review: Lyle reported that the committee had not met yet. He, Joan and Onita are the board members on the committee.

Discussion, How to Finish “Ends” Policies: Steve P. said he had thought to have an ends policies discussion at the July 2 co-op pot luck. However, he will be out of town. The board agreed that at least one more opportunity for member comment was needed. Birgitta offered to attend the July 2 potluck and take down comments, if there were any. The board will plan on another member comment/discussion session on the ends policies in September, either at a regular board meeting or at an extra board meeting.

Discussion, “member in good standing”: Troy said the current operating definition of “good standing” is that the member has made an installment payment on the share purchase agreement within the last year. Members who are behind are not allowed the member discount at checkout. However, right now, members who are behind are still allowed to do special orders.

Onita asked when the POS system prompts cashiers to advise members that their share payment is due. Troy said it is on the anniversary of the date they joined. Birgitta thought it would cause less confusion to have everyone's payment due at the same time each year. It would be easier to remember and fairer to apply. Onita said that had been the practice before the POS system was installed. All share payments were due in March, which at that time was the beginning of the fiscal year.

Troy thought having all share payments due at the beginning of the year might mean fewer new

memberships in December, but it might be worth it if it helped simplify the issue. It might also be better for cashiers to have just one time of year to prompt members for share payments. Toni thought it would also be better for the election cycle to have all payments due at the same time. There would be less controversy about “good standing” for voting privileges.

Lyle said making a uniform due date for installments would be a big change from the current practice. It would require a lot of member education. Onita said the bylaws link the status of good standing to the Member Share Purchase Agreement. If a member's agreement says installments are due on the anniversary of joining, it may be difficult to change their due date.

A member/owner had a question about termination of membership (Bylaw 2.5). Membership is automatically terminated upon a member's death. The board can, at its discretion, terminate membership for insufficient payment on the installment agreement after two years.

Future questions that need to be addressed on share payments include what constitutes being “current” on share payments and what is “timely” payment. Member “inactivity” could mean those who have lapsed in making installment payments or those who are fully paid members but no longer shop at the Co-op. If the member has had a lapse in payments, do they forfeit what has already been paid? Can they simply resume payments and be in good standing, or do they need to get caught up on the Member Share Purchase Agreement to be back in good standing?

There is also the issue of “households.” Are the membership privileges restricted to the member only or can they be shared by the member's household? Voting would appear to be restricted to the member only. There cannot be more than one vote per membership. The current practice of allowing multiple household members to make purchases under one membership share is not mentioned in the bylaws.

The board thought these questions should be referred to a committee. It agreed that the bylaws review committee would be the appropriate committee to consider them.

Discussion, “Abbreviated but Pertinent” quarterly financial reporting: Steve P. suggested that there be some summary of the quarterly Profit and Loss Statement and the Balance Sheet that could be included in the board binder along with the minutes. The Profit and Loss summary could include sales, cost of goods, overall payroll, other expenses and total net income. The Balance Sheet could include current, fixed and other assets, liabilities and member equity. The quarterly summaries would not be included on the Co-op website.

The board would like to find a way to balance transparency and openness with members against the needs of the organization for keeping information from competitors and minimizing the amount of time the GM has to put into creating additional reports. Lyle pointed out that unless all aspects of the books are available, the financial reports must necessarily summarize at some level. Toni expressed concern that the quarterly reports represent a point in time and do not in themselves show trends. At the end of the first quarter, the board and the GM sent a joint financial summary via the Comm Post. The narrative summary may be more informative as to trends and putting the numbers into perspective.

The board noted that under Policy G4.4 (the board member code of conduct) public information is defined as the annual financial reports and approved board minutes. In order for the board to routinely disclose the quarterly financial reports, even in a summary manner, that policy may need to be changed.

Procedurally, the board's agenda has the financial reporting item as discussion only. It was not scheduled as an item on which the board would be taking action. The financial reporting item will need to be put on next month's agenda as a topic for a possible change of policy.

Steve McCarger stated he would like some response from the board concerning his letter from last month on financial monitoring. Lyle said it would need to be put on the agenda for the next meeting.

Next month's board monitoring: Onita will do Policy D2. Steve P. will do Policy D3.

Next meeting: July 28, 2009. Steve P. said he would be absent.

Adjourn: Toni moved to adjourn. Joan seconded. Approved unanimously. Meeting adjourned 7:05 p.m.

Onita Mohr, board secretary

Rachel Brietenbach-Dirks, scribe

Documents reviewed:

Agenda

Minutes, May 26, 2009, regular meeting and executive session

GM Report and Policy L5 Financial Condition monitoring updates

Policy L1 report, Customer Treatment

Policy L4 report, Membership

Policy D1 report, Unity of Control

Policy G1 report, Governance Style