

ONEOTA COOPERATIVE BOARD MEETING
SPECTRUM NETWORK
December 17, 2009

Board members present: Lyle Luzum, Toni Smith, Joan Leuenberger, Georgie Klevar, Steve Peterson, Onita Mohr, Robert Fitton

Absent: None

GM present: No

Approximately 30 co-op member/owners were present.

President Lyle Luzum called the meeting to order at 5:02.

Lyle made a statement. He acknowledged that many member/owners were probably present because of the agenda item to change the bylaws regarding board member qualifications. The board was considering adding a waiting period before former employees could run for the board. As the board pondered this issue, a primary consideration was that it would be unwise to have former management in a position to interfere with future management's ability to do their job. Incoming management deserves the right to take on the general manager's responsibilities and to not have former management impose their views. The board also felt it was important that the waiting period apply to former employees as well.

Organizations that truly want to have succession of leadership have to allow that process to happen. The board thought it had two options. It could take on the fight and do what it thought was legitimately right for the organization, or it could choose not to fight. Lyle said the board marched to the brink because it felt so strongly about this issue. However, as it got closer to the brink, it was able to peer over the edge. And when it peered over the edge it had to slow down and look seriously. One side thinks it is right. The other side thinks it is equally right. At some point, people have to look beyond their definition of right and ask what is good for the cooperative. It does not serve the organization well to have these squabbles played out to a destructive end.

What the coop needs is customers to shop there. It does not need a public image as a place of contention and fighting. That will not make customers feel comfortable or creditors feel secure in their investment. Therefore, the board will step away from the brink. The board will be removing the bylaw amendment item from the agenda.

Agenda Review and Approval: Toni moved to approve the amended agenda with item 7.2 removed (amendment of bylaw 5.3, board member qualifications). Georgie seconded. The board clarified for those present that it would not be acting on a bylaw change at this time. Approved unanimously. Some member/owners left the meeting at this point.

Delegations, Petitions, Communications: Lyle said the board invites input from members. The comment period would not be a time for debating. The board gathers input. Lyle asked that the members keep the total comment time at 15 minutes. Speakers should state at the outset how much time they wish to speak.

Member comment. A member said that she did not think the bylaw change was necessary. She also thought members should have been able to see the proposed change before the board meeting. She

noted that the board had previously said it would only make minor changes to the bylaws by the unanimous board approval method and that substantive changes would be submitted to the membership for approval.

A member provided the board with a list of proposals for changing the bylaws and/or governance structure. She thanked the board for removing bylaw change from this agenda. The proposals included, among other things, full disclosure to members of quarterly and monthly financial information and reports, an elected ombudsperson position with authority to investigate member and staff complaints, a designated board position for non-salaried staff, changes in the way the board conducts its meetings to allow more member/owner involvement, a bylaw change to require special elections to fill board vacancies, and a delay in the hiring of a new general manager until after the next board elections. The member thanked the board for its work but suggested that its judgment may be skewed by battle fatigue. She thought the board should ask clarifying questions during the member comment time.

A member said the proposal submitted by the previous speaker would be his platform if he ran as a candidate for the board. If the board agreed with all of the proposals, he would not run for the board, or circulate petitions to remove current board members or call special member meetings.

A member commented about her layoff from the coop. She acknowledged the board could not comment on personnel matters, but she was not satisfied with how the matter was handled. She did not think the board had the full picture of how the co-op was being run.

A member said he was deeply saddened by the board's attitude over the past year. He felt that the hands-off attitude the board has taken regarding store operations and the general manager's staffing decisions has damaged the co-op. He thought members were being divested of a voice in the co-op if the board would not be a liaison between the membership and management.

A member commented about the loss of good employees over the past year.

Some additional member/owners left the meeting after the comment period.

Approval of Minutes: Onita noted that she had made a correction to the minutes. All board members had seen the correction. Georgie moved to approve the November 14 and November 24, 2009 meeting minutes, regular and executive session. Toni seconded. Approved by six member voting aye. Robert abstained, having not been been a participant in the meetings.

CONSENT AGENDA: The following items were on the consent agenda: the GM's reports on Financial Condition (update on Policies L5.1 through L5.4) and Financial Planning, Budgeting (Policy L6) and the board's report on Governance Investment (Policy G6).

Toni moved to approve the consent agenda. Joan seconded. Discussion. Good work on the Policy G6 report. Approved unanimously.

The Policy G6, Governance Investment, monitoring report summary is as follows. The overall policy states, "The Board shall invest in its governance capacity." This includes orientation for new board members, and ongoing education and training for all board members. The board may use

administrative support personnel for the board's administrative tasks. Outside monitoring will be arranged as needed for the board to exercise confident control over organizational performance. The board will maintain an active link to member viewpoints and values, using a variety of tools to gather input. Board expenses for recruitment and elections costs will be considered investments in the perpetuation of an effective board. Governance costs will be prudently incurred but should be sufficient to develop and maintain superior capability. The board will have a budget of up to .5% of the store's budget for its expenses. The board will develop its budget in a timely fashion so that it does not interfere with the development of the store's annual budget. Compliance was reported on all sections.

[The board is not requiring the interim GM to file monitoring reports, so there were no written reports on Policies L5 or L6. The items are kept on the consent agenda for the board to track the items that need to be carried forward.]

REPORTS:

Update on GM Search: The search committee has conducted telephone interviews with five potential candidates. It is in the process of deciding which candidates to invite for in-person interviews. The holidays may cause some delays.

Financial Update: Steve P. reported that the board has been getting weekly financial updates from the store on sales, labor as a percent of sales, quick and current ratios, and comparisons with the prior week and prior year. Sales based on weekly reports are up about 3.5%. Labor has maintained itself in 18.5% range (wages only). The store is not seeing any huge spikes with the transition in management. The quick ratio came up to 0.5 this week, but it is subject to change as money comes in and goes out. The store is continuing to make incremental progress on cash. Thanksgiving week saw the Co-op's biggest sales week ever. The week after was down due to storms.

ACTION ITEMS:

Ends Policies: Lyle said this was the third reading of the Ends policies, and the board would like to approve a final version. Copies of the most recent draft were provided to the members present and had been posted at the store. The board has received input. Some it agreed with, some it did not.

A member asked the board to explain what the Ends policies will be replacing. Lyle said the Ends will replace the Vision and Values statement and the Mission statement. The cooperative principles are referenced in the Ends policies, and they would remain as a separate, linked document. The Ends policies will become the statement of the Co-op's purpose. There is no intent to weaken or dilute that purpose. The board has received comments that the passive voice does weaken the statement of purpose. Lyle acknowledged there is a difference of opinion over that matter. Ends are things that have been or are desired to be achieved. Actions are taken to achieve those ends. Ends policies are stated in the passive voice, not to diminish their value, but to state them as an end result. Steve P. said the strategic plan will be stated in the active voice, as the plan for how the Co-op will achieve the Ends.

A member asked the board to include the last bullet item from the Vision and Values statement in the Ends policies. That item is, "Developing a social fabric that promotes friendship, sharing and caring for the people in our community."

Georgie and Steve P. said they would not be in favor of making friendship a goal of the store. People make their own friends. People may find friends at the co-op, but it is not necessarily something for the store to promote.

Various member/owners commented that the co-op needed to hear from all voices in its diverse membership. Some segments of the membership have felt marginalized. The board and member/owners made suggestions for an Ends policy to address this. Lyle said that being heard does not necessarily mean that there will be a positive response. Sometimes the functioning of an organization means that not everyone can have his or her own way.

Member/owners still wanted the ideas of caring, sharing, and friendship addressed, in addition to the idea of respecting diversity. Events of the past year have strained relationships. After discussion, it appeared that the real concern the members sought to address was staff treatment. The board pointed out that staff treatment was addressed in a separate policy, an Executive Limitation (Policy L2, Staff Treatment, would be a topic later on the meeting agenda). It was not appropriate to use the Ends policies to address staff treatment.

Steve P. said he saw caring and sharing throughout the Ends policies, caring about the environment and the larger community, sharing with other cooperatives. Toni agreed. The Ends say that we care for the world we live in, we care that it's healthy and sustainable, and we want to make it that way for everyone.

A member commented that Ends policy number 7 referred to "gifts" but it did not say who they were coming from. Maybe it should specify that they are from people. The Ends policies need to incorporate a concern for the people who make up the membership.

The board and members discussed ways to address these concerns within the draft Ends policies. Policy 7 could be amended to "a local community whose fabric is strengthened through caring, and sharing gifts of time, energy, and resources." A new Policy 8 could be added, "an institution that respects and encourages the diversity of its membership."

Lyle said the Ends will be aspirations for the Co-op. They become operational through the plans that management and employees come up with to make the ends a reality. That will involve interpretations of what the policies mean. Words are words until they are put into action. The store is our vehicle for carrying out the ends. Steve P. said the Ends policies will be reviewed and evaluated each year and can be revised and updated as needed.

Lyle said finding common ground is a valuable and necessary exercise. If the Ends represent common ground, let us rejoice in that.

Georgie moved to adopt the Ends policies, with the amended Policy 7 and new Policy 8. Toni seconded. Approved unanimously.

Board Policy Change – Policy L2, Staff Treatment: Lyle read the policy to those present and explained which parts were new. There will be two new subsections under Policy L2.2 about written personnel policies. Policy L2.2.1 would require a personnel policy to allow terminations to be grieved within a reasonable time. Policy L2.2.2 would require the grievance to be reviewed by a neutral,

knowledgeable third party. There would be a new section L2.6 requiring a regular surveys of store work culture.

Steve P. suggested the proposed changes. He recently participated in a study with consultant Carolee Counter on this issue of staff grievance, and the board relationship to staff. (There will be an article on this in the next issue of the Cooperative Grocer.) One of the things that came up was the lack of procedure for allowing staff terminations to be grieved within a reasonable time. Boards do not function well as an investigative forum for grievances. They would have to put their other board work on hold in order to conduct the investigation. They are subject to political pressure.

The board wants to encourage staff to use the personnel policies that are in place and not look to the board to resolve staff grievances. If employees are not using the grievance policy, the board has to ask, why? Is it lack of education? Is the policy bad? What are the barriers? The proposed changes to board Policy L2.2 are aimed at imposing requirements for the store's personnel policies that will hopefully make the grievance process more accessible.

A grievance report will be an external report to the board. It will be a component of the board's evaluation of the GM's compliance with Policy L2. A report from a neutral third party would help the board determine whether the personnel policies were being followed.

The other part of the proposed changes to Policy L2 is the requirement for regular surveys of store work culture. The GM would be evaluated under this policy based on whether the the survey was done, not necessarily on the results. It is not intended to be a popularity contest. It would be an opportunity for conversation and goal setting, not GM evaluation. These surveys could be done internally, not necessarily by an outside consultant. An evaluative staff survey would be something separate, done for the board by an external third party.

A member thanked the board for the proposals and asked what recourse employees would have if the GM was not following the grievance procedure. Who would the staff complain to? Toni thought the store personnel policies should set out a way to address this. A member commented that there should be a mechanism for grievances against the GM. Steve P. said there is an intake process in the personnel policies that is crucial to the grievance procedure. The key is to resolve issues at the lowest level possible.

There was concern expressed by members that the board's proposals for amending Policy L2 will not be comprehensive enough to address worst case scenarios. The board's response was that board policy requires the GM to have store personnel policies, and board policy specifies certain components of those personnel policies. The board, however, does not write the personnel handbook. The board could write more elaborate directives into Policy L2, so that it was more restrictive for the GM, but that could bring its own set of problems.

Another member commented that she was afraid the board would pass this amendment and then move on, without any further discussion of how staff should address grievances against the GM. Steve P. said that a lot of listening and thinking had gone into the proposal that was being presented. It was a sincere attempt by the board to address issues that had come up regarding staff treatment. Any additional amendments would take more discussion and thinking. Should the board wait to pass this amendment until that was done?

The board discussed whether to proceed with the proposed amendment at this meeting or seek additional input and revision. The board has traditionally had three readings of board policy changes before moving to approve them, but that is not required. The advantage to moving forward quickly would be that the new policy would be in place when a new GM came on board. The board can make additional revisions to Policy L2 if needed, and it can have further discussion about the issue of grievances against the GM.

There were some minor corrections. In Policy L2..2, the “and” preceding point “(c)” should be moved to precede point “(d).” The new draft Policy L2.6 should read, “[The GM will not] Fail to survey *and report on* store work culture at regular intervals.” [New language in italics.]

A member commented that if the recommended interval for staff surveys was every two years, that might not be sufficient when there is a new GM. A survey after the first six months might be useful.

Steve P. said he would like the board to have a regular schedule of external reports like financial audit reviews, personnel policy audits, staff surveys, etc., along with a recommended cycle for having them done. There are all sorts of external reports that would be useful, but they cost a lot, and the board has to weigh that. Right now, the personnel policy manual is undergoing an audit by an independent third party.

Robert moved to adopt the Policy L2 Staff Treatment as amended. Toni seconded. Approved unanimously. Onita asked Lyle or Steve P. to send her their most recent version of the Policy Register. There are updates from the last several months that she has not yet compiled.

Board Calendar for 2010: The board calendar is a schedule of all the things the board needs to do each year. It helps structure the board's time and assure that all necessary functions are carried out.

Lyle suggested that the monitoring reports done by board officers be moved from August and September to March, since that is the month their term of office ends. The board monitoring report for Policy G5 would be moved from March to August, and Policy G2.2 through G2.5 would be moved from October to September. Joan suggested the board treasurer do a quarterly report on the board's budget in March, June, September and December.

Georgie moved approval of 2010 board calendar as amended. Toni seconded. Approved unanimously.

Board Budget for 2010: Joan created a budget based on last year's expenses and the expenses expected for this year. It includes \$2000 for external monitoring reports (including a staff survey), \$2000 for the GM search, plus funds for board development, board compensation, member linkage and other professional and administrative expenses. The total is \$15,650. The board budget is limited to .5% of the store budget. Joan noted that the board's budget should include the cost of board elections, which will add another \$1000 to the total.

Toni said it was novel, seeing all of the governance expenses in one place. Georgie said the costs have always been there, they just have not been consolidated into one budget. Steve P. said the board has not had to be responsible for its own budget before. Governance has a cost. It will be important for future boards to bear it in mind. There is a justification process that has to be done.

Robert asked if the external reports are always a board expense. Georgie said the financial audit review was a store expense. Other external reports done for governance reasons are generally a board expense.

Joan moved to approve the board budget as amended. Toni seconded. Approved unanimously. Joan will post the amended budget.

Steve noted that many co-op boards are moving to a per diem as a means of compensating board members, rather than a working member discount. The discount compensates board members unevenly. Lyle suggested keeping a list of these issues to be addressed as the board transitions.

Next Month's Monitoring: Board report on Policy 2.1, Board Job Description, will be done by Georgie. The GM reports scheduled are on L8, Communication and Counsel, L10, Board Logistical Support, and L5, Financial Condition (update).

Next Meeting: January 26, 2010, at 5:00 p.m. at Spectrum Network. Meetings will be the 4th Tuesday at 5:00 p.m. for January, February and March of 2010. The new board will determine its meeting time after that.

Executive Session – Personnel: Toni moved to enter executive session to discuss personnel issues. Georgie seconded. Approved unanimously. The board moved to a closed room for executive session, which began at 7:50 p.m.

The board discussed personnel issues, including the status of the GM search and the outcome of recent mediation.

Georgie moved to leave executive session. Toni seconded. Approved unanimously. The board left executive session at 9:20 p.m.

Joan moved to adjourn the meeting. Onita seconded. Meeting adjourned at 9:21 p.m.

Respectfully submitted,

Onita Mohr, board secretary

Rachel Breitenbach-Dirks, scribe

Documents reviewed:

Agenda

Minutes, November 14, special meeting, regular and executive session

Minutes, November 24, monthly meeting, regular and executive session

Policy G6 report, Governance Investment

Board Calendar 2010

Board Budget 2010

Ends Policies draft