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Oneota Community Coop
Minutes for Regular Monthly Board Meeting
Tuesday, May 31, 2011, 5PM
Luther College Campus, Valders Hall, Room 367

Board Members Present: Johnice Cross, Robert Fitton, Gary Hensley, Lyle Luzum, Steve McCarger, Bill Pardee; **Absent:** Jon Jensen

GM Present: David Lester

Coop member/owners Present: Bob Felde, Blythe Landsman (Board Administrative Assistant)

1. Call to Order

President Bill Pardee called the meeting to order at 5:00 PM.

2. Board Learning

There was a board learning session on the Co-op's debt obligations and status.

Summary: The purpose of this session was to bring board members up to date on the state of OCC's debt and obligations. Only two board members were involved at the time the expansion debts were incurred (Luzum as a board member and McCarger as a manager). Decorah Bank & Trust holds the mortgage (original amount: \$625,000; current balance: 571,205; final payment: 1/21/28). DB&T also hold a 7 year note (original amount: \$186,000; current balance: 106,223; final payment: 12/20/14). Upper Explorland holds a 7 year note (original amount: 150,000; current balance: 89,848; final payment: 3/18/15). A small (\$15,753) 5 year forklift lease is also being paid off with a final payment of 11/6/12. These debts are being serviced regularly with monthly payments of ~\$10,150.

Member loans have been accruing interest of varying amounts (depending on the size of the loans, which run from \$500-50,000) with payment due (principle + interest) primarily in 2014. Due by 12/31/14: Principle – \$313,837; Interest – \$99,231; (Total – \$413,068). Another \$59,251 is due between 3/31/15-12/31/17. A special savings account has been set up to accumulate funds to be able to meet these repayment obligations. Approximately \$9000 per month is going into this account so by 5/31/14 we should have \$440,000 available.

Balance Sheet projections indicate that the trickiest year will be 2013. This is the year before the member loans come due. At that time they will convert from long term liabilities to current liabilities. This will cause a temporary drop in the Current Ratio (current assets/current liabilities), one of the benchmarks management and the board watch carefully because it is an indicator of liquidity and ability to meet obligations due within the next 12 months. (So does the NCGA because they “back” our ability to participate in the NCGA's UNFI contract using credit payment, not COD.) This should be manageable, however, because we have been putting into savings each week to pay member loans when they come due. Strategies are being considered to reduce the impact of this anticipated blip in the current ratio. In addition, the HVAC upgrades and the new roof are being paid out of a different savings account. Finally, to enable efficient cash flow management for major projects or emergencies, a line of credit has been opened at DB&T. (We have not had to use this.)

Conclusion: The debt obligations are being met as planned. Beyond 2014/15, when most of the mid-term obligations have been met, we anticipate having the resources to look at new opportunities.

3. Member Comments

There were no member comments.

4. Disposition of Member Comments

There were no member comments.

5. Agenda Review

54 Agenda item 10 was added by Pardee to conduct the meeting evaluation and discuss agenda timelines.

55 **Motion:** Luzum moved and Hensley seconded to **approve the amended agenda.** Motion **passed** by a
56 vote of 6 aye, 0 nay.

57

58 **6. Approval of Minutes**

59 **Motion:** Luzum moved and Hensley seconded to **approve the minutes as presented.** Motion **passed** by a vote
60 of 6 aye, 0 nay.

61

62 **7. Reports**

63 **7.1 GM Report**

64 Financial: Sales were up 3.3% over April 2010, with the current 4 week average at \$75,490, up 2% from
65 2010. Four week labor as a % of sales was below the budgeted amount, but up from same period last
66 year. Quick ratio was .87. Current Assets were up 82.4% over last year. 75 new members have joined
67 since the beginning of 2011 (incl. 5 College Collaborators). We were notified by NCGA about
68 significant (double-digit) price increases by UNFI in July caused by major cost increases in fuel and
69 ingredients. It is critical to deliver this message to customers properly. We are fortunate that our
70 percentage of local products and bulk is larger than many coops. This allows us to be less dependent on
71 UNFI products only. We're getting closer to, but not quite at the next price breakpoint (\$4 mil annual
72 sales), which would save an additional 3%.

73

74 Community Projects: We are hosting a group from Des Moines that wants to start a food coop there. The
75 Water Street Park project has begun. We are working with Luther sustainability to recycle our glass,
76 which is not recyclable in the county, and proceeds will be donated to Luther's Habitat chapter. We
77 donated to the Gunderson Bike Clinic May 14.

78

79 Physical Store Update: Work continues by Casper on the HVAC #2 installation for the front of the store.
80 Singing Hammers completed the front facade work. Black Hills Energy completed a full energy audit
81 and we're working with Winneshiek Energy District to identify "low hanging fruit". The roof project will
82 start in mid-June. Work was completed on the application for Energy Star status for the store – one of
83 only three such buildings in the county to earn the recognition.

84

85 Staff Updates: The bikes for staff use have been a big hit with staff and have drawn compliments from
86 community members. Several staff will be participating in staff development opportunities. A new
87 evening grocery stocker has been hired.

88

89 Marketing/Special Projects: The Spring Member Appreciation Day Sale was a huge success (2nd best day
90 ever [\$31,078] in our biggest week [\$87,705]). David has been asked to participate with four other GMs
91 to give input into a new CDS Consulting program on cooperative strategic leadership for food coop
92 managers. Many people come to OCC to get wellness product questions answered, than purchase where
93 they are cheaper. "Everyday WELL Deals" is a new marketing strategy targeting staples others in town
94 are also carrying so people can more affordably get those at the coop as long as they're shopping. Local
95 sales for April were back to 21% with biggest increases ever in Deli, Meat, Frozen, Refrigerated &
96 Packaged Groceries. Many excellent classes and scheduled for June, as well as Meat and Greet. Letters
97 are going out to local vendors asking for proof of liability insurance, a completed "Farm/Business
98 Practices" form and asking them to add OCC as an additional insured on their policies. This will help in
99 limiting liability concerning food safety.

100

101 **8. Action Items**

102 **8.1 GM Monitoring Report – L10 Board Logistical Support**

103 **Motion:** McCargar moved and Luzum seconded to **approve the L10 Board Logistical Support monitoring**
104 **report.** Motion **passed** by a vote of 6 aye, 0 nay.

105 Summary: This policy requires that the GM will provide logistical support in the form of staff assistance,
106 record keeping, and communication systems to allow the Board to carry out its duties. Surveys of board

107 members indicate that this policy is in compliance.

108 109 **8.2 GM Monitoring Report – L Global Executive Limitations**

110 **Motion:** Luzum moved and Hensley seconded to **approve the L Global Executive Limitations monitoring**
111 **report.** Motion **passed** by a vote of 6 aye, 0 nay.

112 Summary: This policy requires that the GM not allow any practice, activity, decision, or organizational
113 circumstance that is unlawful, imprudent, or in violation of commonly accepted business and
114 professional ethics and practices, or in violation of the Cooperative Principles. Using evidence of
115 compliance with or progress toward full compliance with this global policy's sub-policies over the past
116 year, this policy was found to be in compliance.

117 118 **8.3 Board Monitoring Report – G4 Code of Conduct**

119 Summary: In this policy, the Board commits itself and its members to ethical and well-ordered conduct,
120 including proper use of authority and appropriate decorum when acting as Board members. It specifies
121 that board members must represent complete loyalty to the interests of the ownership, not to individual
122 or other interests; that conflicts of interest be avoided; that authority rests only in the board, not in
123 individual members; that board members have a responsibility for confidentiality as needed to protect
124 the Co-op's interests; that regular and prepared participation of board members is expected; that the
125 opinions of other board members are to be respected; that board members accept and support the
126 legitimacy and authority of Board decisions; that there is shared responsibility for board group behavior
127 and productivity; and that there is a chain of command process to assure that the GM does not have 7
128 individual bosses.

129
130 It is no secret that there have been some tensions in intra-board relations in the past year. This report
131 attempts, using data gathered from board members, to assess whether, within individual sub-policies,
132 compliance can be reported. It also attempts to deal with the question of whether the whole board can be
133 in compliance if individual members consider other individual members not to be so.

134
135 This report as presented, found all sub-policies compliant except G4.5.5 – “Sharing responsibility for
136 group behavior and productivity”. Its finding was that since it is not the sole responsibility of the
137 President to monitor the behavior or statements of individual board members, to the extent that one or
138 more board members were perceived to have reduced the productivity of the board or acted or spoke in a
139 manner which one or more other board members considered inappropriate or off-subject, the failure of
140 the board as a whole to speak up put excessive responsibility on the President for “control” rather than
141 exhibiting board “self-control”. This non-compliance finding is intended to make the board more
142 cognizant of our individual responsibilities in board group dynamics during meetings. This explanation
143 is a context for a decision re: policy G4.5.3, below.

144
145 When there is question or disagreement about the interpretation of an individual sub-policy the practice
146 is to move to pull the sub-policies in question for further consideration and then approve the group,
147 including those that require no further discussion. Such requests for discussion were expressed for G4.4
148 and G4.5.3.

149 Thus:

151 **Motion:** Luzum moved and McCargar seconded to **pull G4.4 and G5.4.3 for further**
152 **consideration.** Motion **passed** by a vote of 6 aye, 0 nay.

153 154 **Policies pulled for separate consideration:**

155 **Motion:** McCargar moved and Cross seconded to **approve the monitoring report for sub-**
156 **policy G4.4 – “Confidentiality”.** Motion **passed** by a vote of 6 aye, 0 nay.

157 Summary: This was pulled in order for a board member to get a better understanding of
158 what constitutes confidential information, not to challenge the finding of compliance.
159 After discussing the actual code of conduct wording, the group reached a consensus that

160 the words were sufficient at this time to guide our actions.

161
162 **Motion:** Luzum moved and Cross seconded to **approve the finding of compliance for sub-**
163 **policy 4.5.3 – “Reasonably expressing one's own opinion and respecting others' opinions”**,
164 as presented. Motion **failed** by a vote of 2 aye (Fitton, Luzum,), 4 nay (Cross, Hensley,
165 McCargar, Pardee).

166 Summary: Compliance changed to non-compliant. The question the vote turned on was
167 whether the Board as a whole could be considered non-compliant because one or more
168 board members considers a statement by another board member to be non-respectful and
169 the board did nothing to deal with it at the time. Conclusion: yes. It was agreed that the
170 specific issue in question is history and will not be revisited again.

171
172 Pro: (i.e., approve compliance finding) The Board cannot be held responsible for
173 statements by individual board members or how those statements are perceived. Once
174 the statement is out and has been interpreted by another as “impugning their character or
175 motives”, the deed has been done. Nothing the Board can do as a group can un-say those
176 words. It is true that in G4.5.5 we found that the Board was non-compliant for not more
177 strenuously enough objecting to discussions that seemed to side-track consideration of
178 an issue or which attempted to re-open decided issues. This is different from the current
179 question because a board that has a tendency to stray can self-correct and get back on
180 track. It is a matter of degree and frequency. If it is a chronic and difficult-to-break
181 pattern, that can result in non-compliance. This instance, however, could hold the entire
182 board non-compliant for a single statement that another board member finds non-
183 respectful. Further, only 2 of the 3 people involved in the statement at the center of this
184 question are still on the board. That means that a majority were not direct parties to the
185 conflict. Certainly individuals can be found non-compliant, but can a minority of the
186 board cause the majority to be non-compliant when they had no direct part in the
187 incident? Is the whole board out of compliance when one member misses too many
188 meetings? Neither seems reasonable.

189
190 Con: (i.e., reverse compliance finding to non-compliant) You can't have it both ways –
191 saying in one case (G4.5.5) that the board is non-compliant because allegedly a board
192 member attempted to re-open a topic after it had been dealt with or strayed off-topic and
193 the Board did not stop subsequent discussion, and in the other case (this sub-policy) that
194 only individuals are responsible for their statements. If the board is responsible for
195 enforcing its own discipline in one case, it is in the other. This question is about things
196 that have occurred in board deliberations this past year. Even though board members
197 change, the Board as an institution over a defined time period is what is being evaluated
198 here. To be consistent with the finding in G4.5.5 it should be held non-compliant in this
199 case. Whoever occupies a board seat needs to be responsible for their need to be
200 perceived as speaking with respect, even while disagreeing. In essence, G4 is violated if
201 any board member violates it.

202
203 **Motion:** Cross moved and Luzum seconded to **approve the G4 Code of Conduct Monitoring Report**
204 **including results of separately considered sub-policies**. Motion **passed** by a vote of 6 aye, 0 nay.

205 206 **9 Next Monitoring**

- 207 D1 – Unity of Control delegated to Bill Pardee
- 208 G1 – Governing Style delegated to Lyle Luzum
- 209 L1 – Customer Treatment (GM)
- 210 L4 – Membership (GM)

211 212 **10 Timeline**

213 Pardee requested that all board documents be posted to the board's site by Friday before the meeting.
214 Pardee passed out a meeting evaluation form for each board member to complete.
215 McCargar again passed out event signup sheets for board members to volunteer for.

216
217 ***11 Next Meeting Tuesday, June 28, 2011***

218
219 ***12 Adjourn***

220 **Motion:** Fitton moved and Hensely seconded to **adjourn the meeting**. Motion **passed** by a vote of 6 aye, 0 nay.
221 Meeting adjourned at 7:04 PM.

222
223 Respectfully submitted,
224 Lyle Luzum, Board Secretary

225 Documents reviewed:
226 Agenda
227 OCC Loans (Board Learning)
228 Copy of member loan promissory note (Board Learning)
229 OCC Member loans repayment schedule (Board Learning)
230 OCC Other loans repayment schedule (Board Learning)
231 Balance Sheet/ratio projections through 2014 (Board Learning)
232 OCC Potential Projects/Needs for near/mid future (Board Learning)
233 April 26, 2011 Minutes
234 GM Report
235 Excerpts from Energy Audit report
236 L10-Board Logistical Support Monitoring Report
237 L-Global Monitoring Report
238 G4-Board Members' Code of Conduct Monitoring Report
239