

**Oneota Community Coop
Minutes for Regular Monthly Board Meeting
Tuesday, July 26, 2011, 5PM
Luther College Campus, Valders Hall, Room 367**

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

GM Present: David Lester

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

1. Call to Order

President Bill Pardee called the meeting to order at 5:05 pm.

2. Agenda Review

Motion: Luzum moved and Hensley seconded to **approve the agenda**. Motion **passed** by a vote of 7 aye, 0 nay.

3. Approval of Minutes

Motion: Fitton moved, Hensley seconded to **approve the minutes**. Motion **passed** by a vote of 7 aye, 0 nay.

4. Reports

4.1. GM Report

Financial: June sales were up 8.5% (\$24,285) compared to 2010. Four week average for sales is up 8.33% (\$72,074) over same period last year. Labor as a percentage of sales for last 4 weeks averaged 17.5%, below budgeted goal of 18.07%. (Last year was 17.95%.) Quick Ratio as of 6/30/11 is .79. Savings to pay off member loans in the future is \$183,915. Assets through June are up 45% over 2010 to \$254,694. 109 new members have signed up since Jan 1, 2011. Store margin is 38.64% (budget margin is 38.94%).

Community Projects: The Des Moines group that visited our store to get ideas on starting their own co-op has been very successful, selling 2 ½ times more memberships as their goal. We hosted 40 international high school students based out of Des Moines whose focus was finding solutions to food security in the world. We had an additional fundraiser for the Water St Park and raised \$1,219.

Physical Store Update: Roof replacement is going well. The Co-op garden is doing well (despite the weeds) and all produce will be donated to local food pantries. (4 hours of staff time per week is being donated to the garden. Due to the new RTUs and adjustments made as recommended by the energy audit, our electrical usage dropped 6976 KWH and gas usage dropped 90 CCFs compared to last year. Our Energy Star plaque is now displayed on the front of the building and our official profile is on the EPA's website at:

http://www.energystar.gov/index.cfm?fuseaction=labeled_buildings.showProfile&profile_id=1014412

Staff Updates: Staff evaluations are in progress

Marketing/Special Projects: Our percentage of local product sales is 21% (\$65,266), consistent with June 2010. Several classes are scheduled for August. The Scoop is now being distributed in the Decorah Campground and the new informational brochure is being distributed to the Luther Admissions Dept, the Campground, the Decorah Chamber, and other local businesses.

Misc: GM David Lester will be participating in an NCGA store audit for Rochester Good Food Store in August.

4.2 Board Treasurer Second Quarter Report

Board Treasurer McCargar presented the quarterly report for the Board budget. Of the \$16,730 budget, \$7,363 remains for the second half of the year, with the largest expense areas represented by the Board election and CBLD membership line items. The budget of \$16,730 is below the policy allowed target of 5% of the store budget (\$19,450).

4.3 Schedule of Board Learning and Executive Sessions

A proposed schedule of Board Learning topics and planned executive sessions was presented. A consensus agreement was reached that these looked reasonable. The Board Learning sessions planned are: August – Relative worth of improved results on specific ends or for specific beneficiaries; September – Evaluation of the GM under Policy Governance; October – What to ask of an audit; November – Patronage dividends; December – Discussion of potential bylaw revisions for ballot.

5. Actions Items

5.1 GM report – L5 Financial Condition

Motion: Luzum moved and Fitton seconded to **approve the GM L5 Monitoring Report**. Motion **passed** by a vote of 7 aye, 0 nay.

Summary: This policy states that “With respect to the actual, ongoing financial conditions and activities, the GM shall not cause or allow the development of fiscal jeopardy or material deviation of actual expenditures from board priorities established in Ends policies.” Compliance with this policy is determined by compliance with ten sub-policies. Based on data presented, including the Balance Sheet, Income/Expense Statement, and the memo from the most recent external review, compliance was reported on all sub-policies except L5.1: “The GM will not allow sales to decline or be stagnant.”. Due to slower sales in March and April, sales growth (6.55%) was below the budgeted target of 8.75%. However, in spite of missing this target, sales growth was well above the NCGA benchmark of 3% growth. Although non-compliance was reported, we managed our expenses well and are only \$3396 below our target by the end of Q2. Additionally, a table of taxes paid was presented as evidence that those obligations are being met.

5.2 Board Report – D2 Accountability of General Manager

Motion: McCargar moved and Cross seconded to **approve the Board D2 Monitoring Report**. Motion **passed** by a vote of 7 aye, 0 nay.

Summary: This board policy provides that “The General Manager is the Board's only link to operational achievement and conduct; all authority and accountability of staff, as far as the Board is concerned, is considered the authority and accountability of the General Manager.” Evidence of compliance is determined by compliance with sub-policies D2.1, 2.2, and 2.3. Reports from the GM and board members indicated that the Board did not give instructions to persons who report directly or indirectly to the GM, nor did the Board evaluate, either formally or informally, any staff other than the GM. Because the Board monitors the organization's and the GM's performance on an ongoing basis through regular monitoring reports, the Board uses these as a basis for evaluation because the success of the GM and the Coop as an organization will be considered identical if, broadly speaking, the Coop accomplishes its stated Ends within Board “proscribed” means. The Board will evaluate and hold the GM accountable in a formal process once per year. Compliance on policy D2 was reported.

5.3 Board Report D3 Delegation to General Manager

Motion: Fitton moved and Luzum seconded to **approve the Board D3 Monitoring Report**. Motion **passed** by a vote of 7 aye, 0 nay.

Summary: This policy provides that “The board will instruct the General Manager through written policies that prescribe the organizational Ends to be achieved and describe organizational situations and actions to be avoided, allowing the GM to use any reasonable interpretation of these policies.” Compliance of this policy is determined by compliance with 4 sub-policies. The Board is responsible for developing a comprehensive set of Ends policies. These policies (effective Dec 2009) were interpreted and monitored by the GM in the 2010 annual report. The board must communicate to the GM through

written policies and the GM is granted authority to operationalize his interpretation of these policies using “any reasonable interpretation”. Board monitoring of these interpretations indicates that the GM's interpretations are “reasonable”. While the Board may revise its policies at any time to narrow or widen the latitude of interpretation allowed, until such change is official any delegations previously granted to the GM are in place and the Board will respect the GM's actions. The GM reports no instances of inappropriate interference by Board members. Compliance with policy D3 is reported.

6. Next Monitoring: G5 Board Committee Principles

Assigned to Bill Pardee

7. Member comments

There were no member comments.

8. Disposition of Member comments

There were no member comments.

9. Next meeting

Tuesday, August 23, 2011

Meeting self-evaluation forms were completed by board members.

Note: September meeting will be THURSDAY, Sep 29.

10. Executive Session – None

11. 7:00 Meet as Committee of the Whole:

Panel Discussion – “Energy, Sustainability, and the Co-op”

Summary: Panelists were Chris Blanchard, local organic vegetable producer; Jim Martin-Schramm, Luther professor; Kristin Evenrud, Grocery & Meat Manager, Oneota Co-op. Each gave an overview of some aspect of the panel topics from their perspectives. Following are some of the major points brought out.

For several years there has been a confluence of circumstances that have made it difficult for local (non-national) growers: a prolonged economic recession in rural America; local food sales have decreased in the Twin Cities, a major non-local market for some local producers; extreme weather events; national market dominators (primarily California-based) can sell inferior or cosmetically unappealing product because they control the market, while local producers cannot sell product of that quality (for local product, if it's ugly, people won't buy it); national dominators set the price.

Food costs have many input variables: 11% is in transportation – quite efficient given distances travelled. 40% of food cost is from the fossil fuel inputs – production fuel, pesticides, & fertilizers.

Local and organic are NOT equivalent. OCC does not have a way to identify local certified organic produce, nor is there a good way to verify that locally produced product is organically grown if it is not certified organic. Growers may stretch the truth when making claims about their growing practices, but tend to be more open with each other. Certified organic at least provides on-farm inspection requires extensive record-keeping. This inspection process provides substantial protection of “production practice” claims. Foreign organic must also meet high standards, because they also must carry the USDA Certified Organic label.

We cannot have a local food system that can compete with CA prices with local sales only: We must tap into larger metro markets to take excess production. Most local growers are in it part-time. This limits the ability to set up the necessary infrastructure – which would, in turn attract larger, committed growers: a difficult cycle to break, especially with the price and efficiency competition CA provides.

One option OCC could look at to encourage local production (with its higher costs) and make up for some of the “left out” costs in the national dominators pricing structure (environmental and labor compromises, for instance) would be to “tax” produce from the big guys by adjusting margins on local vs non-local products.

Energy pricing is affected by supply, demand, and regulation. Our energy mix is about 80% fossil fuel, 15% nuclear, 5% renewables, so we're going to have a fossil fuel dependence for quite a long time even with significant efforts to change the balance. Centralized energy production vs decentralized: centralized energy provides efficiency vs decentralized energy provides resilience. What is the right balance for our society? Decentralized energy is in its infancy, but provides interesting potential for local economic vitality, because less local money leaves the community.

One recommendation for OCC is to invest in energy efficiency, then take those savings and re-invest in more efficiency – such things as daylighting and net meter photovoltaic.

Due to our location, we face transportation restrictions: one main trucking company serving our area, with further restrictions expected in the next 4 years. We're in a trucking black hole. In spite of increased local production, supplier restrictions limit local supply. Facilities do not exist to provide some supplies (i.e., flour) because there is not enough local production to justify expensive facilities, such as a mill.

Our primary grocery supplier is UNFI, which provides a bulk buying discount because we are a member of NCGA. But buying primarily from them to achieve their lower costs restricts our options. They have announced significant price increases, which they ascribe to transportation cost increases (fuel) and to world-wide shortages of grains, sugars, and proteins. All stores are being affected by these things.

Options for OCC to look at are: continue pursuing internal efficiencies; category management – this may result in fewer choices, but the “best” ones that fit within the merchandizing policy; margin control; forward buying (anticipating/creating demand so more product can be bought in bulk when prices are low for quantity purchases); continue working to create an uplifting customer environment.

Teaching people how to cook allows more less-processed food to be sold. This saves costs many ways.

12. Meeting adjourned at 8:30