

**Oneota Community Coop
Minutes for Regular Monthly Board Meeting
Thursday, September 29, 5PM
Luther College Campus, Valders Hall, Room 367**

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

Gm Present: David Lester

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

1. Call to Order

President Pardee called the meeting to order at 5:01 PM.

2. Board Learning

Summary: Two topics of board learning were covered: Audit preparations the GM Evaluation process.

Audit preparations: This will be the first time in the Co-op's history that a full financial audit has been conducted. In the previous two years we have had financial reviews by two different outside auditing firms. Reviews are useful. During a review auditors review internal processes, however they do not actually test for accuracy of data within the financial records. Reviews are often done as a preparation for a full audit, to assure that the fundamentals are in place for a full audit by allowing "process" deficiencies to be identified and corrected. Since audits test random data, they cannot guarantee that every transaction is properly recorded, but they are considered the gold standard in the financial world. Because of this, they are considerably more expensive. We feel we are now in a position to afford this on a regular periodic basis.

The audit is a Board responsibility. That is, as part of the Board's fiduciary responsibilities, we are to assure that the financial records of the Co-op are in order. Rather than depending on board members being able to verify this ourselves, a 3rd party expert is hired to examine the records according to industry standards and report back to the Board and management. The Board hires the auditor, the auditors report their findings to the Board (and management), and the Board reports to the members.

Proposals for submitting a "request for proposal" to several auditing firms were discussed as a preparation for a later agenda action item authorizing such an RFP.

GM Evaluation process: A review of the process for the annual GM evaluation was conducted. Additionally, data was reviewed relating to GM compensation. Fundamentally, under Policy Governance, performance of the GM is equated with performance of the Co-op and is determined on an ongoing basis as GM-related board policies are monitored throughout the year. The formal GM Evaluation session will be conducted in executive session at the October board meeting.

3. Member comments

No members were present.

4. Disposition of Member comments

There were no member comments.

5. Agenda Review

Addition of 8.7 to append list of documents reviewed to previously approved July 2011 minutes

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

6. Approval of minutes

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

7. Reports

7.1 GM report

Financial Update: August sales were up \$22,059 (7.48%) over 2010. Four week average sales is at \$72,078 (up 3.23%). Labor as % of sales for last 4 weeks averaged 18.41%, above budgeted goal of 18.07% and 17.73% last year. Quick Ratio is .78. Savings (for paying off member loans is \$194,415. Current assets are \$281,466 (up 51.8%). 165 new members signed up since 1/1/2011 (37 are College Cooperators). Local sales for August were 21% (\$66,420), up from \$61,713 last year.

NCGA/General Assembly Update: NCGA is creating a new fund that co-ops can invest in that will help fund new startups and expansions. More staff are being added to the Development Cooperative, with more stores expected to open. More communities are looking to start co-op stores and the DC staff is researching “ripe” communities for co-ops. GM's helped prioritize the NCGA's first 3-year plan. We are now a member of FMI (Food Marketing Institute). CEO of NCGA and other similar businesses met with President Obama to talk about labeling of GMO foods and to emphasize that their businesses represent about \$40 B of sales and 80 thousand jobs. Theme of the conference: Be bold in everything we do!

Community/Outreach/Co-op Projects: We did a successful store tour and intro to eating whole foods with 25 Helping Services staff.

Physical Store Update: Electrical usage for this period was down 9600 kwh and gas usage was down 178 cfs compared to last year. The Water Street Park should be finished soon. Permeable pavers have been on back order.

Staff Updates: Two new employees joined last month. Several staff have been taking advantage of NCGA webinars and conferences.

Marketing/Special Projects: 8 events and classes were listed for October, including Taste the Local Harvest Oct 20. Our POS is now capable of printing a customer's % of local sales at the bottom of the receipt. Researching a new POS is on hold, since NCGA is investigating the possibility of offering a standard POS to member co-ops.

7.2 Election Plans & Schedule

Summary: VP Fitton reported that the election process is following the same schedule as last year with the committee in board candidate search mode. Question to board: How important is it to have two candidates for each office? (There are two openings this year.) Consensus: Recognizing that interest in serving waxes and wanes according to what's going on, contested

elections between excellent candidates with a high degree of interest in serving is the ideal, so we should aim at a goal of at least 3 candidates for the 2 positions, if possible.

8. Action Items

8.1 GM Monitoring Report – L2 Staff Treatment

Motion: Cross moved and Hensley seconded to **approve the L2 Staff Treatment Monitoring Report.** Discussion ensued.

Summary: Policy L2 states: “With respect to relations with paid and volunteer staff, the General Manager will not cause or allow conditions which are unfair, unsafe, or unclear.” Compliance is reported when compliance is established for sub-policies L2.1-L2.4. In order to establish compliance, four tests are applied: 1) Appropriate policies exist, 2) Supervisors receive training so policies and procedures are effective, 3) Staff perception is measured using valid methodology and compared to external benchmarks from the co-op sector, and 4) Allegations of violations of Personnel Policies are investigated.

Using measurable criteria (i.e., recorded injuries for insurance, OSHA, and workers’ lost work days”, number and % of people trained on policies, etc) and the results of staff surveys, compliance was reported for each sub-policy. Thus, no instances were reported of harassment among employees and potential staff, or discrimination based on other than business-related criteria, individual performance, or qualifications; written policies exist that clarify work-related procedures, including those for termination and grievance; personnel records and related decisions are being appropriately documented and secured; all workplace laws are being observed. Results of the staff survey (conducted this year in-house) were positive.

As discussion ensued about the details and subsequent interpretation of the data relating to safety. In the case of “Total recorded injuries for insurance, OSHA, worker compensation” and “Number of Lost Work Days”, OCC's numbers were above the comparable “grocery segment” data, even though for worker comp purposes, our number was considered excellent by insurance industry standards. There was concern on the Board that it is important to get further clarification of what these numbers actually mean in the larger context (i.e., higher than acceptable injuries and lost work days, yet “excellent” workers' comp rating). The data presented and an inadequate interpretation these two data items showed non-compliance. Thus:

Motion: McCargar moved and Hensley seconded to **amend the motion to change the reporting of compliance on Safety Data, Table 1 (Safety Record), Items A and B from compliant to non-compliant.** Motion passed by a vote of 7 aye, 0 nay.

The L2 Monitoring Report with the change of non-compliance as detailed above was put to a vote. Motion **passed** by a vote of 7 aye, 0 nay.

8.2 GM Monitoring Report – L3 Compensation and Benefits

Motion: Jensen moved Hensley seconded to **approve the L3 Monitoring Report.** Motion **passed** by a vote 7 aye, 0 nay.

Summary: Policy L3 states: “With respect to compensation and benefits to employees, consultants, contract workers, and volunteers, the GM shall not cause or allow conditions that are illegal, unfair, or that jeopardize the Co-op's fiscal integrity or public image.” Compliance is reported when sub-policies L3.1-L3.4 are in compliance. Considerations for compliance include: acceptance of the GM's L5 Financial Conditions and L6 Planning monitoring reports; we have policies and procedures in place that are fair, clear, and reflect best practices; we check

to see if policies and procedures are being followed; allegations of mistreatment are investigated and appropriate remedies are made as needed; the GM's L2 monitoring is accepted.

Accordingly, compliance was reported in that the wage scale is based on job responsibilities and the labor market (as determined by surveys and/or available data of area businesses and similar-sized co-ops) and is applied consistently to all people and positions; compensation and benefits do not deviate materially from the geographical or professional market for the skills employed; and no obligations have been made over a longer term than revenues can be safely projected.

8.3 Resolution for Board Procedure – Ethics Pledge for Non-Board Committee Members

Motion: Moved by the ad hoc committee (no second needed) to **approve the Board Procedure for non-Board committee members.** Motion **passed** by a vote of 7 aye, 0 nay.

Summary: In accord with a previous Board request to address the lack of an ethics pledge for non-Board committee members, the ad hoc committee proposed an addition to existing the Board Procedures Manual. Committee members will now sign this pledge.

8.4 Audit Resolution

Motion: Hensley moved and McCargar seconded to **approve the resolution establishing guidelines for determining an auditor.** Motion **passed** by a vote of 7 aye, 0 nay.

8.5 Appointment of ad hoc Audit Committee

President Pardee appointed the Audit Committee to consist of: Cross, McCargar, Pardee, GM David Lester, and Financial Manager Larry Neuzil. This committee will act as the liaison between the Board and the audit firm.

8.6 Renewal of CDS CBLD Contract

Motion: Luzum moved and Fitton seconded to **renew our annual contract with Cooperative Development Services (CDS) for Cooperative Board Leadership Development (CBLD) services.** Motion **passed** by a vote of 7 aye, 0 nay.

8.7 Append July approved minutes

Motion: Luzum moved and Cross seconded to **allow the correction of the July minutes to add the list of documents reviewed.** Motion **passed** by a vote of 7 aye, 0 nay.

Summary: This list was inadvertently left off when minutes were presented and approved.

9. Next monitoring

Board G6 moved to Oct meeting (Hensley)
Board D4 moved to Nov meeting (Jensen)
GM L5
Board Treasurer report and proposed 2010 budget
GM Performance Review (Executive session)

10. Next meeting is Tuesday, October 25

Note: December meeting will be moved to Dec 20 instead of Dec 27.

11. Executive Session

Motion: Jensen moved and Cross seconded to **adjourn to executive session to receive and discuss a Strategic Planning Preview by the GM.** Motion passed by a vote of 7 aye, 0 nay.

7:12 – 7:54 PM

12. Adjourn

Motion: Luzum moved and Hensley seconded to **adjourn**. Motion **passed** by a vote of 7 aye, 0 nay.
Meeting adjourned at 7:54 PM.

Documents Reviewed:

Agenda

OCC Audit Process proposal (Bd Learning)

Audit & Reviews Field Guide (article – Bd Learning)

Understanding Audits (article – Bd Learning)

2010 monitoring report for policy D4 – Monitoring General Manager Performance (Bd Learning)

Evaluating the General Manager (article – Bd Learning)

Management Evaluation Under Policy Governance (article – Bd Learning)

Updating Trends in General Manager Compensation (article – Bd Learning)

Minutes from Aug 23, 2011 Board meeting

GM Report

GM Monitoring Report for L2 Staff Treatment

2010 and 2011 Employee Survey Comparison Report (L2 support document)

GM Monitoring Report for L3 Compensation and Benefits

Letter from Finance Manager (L3 support document)

Letter from HR Manager (L3 support document)

Motion to Solicit Proposals From Prospective Audit Firms

Committee proposal for Board Procedure – ethics pledge for non-board members serving on committees

Previous meeting evaluation survey results