ONEOTA CO-OP BOARD MEETING

Oneota Co-op Meeting Room July 22, 2008

Present: Board members, Steve P., Onita M., Lyle L. Joan L. Toni S., Georgie K., Keith L., General Manager, Christopher DeAngelis Visitors Jana and John Klosterboer.

Board President Steve P. called meeting to order at 5:05 p.m.

<u>Review Agenda</u> – Georgie wanted to add something about the nomination procedure. Onita pointed out that other co-ops do a motion to accept monitoring reports. The board will start doing so. Lyle moved to approve the agenda as amended. Toni seconded. Approved unanimously.

Member-Owner Comments – There were none.

<u>Approval of Regular and Executive Session Minutes from June 24, 2008 meeting</u> – Joan moved to approve the regular and executive minutes of June 24. Lyle seconded. Keith mentioned that he had not received the e-mailed minutes. Onita provided him with hard copies. The minutes were approved with six votes "aye" and Keith abstaining.

Ends Discussion – Steve and Onita provided their attempts at a one-sentence Mission Statement. Steve's version was: "The Oneota Community Co-op exists to serve the greater good of its members and community through thoughtful and ethical cooperative enterprise." Onita's was "The Oneota Community Co-op exists to provide environmentally sound products and services at a prices that offer fair compensation to producers and good value to members and shoppers." The board discussed the drafts. There were aspects of the existing mission statement that were missing from both versions. The board thought it would like to incorporate references to "organic" or "sustainable" as well as "grocery" or "food-related enterprise." Steve pointed out that Ends Policies function as a statement about the purpose of the co-op's of existence. He thought the statement should reflect something bigger than the bottom line.

A possible revision of Steve's statement was: "The Oneota Community Coop exists to serve the (greater good) of its members and community through thoughtful and ethical cooperative (<u>food-related or grocery</u>) enterprise." The parenthetical items are still in question. The discussion will continue next month. Board homework: Review the draft Mission Statement, and compare it with the old Mission Statement to see if other points should be included. Make sure the ends are far-reaching enough. Steve presented an Ends Policy Checklist from the board retreat and will e-mail it to board members.

Policy Monitoring, D2: Accountability of the General Manager; and D3: Delegation to the General Manager — The board reviewed Board-General Manager Delegation policies D2 and D3. The board members had received the monitoring reports from board members Georgie K. and Joan L., read them and were prepared to act. Policy D2 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." The board found

the report's interpretation to be reasonable, with adequate data to determine compliance, and the data demonstrated compliance. Georgie moved that the D2 monitoring report be accepted. Toni seconded. Approved unanimously. Policy D3 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 General Manager to use any reasonable interpretation of these policies." The board found the report's interpretation to be reasonable, with adequate data to determine compliance, and the data demonstrated compliance. Joan moved to accept the D3 monitoring report. Lyle seconded. Approved unanimously. The D3 monitoring report should include a "Monitored" date of 7-2008.

<u>Policy Monitoring, L: Global Executive Constraint; and L3: Compensation and Benefits</u> – The board reviewed the monitoring reports for Executive Limitation Policy L, the Global Executive Constraint and Policy L3 on Compensation and Benefits. Board members had received the reports from Christopher, read them and were prepared to act.

Policy L, Global Executive Constraint, provides that "The General Manager will not cause or allow any organizational practice, activity, decision, or circumstance which is either unlawful, imprudent, in violation of commonly accepted business and professional ethics and practices, or in violation of the Cooperative Principles." The board found the interpretation reasonable. There was a board member question as to whether the co-op was in compliance with food allergy labeling laws for prepackaged deli items. Christopher will check to see if the law applies and report back next month, with a projected time-line if compliance if needed. In all other respects, the board found there to be adequate data to determine compliance, and the data demonstrated compliance. Georgie moved to accept the Policy L monitoring report with the proviso that Christoper will report back on the labeling issue. Toni seconded. Approved unanimously.

There was a visitor question about what "imprudent" meant in the context of the Policy L. The board thought one interpretation would be that the general manager would make decisions based on the best information available and would seek advice from appropriate sources when needed.

Executive Limitation Policy L3 provides "With respect to employment, compensation, and benefits to employees, consultants, contract workers, and volunteers, the General Manager will not cause or allow conditions that are illegal, unfair, or that jeopardize the co-op's fiscal integrity or public image." Board members received the monitoring report from Christopher, read it and were prepared to act. There was a correction in the second bullet under section L3.2. All employees must sign a waiver acknowledging that they have *received* (not *read*) the Personnel Policies and Procedures Manual.

Christopher reported noncompliance on some aspects of Policies L3.3 and L3.4. On Policy L3.3, the co-op's wages for department managers will be below industry standards when the co-op moves to a higher bracket of yearly sales, which is expected to happen by the end of this year. The co-op is getting outside consultation on wages and benefits. The monitoring reports are a snapshot in time. Right now, the co-op's wages are within industry norms for co-ops with sales up to \$2.99 million per year. The board thought that since Christopher was in the process of reviewing the pay levels, and working on efficiencies to allow for higher wages without adverse impact on profitability, the report should be designated as "compliance in progress." Christopher should report back after the data is gathered by the consultants.

On Policy L3.4, Christopher reported noncompliance in respect to the effect of over-staffing at the beginning of the year in the new store, which could have an impact on projected profitability. Remediation is in effect, which is aimed at putting the co-op back on track to be profitable by the third year of operation in the new store, as provided in the business plan. The board did not think this was noncompliance issue at this point.

There was a question on the meaning of "materially deviating." Any report of noncompliance needs a plan and timetable for coming into compliance. On the wage and labor cost issues, the board thought it was appropriate for Christopher report compliance, while alerting the board to conditions that might jeopardize compliance in the future if they are not addressed. Lyle moved to accept the report of compliance in L3. Joan seconded. Approved unanimously.

<u>GM Report</u> – Christopher provided updates on items the board has been following. Labor as a percent of sales was 29.17% and 29.33% for the two most recent pay periods. The labor cost remediation plan aims to lower the labor percentage by one percent per month until December, through a combination of scheduling changes, increased efficiencies and improved sales. Overtime expense is approaching none. Year-to-date sales growth is on target for sales of \$3.2 million by year end. The co-op historically has a boost in sales beginning in late August.

Christopher met with Michael's Engineering concerning the HVAC upgrade, which will involve a dehumidification system for the store. Michael's will provide an estimate within the next week so that bids can be done. Christopher is expecting a total cost of around \$35,000. This late in the season, the dehumidification upgrade could be postponed until next year, but it would probably be more expensive at that time, due to rising metal costs. The \$20,000 in the maintenance budget for this project may no longer be available. The board authorized a loan of up to \$15,000 for the improvement. If that is not sufficient, Christopher will need to advise the board. He plans to talk with Decorah Bank & Trust about the possibility of adjusting the interest rate on the loan in case the co-op does need to take out a larger loan. Christopher is seeking a second opinion on the upgrade and is waiting to hear back on whether there is a less expensive alternative to that recommended by Michael's Engineering.

Onita noted that on the Sales Recap report it looked like IOU repayment was falling behind IOU sales.

<u>Discussion about Committee Charters</u> – The Nomination and Board Recruitment Committee and Board Betterment Committee should be regular committees. The Evaluation Committee and Finance Committee can function on an ad hoc basis. The board discussed its participation in the Membership and Marketing Committee, which currently consists of Liz as chair, plus other member volunteers. Onita has sat in for the board. The board thought it might be more appropriate for it to focus on membership through a Membership Linkage Committee. The board agreed that it would discontinue its participation in the Membership and Marketing committee. That committee can continue to function as an operational committee.

<u>Discussion about Member Discounts</u> – Christopher reported that the year-to-date member discount percentage has been .71% through July, well below the limit set under the prior policy manual. The board agreed that the goal was to have end-of-year profits so that patronage dividends could be possible. Under cooperative principles, the emphasis should be on dividends rather than discounts.

John K. felt that sales increased when members used the discount, and that the discount as a member benefit may be an incentive for more customers may join. The board will not make a policy on member discounts at this time. Christopher will need to determine how he wants the checkout staff to handle the issue of reminding members about the monthly discount. The board may revisit the discount issue in future strategic planning. The historic intent was to eliminate member discounts when the co-op transitioned to the patronage dividend system.

Report on CBLD Webinar – Georgie and Toni attended a webinar, "Perpetuating Strong Boards." Georgie wrote a Scoop article about recruitment for board candidates. Steve, Georgie and Toni are on the nomination and board recruitment committee this year. There is now an application form and information packet at the front desk for people interested in running for the board. Georgie distributed a sample charter for the Nomination and Board Recruitment Committee. This will be discussed next month. She suggested that each board member write a statement describing why they chose to serve on the board and why they find it valuable.

<u>Discussion on Strategic Planning and Board Learning</u> – The board will try to have regular agenda time for visionary thinking. What things would the board like to do in the next year? What goals does it want to set for itself? Suggestions included having a solid nomination process, finalizing ends policies, revisiting the member discount issue, working through the policy governance process, developing a process for board learning, organizing board information, improving the board's information connection with members through the co-op's web site, learning member needs, having someone advise the board about future trends in rural and small-town economies, creating a budget for the board, and thinking about general manager compensation. Steve P. would like the board to set priorities and then evaluate its progress at the end of the year. He would like an ongoing discussion about where the co-op is heading.

Next month's monitoring reports are on the President and Vice President roles. Steve and Georgie will do reports. The general manager report on the Mission Statement is eliminated. The manager's quarterly financial report should be done.

The board signed the prior month's authorization for the \$15,000 loan for the HVAC upgrade, the minutes of which were approved outside of regular session.

Lyle moved adjournment. Onita seconded. Approved unanimously.

Meeting adjourned at 7:35 p.m.

Next meeting is August 26, 2008 at 5:00 pm at the Oneota Co-op meeting room.

Respectfully submitted:

Onita Mohr, secretary Arllys Adelmann, Scribe

Documents Reviewed: Agenda

Minutes, June 24, 2008, regular and executive session
Policy D2 Monitoring Report, Accountability of the General Manager
Policy D3 Monitoring Report, Delegation to the General Manager
Policy L Global Executive Constraint
Policy L3 Monitoring Report, Compensation and Benefits
Manager's Report on Sales and Labor Expense
Sales Recap January 1 through July 19, 2007 and 2008
Sales Recap June 1 through June 30, 2007 and 2008
Sales Recap June 29 through July 19, 2007 and 2008