ONEOTA CO-OP EXTRA BOARD MEETING

Senior Center, Decorah March 18, 2009

Board members present: Steve P., Georgie K., Joan L., Onita M., Lyle L. Keith L. and Toni S. Others present: approximately 50 coop members

President Steve P. called the meeting to order at 7:05 p.m.

Steve P. did a power point presentations about various things the board does as part of its work. One of the items on the agenda was to discuss with members the creation of a document that will be used by the co-op, the "Ends Policies."

Last year the board set goals for itself, things it wanted to accomplish. These included:

- 1) Improving the board nomination process.
- 2) Developing Ends Policies, to be included in the board governance policy manual.
- 3) Continuing board learning, through CBLD (Cooperative Board Leadership Development) and ramping up its own policy monitoring process.
- 4) Improving board-member communication.
- 5) Developing a systematic approach to external verification of GM reports.

The board sets expectations for the GM in two ways:

- 1) Goals or Ends. These are a set of goals for the organization to achieve over the long term.
- 2) Limitations. These set limits on what the GM can do to achieve the goals.

Historically, Oneota Community Co-op (OCC) has had three sets of documents that address the organization's purpose and goals. These are: 1) the Co-op Principles, 2) the Mission Statement and 3) the Vision and Values statement. The Co-op Principles are common to all cooperatives and have evolved since cooperatives first began over 150 years ago. The Mission Statement and the Visions and Values statement are things that were created for OCC. The "Ends Policies" would be taking the place of the Vision and Values statement, which was adopted in the mid-1990's.

The board systematically monitors the policies that govern the co-op. Part of the monitoring process involves the board reflecting on whether a policy needs to be revised. The board is at that revision stage with regard to the goals/Ends Policies. It felt that the Vision and Values statement was not being used effectively. In drafting the revised goals/Ends Policies, the board looked to OCC's past and to what other cooperatives were doing. Once the Ends Policies are finalized, the GM will have the task of interpreting them and developing activities and strategies to meet the goals in a measurable way. The board will monitor to see if the GM's interpretations are reasonable, the data reported is sufficient and whether compliance with the policies can be reported. The board and members will then again reflect on whether the Ends Policies need to be revised.

A discussion period followed. The draft Ends Policies were published in the Scoop late last year. Steve McCarger asked if a final version of the policies would be sent out for a membership vote. No, the polices are a board-generated document. The board plans to have at least one more member discussion session about the policies, at the annual meeting, before the board would move to approve them. The board views the draft policies as only that at this point. The board will revise them based on

member suggestions.

Members wanted to know how the board thought the draft Ends Policies would be more accessible for interpretation and use than the Vision and Values statement that currently exists. Steve P. said the Vision and Values statement cross references the Mission Statement and Co-op Principles in ways that make the document hard to use. The draft Ends Policies are written in such a way that they say what the co-op wants to have as outcomes, without mandating the methods to achieve those outcomes. The GM will have the latitude to determine the methods.

There was general agreement among members that the term "organic" should be included in Ends Policy #1. "Organic" is a separate consideration for many buyers, an indicator that helps in their decision-making. USDA organic is a defined standard. Lyle L. noted that it is possible for some products to be grown in compliance with USDA organic standards and still be objectionable. How "organic" does a product have to be? Some locally grown products are not organic but may be a better choice in terms of methods of production, freshness and other considerations. Northeast Iowa is in the process of developing a strong local food system. Getting organic certification may not be cost effective for many small farmers, even though they are growing in compliance with the organic standards.

Many members expressed a desire for a clear merchandising policy, so that they can feel assured that the products offered at OCC have been vetted based on a set of standards. OCC has developed a merchandising policy over the last year. Members mentioned that they did not approve of OCC offering conventionally grown produce in the "dirty dozen" categories of fruits and vegetables that retain pesticide residues at higher levels. They agreed that the co-op should try to be as inclusive as possible, but on the other hand, it should not legitimize products just because they sell well. Members commented that people come to the co-op because they expect a better caliber of food choices. A question for further consideration is, "Should a requirement for a merchandising policy be included in the Ends Policies?"

Hannah McCarger noted that there is a tension between mutability and consistency in the overall purpose of the store. Some things will change over time, but there is also a core of values that do not change. She also pointed out that OCC is not just a retailer. It is a purchaser. It should "vote" with its purchasing dollars and select vendors who are producing items in ways that OCC can support.

Members also wanted some way to link the Co-op Principles to the Ends Policies. The Co-op Principles, being international standards, will not be changed by OCC. The Mission Statement will still exist. It is a document could change gradually over time, but probably less often than the Ends Policies. The Ends Policies should be reviewed on a yearly basis under the board's monitoring schedule. One way to link the Co-op Principles and the Ends would be as follows, "Because the Oneota Community Co-op exists, guided by the Co-op Principles, there will be...."

The draft Ends Policies, with edits in brackets, are set out below.

The Oneota Community Co-op serves the following stakeholders:

- members,
- customers,
- vendors and suppliers,
- Oneota Co-operative staff,
- the larger cooperative community,

• the wider regional community.

Because the Oneota Community Co-op exists, [guided by the Co-op Principles,] there will be:

- 1. a retail source for food and other products that are sustainably produced, [organic,] locally grown and/or processed, and affordable.
- 2. a locally-owned co-operative business that encourages the expansion of sustainable local food sources.
- 3. a business that contributes to a vibrant local economy.
- 4. a community that is more knowledgeable about healthy food, sustainable economic practices, and the principles of cooperation.
- 5. a local business that promotes environmental sustainability.
- 6. employment in a work environment that values collaboration and excellence.

A member asked the board to think about how Ends Policy #6 would make employment at OCC different than employment at some other organization.

The board asked to move on to the second agenda item, the review of its practices for monitoring GM performance.

Monitoring the GM:

- Set expectations written policies
- Assign authority to the GM
- Check did the GM meet the expectations?
- Reflect are the expectations what we want?

As noted at the beginning, the board sets policies for the GM in two ways, Ends Policies and Limitations. There are GM limitation policies in all of the following categories.

- Treatment of Customers
- Staff Treatment
- Compensation and Benefits
- Membership
- Financial Condition
- Budgeting/Financial Planning
- Asset Protection
- Communication & Counsel to the Board
- GM Succession
- Board Logistical Support

Steve P. showed an example of how the board would review a report on the financial condition of the co-op. The report would include an interpretation of the policy, the relevant data that would show compliance or noncompliance, and a statement as to whether compliance has been met. If noncompliance is reported, the GM must give a remediation plan and a time-line for bringing the policy into compliance. The board's review is to see if the interpretations are reasonable, if the data is relevant, and if the data supports the finding of compliance or noncompliance. The board has so far relied on direct reports from the GM. It can require third party reports, such as legal opinions, financial or store audits, staff surveys, inspections or other verifications. The board may also do direct inspections. The final part of the monitoring review is reflection, to see if there needs to be some

change to the expectations. Should the board tighten or loosen the control.

Discussion followed. Members asked how the board held the interim GM accountable, since she was a short-term employee. The board responded that the interim GM was hired with very specific expectations. The expectations for Michelle Schry were to begin the financial turn-around, including labor and inventory reductions and improved financial monitoring systems.

Steve McCarger asked about inaccuracies in Michelle's January financial report regarding sales, labor, expenses and margin. The board responded that it has been advised that the errors were not large, and restated financials would be reported. Michelle had advised the board that her reports might need revision. She was doing them quickly, so that the board would have 4th quarter and year-end information as soon as possible, and before her term as interim GM ended.

There was a member question about how the board knew if a policy was not in compliance. What are the fail-safe mechanisms? The board can request outside verification. It plans to have an audit review done beginning in May. Troy also plans to do twice yearly anonymous staff surveys. Georgie noted that in a town the size of Decorah, the board is likely to hear talk about problem areas. Lyle said there is a balancing that goes on between too much and too little oversight. To operationalize the governance policies is not an easy task. The board is still learning its policy monitoring role, as is the GM. The store is at a whole new level of operations and everyone is learning to make adjustments.

There was a member question as to whether the board was consulted about and approved all of the interim GM's decisions beforehand. The board does not routinely require the GM to get pre-approval for operational decisions. The board knew when it hired Michelle that reductions in labor would be needed. It was given a head-up that layoffs were coming and that Liz Rog might be among those laid off.

Andy Johnson thought there were shortcomings in the policy governance system. He thought there had to be a way for members to question store operations. What can be done if the members think something wrong is happening that is within the policy limitations? The board said the other side of that was how would the co-op be able to hire and retain a GM, if the GM could not make decisions without being undercut at every turn?

Members were looking for ways to address the human relations aspect of Liz Rog's layoff. Are there avenues to reconciliation, and what would the board be willing to do to move that forward? Steve P. asked what the board's role would be. No agreement was reached.

The board advised the group at 9:30 p.m. that the meeting would need to end, as the meeting space had to be put back in order by 10:00 p.m. It was sorry that the topic of member-board communication had not been reached. There should be an opportunity at the annual meeting for further discussion.

Meeting adjourned 9:35 p.m.

Respectfully submitted,

Onita Mohr, board secretary