Oneota Community Coop Minutes for Regular Board Meeting Tuesday, November 22, 5PM Luther College Campus, Valders Hall, Room 379

Board Members Present: Johnice Cross, Gary Hensley, Jon Jensen, Lyle Luzum, Steve McCargar,

7 Bill Pardee (Absent: Robert Fitton)

GM Present: David Lester

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

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1. Call to Order

President Pardee called the meeting to order at 4:58 PM.

2. Board Learning – Meaning & Benefits of Ends 1 & 2

This month's Board Learning session was a discussion about the meaning of End 1 (there was insufficient time for End 2). The Ends state that, "As a result of the Co-op's existence there will be:..." and then lists 8 outcomes. End 1 says there will be "a retail source for food and other products that, to the greatest extent possible, are organic, sustainably produced, locally grown and/or processed, and affordable." It is the responsibility of the GM to interpret these ends and shape the operation of the store to try to achieve them. Board policies delegate this interpretation and subsequent operational decisions to the GM, stating that the GM may use "any reasonable interpretation" to achieve the Ends. These interpretations, however, are monitored by the Board through its regular monitoring calendar and, in approving (or disapproving) the GM's interpretations the Board applies the "reasonable person" test. That is, it is not a question whether an individual Board member agrees with the GM, but whether a "reasonable person" would find the information presented compelling and sufficient to approve the interpretation.

While the GM is charged with interpretation and operationalization of the policies, the Board is charged with knowing what the members are thinking and desire. It is useful for the Board to assist the GM by providing input. Indeed, since the Ends were written by the Board with considerable input from members, it should be assumed that the Board, on behalf of the members, regularly monitors these Ends as the fundamental direction the Co-op is heading. The Ends policies contain many words that are open to interpretation. For instance, in End 1, what does "to the greatest extent possible" mean? What does sustainability produced mean? What area does locally grown and/or processed include? What does affordable mean? Are the four criteria stated in a priority order?

 While the discussion was wide-ranging, a few themes arose. When the Ends were written, the order in which End 1 was written was not meant to imply a priority listing. It may be or it may not be. That is an interpretation which someone may want to determine. Affordability doesn't just mean cheap. We must consider very real, but often currently externalized costs (social, environmental) that are typically left out of the cost equation. One of the characteristics that sets most food co-ops apart from their competition is that co-ops attempt to help customers understand the negative impacts of the hidden costs of cheap food. This is a great opportunity for member and consumer education (another End). The social justice aspect of food production (i.e., Fair Food) could be implied in "sustainability", as well as the more commonly assumed environmental aspects. The issue of food safety has been increasingly present in the national

conversation and has become a big factor in local food production as local producers began dealing with national systems. This aspect is not clearly implied in the Ends, but may need to be considered in some way.

3. Member comments

No members comments were received.

4. Disposition of Member comments

There were no member comments.

5. Agenda Review

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

6. Approval of Minutes

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

7. Reports

7.1 GM Report

<u>Financial Conditions</u>: October sales were up 2.95% from 2010. Four-week average is \$72,888 per week (.76% over same period 2010). Labor as percentage of sales last four weeks was 19.49% – above our budgeted goal of 18.07% and last year same period of 18.4%. Quick ratio is .76. Current savings balance is \$110,647. Current assets are \$283,057, up 26% from 2010. 191 new members since Jan 1, 2011, 41 are College Cooperators. Local sales for October were 22%, (\$73,952) compared to 24% last year (\$68,169) – note that \$ are higher, but % is lower in 2011.

 Sales growth has been declining, especially in October. Possible reasons why include: Water St Park project took 4 months longer to complete than planned, compromising our parking for most of the summer and fall. The continued fragility of the national and world economy is taking its toll and frugality has a bigger impact on people than last year. Several customers in our typical "top-50" have begun using a diet that requires them to purchase pre-made meals from the diet company, and have dramatically cut back their co-op purchases. Increased competition from a store in Rochester has affected some speciality departments. Compared to recent years, there has been a slowdown in new memberships. The long growing season encouraged more people to continue purchasing at the Farmer's Market and using garden produce, impacting the produce department.

Labor is being adjusted to bring it into line with slower than usual sales, with managers planning labor based on 0% growth. We need to look at wages and benefits to keep loaded labor at or below 25% of sales. Similar slowdowns and downward trend-lines are being experienced throughout the country.

 <u>Community/Outreach/Co-op Projects</u>: David will be speaking to AAUW about the Co-op and energy usage. EBT sales (food stamps) have increased 10% through October. Taste of the Holidays generated \$1000 more for donation to food pantries than last year, although the participation was down. As a result food pantries are receiving chickens, bread, grocery items,

99 local potatoes, and more.

<u>Physical Store Update</u>: Oct-Nov time period showed a decrease of electrical usage of 13% compared to 2010. Gas usage was down 1%. A small new roof issue appeared and the roofers repaired it a no cost to us since it was their responsibility. As a result of the recently discovered POS issue, they have waived 3 months of our licensing fee.

<u>Staff Updates</u>: Staff are committed to using up their PTO/Vacation time so we don't have an unusually large amount to add as an expense at the end of the year.

Marketing/Special Projects: Numerous classes and events are scheduled for Nov/Dec.

7.2 Nominations Committee-Status Report

To date, no one has filed. Several have been contacted.

7.3 Member Linkage Committee-Status Report

115 No report

8. Action Items

8.1 GM Report – L7 Asset Protection

Motion: Jensen moved and Cross seconded to approve the L7 Asset Protection Monitoring Report.

Motion **passed** by a vote of 6 aye, 0 nay.

Summary: Policy L7 states that, "The GM shall not cause or allow the cooperative's assets to be unprotected, inadequately maintained, or unnecessarily risked." The policy is considered in compliance because each of the sub-policies (7.1-7.8) are in compliance.

Accordingly, procedures are in place to monitor the handling of cash, inventory, payables, payroll, fixed assets, and building security, and the upcoming full audit will provide further assurance whether these procedures are adequate; procedures are in place to protect both electronic and paper based information and files; controls for receiving, processing, and disbursing funds were reviewed at our previous financial review and found adequate; liability insurance exists in amounts that are considered adequate; equipment maintenance schedules exist for major physical plant components and insurance protection is in place; purchasing procedures are in place to monitor and control purchases and protect against conflicts of interest; funds are held in protected accounts at financial institutions and investments that are held (mostly in other co-ops or related investments) have been approved by the board; membership, customer transactions, and sales have all increased, lending support to a positive co-op public image and credibility.

8.2 Board Report – D4 Monitoring GM Performance

Motion: McCargar moved and Hensley seconded to approve the D4 Monitoring GM Performance Monitoring Report. Motion passed by a vote of 6 aye, 0 nay.

<u>Summary</u>: Policy D4 states that "Monitoring of the General Manager job performance will be solely against the only expected GM job outputs: organizational accomplishment of Ends policies and organizational operation within the boundaries established in Executive Limitations policies." The policy is in compliance because each of the sub-policies (4.1-4.6 is in compliance.

148 Accordingly, the Board keeps a record of monitoring outcomes and uses this as the basis for evaluating the GM's performance; the Board this year has used internal reporting (i.e., monthly 149 150 GM reports) and external monitoring (i.e., 3rd party financial review & personnel survey) to monitor performance; the Board attended CBLD training to further its understanding of how to 151 152 use the "reasonable person" test when evaluating policy interpretation and compliance reporting done by the GM; the Board maintains and follows a policy monitoring calendar and adjusts as 153 154 needed; and the GM evaluation was conducted in October as called for in the monitoring and 155 evaluation calendar.

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Question: Does D4.5 exist? The policy goes from D4.4 to D4.6. This appears to be a typo. The secretary will research whether D4.5 is missing or if this is a numbering error.

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8.3 Discussion of next year's Board learning plan

Summary: The Board discussed various possibilities for the Board Learning segment of the meetings for the next board year (i.e., after the next election cycle). This was primarily a brainstorming session to guide development of calendar for future Board consideration. There was consensus that a good topic for the December meeting would be the relationship between the Ends policy (approved in Dec, 2009) and the Vision and Mission statements that have long been a part of the co-op. There was additional consensus that it would be wise to review our Articles and Bylaws to see if any changes should be recommended to the membership in the ballot.

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9. Next monitoring

Board policy G3 Agenda Planning – assigned to Pardee GM policy L6 Budgeting/Financial Planning (receive the 2010 business plan)

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10. Next meeting is the 3rd Tuesday, December 20.

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11. Executive Session

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178 *12. Adjourn*

- 179 **Motion:** Cross moved and Hensley seconded to **adjourn**. Motion **passed** by a vote of 6 aye, 0 nay.
- 180 Meeting adjourned at 6:45

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182 **Documents Reviewed:**

- 183 Agenda
- Framework for Discussion of Meaning of Ends 1 & 2 (Board Learning)
- 185 Minutes of October regular meeting
- 186 GM Report
- 187 Independent Auditor's Financial Review cover letter
- 188 Patronage Dividend Distribution Scenarios Worksheet
- 189 Nominations Committee Report
- 190 Member Linkage Committee Report
- 191 GM Policy Monitoring Report L7 Asset Protection
- 192 Board Policy Monitoring Report D4 Monitoring GM Performance
- 193 October Meeting Evaluation Results