1 **Oneota Community Co-op** 2 3 4 **Minutes for Regular Board Meeting** December 20, 2011, 5:00 PM Luther College Campus, Valders Hall, Room 379 5 6 Board Members Present: Robert Fitton, Gary Hensley, Jon Jensen, Lyle Luzum, Steve McCargar, Bill Pardee 7 (Absent: Johnice Cross) 8 **GM Present:** David Lester 9 Co-op Member/Owners, Staff Present: Jim Meehan, Anne Dykstra, Lynda Southerland (Bd Admin Asst) 10 11 1. Call to Order 12 President Pardee called the meeting to order at 5:02 PM 13 14 2. Board Learning – Mission/Vision relationship to Ends 15 Summary: Every organization typically has a statement of why it exists, what it hopes to accomplish on 16 Earth, what grounds it and keeps it on track, and provides a way to tell others about this purpose. OCC 17 has three such statements developed at different times. What is and should be the relationship between 18 our Mission Statement and our Ends? And how about what is said in our Articles of Incorporation? 19 20 Our Articles of Incorporation contain (per Iowa Code 499.40) a statement (Article II) of the purposes for 21 which OCC was formed. This statement is the foundational statement on which the current Mission 22 Statement is based. When Policy Governance was adopted in 1996 and henceforth, Board Policy (current 23 policy G2-Board Job Description and its predecessor equivalent) has mandated (per the Policy 24 Governance model) that the Board "...enact written policies that address the broadest levels of organizational decisions and situations...", including "Ends: Organizational products, effects, benefits, 25 26 outcomes, recipients, and their relative worth (what good for which recipients at what cost)". 27 28 Until December, 2009, when the current Ends policy was adopted, no Ends policy actually existed. 29 Instead, the Mission Statement was used, but it was not "monitored" in the current sense of policy 30 monitoring. Once the Ends were approved, those statements became the criteria used for monitoring our 31 progress as an organization. 32 33 There is great similarity between the statements, at least in overall thrust, but three variations of 34 statements currently exist. The Articles of Incorporation legally requires some words of purpose. The 35 Ends, like all other Board policies, are used in Policy monitoring (a regular and routine Board task). The 36 Mission Statement has been around a long time and tends to be the words recognized most often by 37 member-owners and shoppers. Management has used this statement for a long time to communicate a 38 succinct message about us. 39 40 Article II of our Articles of Incorporation states: "The purposes for which the Cooperative is formed are: 41 (1) to supply, at a reasonable cost, whole foods and other items which meet member needs and 42 are compatible with the Cooperative's Mission Statement; (2) to encourage production and consumption 43 of organically grown foods which are locally produced (if possible); (3) to specifically reject products 44 which injure the natural environment; and to do and perform, either for itself or as agent for its members. 45 any and all acts and things, and to have and exercise any and all powers, as may be necessary or 46 convenient to accomplish any or all of the foregoing, as may be permitted by the Act under which the 47 Cooperative is formed, in this State and in any other State." 48 49 Our current Mission Statement states: "Our Mission is to provide our member-owners with: 50 foods produced using organic farming and distribution practices with an emphasis on supporting local

reasonably priced whole, bulk and minimally packaged foods and household items,

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and regional suppliers,

products and services that reflect a concern for human health and the natural environment and that promote the well-being of the workers and communities which produce them."

Our Ends policy states: "Because the Oneota Community Co-op exists as an institution grounded in the cooperative principles, there will be the following:

1. 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.

2. a business that encourages the expansion of sustainably grown local food sources.

 3. a business that promotes the development of cooperation and co-operative enterprise.4. a community that is educated about food and other products that are healthy for people and the environment.

5. a business that promotes environmental sustainability.

 6. employment in a work place that provides the personal satisfaction of collaborative work directed toward common goals.

 7. a local community whose fabric is strengthened through caring, and sharing gifts of time, energy, and resources.

 8. an institution that respects and encourages the diversity of its membership."

 Is there a hierarchy which defines one set of words as the "master" of the other set? The history of the words requirements to exist and their ability to serve the various purposes (e.g., legal requirements, policy governance monitoring requirements, communications requirements) needs to be considered. After discussion, there was no definitive agreement on what the proper relationship should be between these variations on a theme.

3. Member Comments:

Member/owner commented on Board Learning topic of mission/vision as she understood it from her experience and training.

4. Disposition of Member Comments:

No disposition required

5. Agenda Review

Motion: Fitton moved and Hensley seconded to approve the agenda. Motion passes by a vote of 6 aye, 0 nay.

6. Approval of Minutes

 Motion: Luzum moved and McCargar seconded to **approve the minutes as presented**. Motion **passed** by a vote of 5 aye, 0 nay, 1 abstain (Fitton – absent previous meeting)

7. Reports

7.1 GM ReportFinancial Conditions: November sales were up .53% over 2010. Four week average is at \$74,501 (up

 2.76%) over last year same period. Labor as percent of sales for last 4 weeks averaged 16.95%, below budgeted goal of 18.07% and 17.2% for last year same period. Quick Ratio was .79. Current balance in Savings #3 is \$116,887. Current assets, cash only is \$296,805 (up 26.275 from last year). 205 new members have signed up since Jan 1, 2011 (42 college cooperators). Local sales for November were 22% (\$70,162) storewide compared to 21% (\$66,337) last year same period. EPITDAP is 5.28% after the 3rd Qtr (up from 5.06% after the 2nd Qtr and above the NCGA benchmark of 1.5%.

101 <u>Community/Outreach/Co-op Projects:</u> Now that we're certified to sell to Sodexo, we're looking forward to various possibilities. David was elected to the Decorah Blue Zones Power 9 Committee which will submit Decorah's proposal to become a Blue Zone community.

Physical Store Update: During mid-Nov through mid-Dec our electrical usage declined 13% from a year

ago. Gas usage was down 33%. Average temp was 1 degree warmer than in 2010. An update was given on discussions that have been taking place with Ken Geiger of CoPOS. We will need to be ready to decide on and possibly purchase a new POS system in 2015.

<u>Staff Updates:</u> Staff will be notified about changes to part-time staff benefits in 2012.

Marketing/Special Projects: Update on upcoming events.

7.2 Member Linkage Committee

Summary: There will be an ad in Scoop telling members how to contact the Board with concerns.

7.3 Nominations Committee

<u>Summary:</u> Three candidates have filed for the Board elections to date. The process is on schedule according to the timeline laid out in the Board Procedures Manual.

8. Action Items

8.1 GM Monitoring Report – L6 Budgeting/Financial Planning

Motion: McCargar moved and Jensen seconded to **approve the L6 Monitoring Report**. (Action was eventually postponed until next month. See below.

Summary: Policy L6 – Budgeting/Financial Planning states that "Financial planning for any fiscal year or the remaining part of any fiscal year will not deviate materially from the board's Ends priorities, risk financial jeopardy, or fail to be derived from a multi-year plan". Supporting documents presented included a projected 2012 Balance Sheet, a projected 2012 Profit & Loss Budget Overview, a 2012 Business Plan, and a Multi-year Business Plan encompassing 2012-2014 addressing the three top level requirements of tying to the Ends, avoiding financial jeopardy, and deriving from a multi-year plan. The overall policy is considered in compliance when all sub-policies are in compliance.

Accordingly, compliance was reported and evidence presented supporting sub-policies 6.1 – avoiding situations or conditions described as unacceptable in the Board's L5 Financial Conditions and Activities policy; 6.2 – not omitting credible projection of revenues and expenses, separation of capital and operational items, cash flow, and disclosure of planning assumptions; 6.2.1 – including sufficient information to support assumptions; 6.3 – providing sufficient resources for board prerogatives as set forth in the Board's Board Process Government Investment policy; 6.4 – annually updating the business plan; and 6.5 – adhering to Ends policy priorities when allocating budgetary needs.

The Business Plans, both 2012 and multi-year, were comprehensive in their scope and very well put together, with extensive financial planning and analysis of the larger picture as well as management's analysis of prospects for the next three years. Roof replacement and HVAC replacement done this year should significantly reduce our unanticipated maintenance costs, however, some of those costs added to our short-term debt. Looking beyond 2014 we should be able to retire the member/owner loans. Until then we are facing a continuing challenging financial environment, both within the store operations and in the world economy.

In light of the increasing financial challenges this year (i.e., declining year-to-year sales increases and, thus, net income less than projected) and previous discussion during monitoring of L5 Financial Conditions in October, there was considerable discussion of whether it was accurate to report L6.1and L6.2.1 in compliance. As background, in October the Board clarified its understanding of the meaning of "net income from operations of .5%" as the minimum to report compliance with that part of the L5 policy. It was determined that "from operations" meant that "non-operations" generated income is not to be included when calculating net income for L5 compliance purposes. The net income of the 2012 budget presented appeared not to meet the "from operations" requirement.

Further discussion focused on concern that, although the proposed 2012 budget's sales growth

 projections dramatically reduced from the (too optimistic) projections in the 2011 budget, there would be a greater comfort level on the Board if contingency plans were available to understand how we would deal with disappointing results for 2012.

In light of the extensive and excellent work done in multi-year planning and presentation of the Business Plan, the Board felt it was appropriate to allow extra time to meet the concerns that were discussed as it relates to the Board's fiduciary responsibility to monitor our financial status. Thus:

Motion: McCargar moved and Fitton seconded to postpone voting on the motion to approve the L6 Monitoring Report until the January 2012 meeting. Motion passed by a vote of 6 aye, 0 nay.

and:

Motion: McCargar moved and Hensley seconded to request that the 2012 Business Plan be revised to reflect a net income number of .5% on sales on top of any non-operational % and that contingency plans to deal with disappointing results be developed and presented to the Board in executive session. Motion passed by a vote of 6 aye, 0 nay.

8.1.1 Net Income Reporting Motion (withdrawn)

8.2 Appointment of ad hoc committee to plan Vision Retreat

 President Pardee appointed Hensley, McCargar, Pardee, and GM Lester to an ad hoc committee to prepare for a Strategic Vision 2015 retreat to be held in March.

8.3 Board Monitoring Report - G3 Agenda Planning

Motion: Hensley moved and Luzum seconded to **approve Board Policy G3 Monitoring Report as presented**. Motion **passed** by a vote of 6 aye, 0 nay.

<u>Summary:</u> Board policy G3 – Agenda Planning states that, "To accomplish its job with a governance style consistent with Board policies, the Board will follow an annual agenda that

 1) annually completes re-exploration of Ends policies and links with members, and 2) continually improves Board performance through Board education and enriched its deliberations." The policy is considered in compliance when its sub-policies are in compliance.

Accordingly, (3.1) the Board has a calendar that runs from January to December of each year; (3.2.2) the Board has adopted various means of learning more about the meaning and significance of our Ends; (3.3) although a consent agenda was available as an agenda component, no items were assigned to consent; (3.5) the Board adjusts its monitoring calendar as appropriate.

Two sub-policies were reported as non-compliant. Accordingly, (3.2.1) directs that annually in the first quarter organized efforts to determine member/owner desires. This was not done, at least not in a manner apparently envisioned by the policy. We interpret this to effectively mandate focus groups or some other difficult-to-organize system. (3.4) directs that "The Board will limit the amount of meeting time taken up by monitoring reports by discouraging discussion unless the reports indicate policy violations, or the policy criteria themselves need review." The current president did not actively discourage discussion, so the Board is technically non-compliant.

The non-compliant aspects of this monitoring report triggered a policy modification proposal (agenda item 8.3.1).

8.3.1 Policy G3 Modification Motions (Is this the policy we want?)

 Motion: Moved by Pardee and seconded by Hensley to approve a first reading of policy modification M1. Motion passed by a vote of 6 aye, 0 nay.

Summary: Replaces current G3 top level policy with "The Board will follow an annual agenda

212 that (1) systematically seeks member input on values related to our Ends; (2) reviews the Ends 213 like any other policy for continued appropriateness, (3) seeks to maintain high standards of 214 governance by Board training and study." 215 216 Rationale: Simplicity and clarity 217 218 Motion: Moved by Pardee and seconded by McCargar to approve a first reading of policy 219 **modification M2**. Motion **passed** by a vote of 6 aye, 0 nay. 220 Summary: Replaces current G3.2.1 with "The Board will use a variety of tools to renew and 221 deepen board members' knowledge of member values." 222 223 Rationale: Simplicity and clarity and avoids the implication that time consuming costly focus 224 groups be used regularly. These are less important for a small (3000 active member) community 225 than for a 25,000 or 80,000 member co-op community. 226 227 Motion: Moved by Pardee and seconded by Fitton to approve a first reading of policy modification 228 M3. Motion passed by a vote of 6 ave, 0 nav. Summary: Replaces current G3.4 with "The Board will limit discussion of monitoring reports to 229 230 issues related to the policy under consideration or situations where some Board members are 231 concerned about one of the following 232 1. that an interpretation is reasonable 233 2. that the data provided supports the interpretation of conclusion (compliant or non-234 compliant) 235 3. that the policy is the one we want. 236 237 Rationale: Simplicity and clarity 238 239 **8.4 Dates for Vision and Annual Retreats** 240 Annual Board Retreat will be April 28, 2012. 241 242 9. Next Monitoring 243 GM - L8244 Bd - G2 (Cross) 245 246 10. Next Meeting & Current Meeting Evaluation 247 January 24, 2012 248 Self-evaluation forms were completed for this meeting. 249 250 11. Executive Session (optional) 251 None 252 253 12. Adjourn 254 **Motion:** Luzum moved and Hensley seconded to adjourn the meeting. Motion passed by a vote of 6 aye, 0 255 nav. 256 Meeting adjourned at 7:15. 257 258 **Documents Reviewed:** 259 Agenda 260 Relationship of Mission Statement to Ends (Board Learning) 261 Minutes of previous meeting 262 **GM** Report Nominating Cmte Report 263 264 GM L6 Monitoring Report

- 265
- 2012 Projected Balance Sheet 2012 Profit & Loss Budget Overview 266
- 267 2012 Business Plan
- 268 Multi-year Business Plan 2012-2014
- 269 Net Income Reporting Resolution
- 270 Charter for Board Retreat Planning Cmte
- 271 Board G3 Monitoring Report
- Policy G3 Modification Proposal 272
- 273 Previous Meeting Survey Results