

Moscow Food Co-op Monthly Board of Directors' Meeting Tuesday, February 11, 2014, 6:15 p.m.

Present: Bill Beck, Colette DePhelps, Kurt Obermayr, Julia Parker, Tammy Parker, Idgi Potter (Board); Melinda Schab (General Manager); Joan Rutkowski (Administrative Assistant)

Facilitator: Kay Keskinen

Guests: Tiffany Harms, Glenn Holloway, Pam Holloway, Hunt Paddison, Dave Pilon

STUDY & ENGAGEMENT: Participating Owner Program

The meeting began with Study & Engagement instead of Member Forum; at the time in which Member Forum began there were no guests present with an interest in speaking.

Participating Owner Program mission

The Board discussed whether there is a shared understanding of the mission of the program and if the governing policy adequately reflects this understanding. Melinda said that she and the program director, Tiffany Harms, thought the Board could more clearly identify the program's mission. A more clearly defined mission would help us evaluate the program's success. Is it about access to the store or engagement? Are there other ways to better achieve access or engagement?

The group considered how well the purpose is expressed in the governing policy's introduction. The introduction states that the Co-op "will maintain a program that utilizes Participating Owners in useful and creative ways that are aligned with the mission and strategic plan of the Co-op. A vibrant program is the cornerstone to keeping our members engaged and part of our cooperative community."

Board members agreed that the program itself is about community engagement (Ends A1.3), and the specific tasks that volunteers do support different aspects of the Co-op's mission and Ends policies. Our outreach programs have ways to engage volunteers in their missions.

Ensuring legality

The Board and Melinda discussed how we ensure that volunteer roles and compensation are legal. Historically, cooperative groceries such as the MFC needed and were able to use volunteer labor for essential operations. This is no longer the case. Based on recent investigations, it appears one test for determining the legality of a volunteer role ("job") is whether it is essential to store operations. If it is essential, then it's not legally a volunteer role. For example, if the Co-op would find it necessary to operations to pay an employee to perform a role if a volunteer was not available to do it, that volunteer position should probably be a paid position. It also may not be legal (per the Economic Reality Test) if people are relying on the discounts they receive from their volunteer roles to sustain themselves. The Co-op keeps these considerations in mind when creating volunteer roles.

If Melinda is concerned about the legality of certain operations-oriented volunteer roles, she should eliminate those volunteer roles and hire an employee to perform them.

The Co-op's attorney has advised management to avoid offering volunteer discounts that could be construed as compensation for labor. This is reflected in the most recently amended governing policy, which requires that the general manager utilize a reward structure for volunteers that is in accordance with state and federal laws.

Bill noted that while some cooperatives have ended their volunteer programs because of legal concerns, others still insist upon having them and do not appear to have any legal issues. He said he would like to know more about cooperatives that are successfully operating participating owner programs.

Directors' perceptions about the program's risk are somewhat varied, but all felt comfortable that the current policy provides Melinda with what's needed to move forward legally. Colette said that because a Board policy mandates that the program be instituted in a particular way, against the counsel of the GM, the Board (not management) is accountable if a legal concern about the program's existence should arise.

Assessing and furthering the program's impact

Melinda reported that the Co-op spent approximately \$57,230 on PO discounts in 2013. Colette noted that the money doesn't just serve those who receive the discounts; it also serves those who are enriched by what participating owners do. This ripple effect isn't as easy to quantify, but we know that the volunteers further the impact of our outreach programs, increase store visibility, and bring new people into the Co-op.

Melinda said that she would like the program to better engage volunteers in the Co-op's governance via serving on Board committees. She said it is hard to recruit volunteers to serve on Board committees when the committees are not very active and/or committee volunteer positions are not clearly defined.

The Board advised Melinda to be sure to provide clear, proactive communication to owners if she is going to make any changes to the program and/or specific volunteer positions.

The Board could direct the Policy & Bylaw Committee to work on how Policy B6 expresses the mission of the Participating Owner Program, possibly refining the content of the last two introductory sentences to make a more clearly stated mission. The Board may first revisit its discussion about the overall program design and function first.

MEMBER FORUM

Agenda time was reorganized to allow for Member Forum so that guest Dave Pilon, who arrived late, could address the Board.

Dave, who spoke in February's Member Forum with two others from Beautiful Downtown Lewiston, said he was visiting again to follow up on his group's interest in having the Co-op help them start a cooperative grocery in Lewiston. The group's preference is to have the store be an extension of the Moscow Food Co-op, but they also would be grateful if the Co-op instead provided general assistance to an effort to start an independent store. He asked the Board if it is interested in opening a second store.

Colette said that expansion to a second store is not in the store's current Strategic Plan. Expansion as a general goal could emerge as the Strategic Plan update is finalized, but figuring out where and how to do this would happen through a long research and analysis process led by our General Manager. The MFC has provided mentoring to a new cooperative before, when the Main Market Cooperative opened in Spokane. Similarly, Melinda could help Dave utilize resources through the National Cooperative Grocers Association to start an independent cooperative grocery store in Lewiston.

CONSENT AGENDA

Julia did not have time to finish reading the agenda packet; she will abstain from voting on consent agenda items.

Minutes:

Motion to accept the January 2014 BOD meeting minutes as amended, seconded, passed 5-0-1

- Addition: Idgi Potter will be noted as present for the meeting.
- Change: Typo – Melinda’s last name will be changed to Schab.

The Board briefly discussed the intention and accuracy of the Executive Session section of the minutes. The majority of directors agreed that the summary accurately conveyed the nature of the discussion.

GM Compliance Reports:

Policy B3: Communication and Counsel to the Board

The General Manager (GM) provided a written report about events and trends affecting store performance and stability.

Bill wondered when the annual business plan would be complete, and said that he is interested in how the plan would influence the budget. Melinda said she is planning on providing the plan with this year’s budget.

Motion to accept B3 and find it in compliance, seconded, passed 5-0-1

Policy A1.3&6: Community Engagement & Education

The GM provided a written report on how the Co-op is doing with its goals for fostering dialogue and community engagement and educating the community about food and food systems.

Bill said he was happy that the report included the mission and vision statements for each of the Co-op’s outreach programs and how they related to the Co-op’s Ends. He would like to see more references to the cooperative values (as expressed by the International Cooperative Alliance) in all of our materials.

Motion to accept A1.3&6 and find it in compliance, seconded, passed 5-0-1

BRIEF ANNOUNCEMENTS AND ACTION ITEM FOLLOW-UP

- Directors will send their completed 2013 Board evaluations to Joan by Sunday, Feb. 2 for inclusion in the February BOD packet. *Deadline revised to Feb. 16*
- The Executive Committee will create a process to prepare the Board for the GM’s evaluation, which will be conducted during Executive Session at the February Board meeting. *The executive committee is meeting on 2/12 and a process will be set in motion for the evaluation to happen in March.*
- Based on the February Board meeting, the GM and Board President will consider how to improve the financial reporting process. *To do after items are discussed tonight*
- Melinda and Tammy will actively recruit owners for a recruitment/nominations subcommittee. This committee could involve the BOD Secretary and at least 3 POs. *Still just 1 person*

- The elections committee will share with its recruitment subcommittee the ideas generated at the spring 2013 retreat. *To do when subcommittee forms*
- Tammy will submit a final draft elections committee charter for the Feb. BOD meeting packet. *Joan will do*
- After Board approval, Joan will send Tiffany the approved elections committee charter to help publicize the PO openings. *Joan will do*
- The Policy & Bylaw Committee will make sure the Board's policies appropriately use the words "staff" and "employee". *Ongoing, as policies are amended for other reasons*
- The Owner Engagement Committee will work on its charter for the February Board meeting. *To do for March*
- The Owner Engagement Committee will develop a draft Communications Plan for owner engagement. *To do*
- Julia will work with Melinda to create a call for owners to join Owner Engagement. *To do*
- Melinda will seek feedback from POs and/or the general membership on how the Board's discount should be structured. *May be done as part of further work on the program*
- If so directed by the updated Strategic Plan, in May or at the Spring Retreat the Board will engage in education about growth, including reading the "Growth Roadway" article.
- If and when it's needed, Melinda will produce a written Market Opportunity Report on growth opportunities/ideas. She also could consult with Development Cooperative about what support they can provide, including developing a pro forma.
- If so directed by the updated Strategic Plan, Member Engagement will consider how to involve owners in the growth conversation/process; this effort will include feedback from the Strategic Plan Update.

DONE

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- ✓ The Board will write an article with Melinda as to why the Co-op is an "at will" employer for the Community News. *Deadline to be considered later in the agenda; on writing assignment list*
 - ✓ Directors should consider what the mission statement could be for the PO Program and send thoughts to Joan by Tuesday, Feb. 4 for inclusion in February's Study & Engagement readings. *Some completed; the rest will share during meeting*
 - ✓ Directors will look at the elections committee charter draft from the Dec. packet and send Tammy suggestions. *Moot at this point - Delete*
 - ✓ Directors should consider the usefulness of each financial report and submit their opinions to Joan by Sunday, Feb. 2 for summarizing in advance of the February meeting. *On agenda*
 - ✓ At its February meeting the Board will determine whether to keep or refine the required key indicators. *Topic on agenda*
 - ✓ Colette will follow up with Matt to confirm whether he is formally withdrawing from the 2014 Board election. *Colette contacted and Matt confirmed this via Julia*
 - ✓ Melinda will ask Deb how much time and money it would save to produce financial charts quarterly instead of monthly. *"Deb doesn't think it would save too much time to only produce them quarterly because she would still be creating them monthly (as new data becomes available). I guess it comes down to whether or not the board wants to see the graphs in print every month." To be determined during business agenda*
 - ✓ Julia will complete the Survey Monkey for Policy D1. The complete results will determine if there are specifics or discrepancies to talk about (possibly in Study & Engagement). *Not done; not needed because majority completed and approved*
 - ✓ Board members should get feedback to Kurt re his Q&A about employee relations by this Friday.
 - ✓ Kurt will submit his Q&A for the employee newsletter by Monday the 20th at noon.
 - ✓ Melinda will report to the Board on the availability of an auditor for a financial audit in 2015. *This fall Melinda will schedule Wegner, a nationally recognized accounting firm that specializes in cooperatives, to conduct a financial audit in 2015. They set the upcoming year's schedule in the fall.*
 - ✓ Joan will update the Committee Chart with changes from the January meeting, including the update SI Committee purpose from its finalized charter
 - ✓ Colette and Joan will ensure that the agenda planning process considers whether the upcoming Board meeting needs a report from the elections committee about recruitment/nominations. *We now have standing committee reports*

CONFIRM AGENDA

The Board voted on the group's interest in continuing to discuss at-will employment and the participating owner program. If a majority expressed interest, then the Board could vote on when to have those discussions. The facilitator, Kay Keskinen, noted that it takes a two-thirds majority (five directors) to add a topic to an agenda that has already been published.

At-Will Employment

Motion to continue discussion at this time about the Co-op's at-will policy, seconded.

Discussion: A few directors clarified that while they do not want to continue discussion about this topic at the present time, they would like to talk about it in the future, after Melinda has had time to complete the changes she is making to some of our personnel policies and practices.

Bill Beck called for a roll call vote on the motion:

Kurt: Yes

Julia: No

Idgi: No

Bill: Yes

Tammy: No

Colette: No

Motion to continue discussion at this time about the Co-op's at-will policy **failed 2-4**

Participating Owner Program

Motion to continue discussion about the Participating Owner Program, seconded, passed **6-0**

Action: Directors should prepare in advance how they would like to approach the conversation about the PO Program at the March Board meeting.

BUSINESS AGENDA

GM financial report/Monthly update (report)

The GM provided a written report, per Policy B9, about the Co-op's financial activity.

Kurt commended Melinda for the report.

Bill asked Melinda about the process for making donations to entities such as Palouse Prairie School (PPS) and where those expenditures show up in the financial reports.

Through our Community Contributions Program (CCP) the Co-op makes donations, often in the form of gift cards, to community-based nonprofit organizations. We also partner with local organizations to support efforts that align with our interests.

Melinda said that an outreach staff member handled the PPS request, and so she is not familiar with all of the details about the process for the Co-op's participation in the PPS fundraiser. What she knows is that PPS solicited the Co-op to participate in their Buy Local fundraiser, which is different than requesting a CCP donation. The Co-op was among many businesses they approached. PPS sold gift cards

for various participating businesses and a portion of the proceeds went to the school. Their effort provided an opportunity to promote our store. There was engagement and exposure through advertising, similar to what happens through our Business Partner Program.

Action: Melinda will let Bill know where he can find donation expenditures in the financial statements.

Motion to accept the financial reports as in compliance, seconded, **passed 6-0**

Financial reporting (question/discussion)

The Board discussed which financial charts they find the most useful for Melinda's monthly financial report. Those are:

- The table with sales, gross payroll, and expenses
- Average Daily Sales
- Days of Cash
- New and Renewed Membership Dollars Invested
- Gross Profit Margin Percentage
- The table showing the financial ratios
- The table that includes year-to-date net income and savings, member investment, and days of cash per NCGA.

The full set of financial charts will be reviewed with new directors during their orientation.

Action: Melinda will let Deb know which of the financial charts she can stop preparing monthly. The Board wants to see the complete package of charts annually, in March, when it receives the budget for consideration. **Each month:** The table with sales, gross payroll, and expenses; Average Daily Sales; Days of Cash; New and Renewed Membership Dollars Invested; Gross Profit Margin Percentage; the table showing the financial ratios; and the table that includes year-to-date net income and savings, member investment, and days of cash per NCGA. **In March also add:** Monthly Sales Trends; 2013 Total Store Same Day Sales; Weekly Customer Count; Monthly Operating Expenses; YTD Net Income as a % of Sales; Quick Ratio graph; Current Ratio graph; and Debt to Equity graph.

Key indicator consideration (proposal)

Colette suggested that the Board wait until the Strategic Plan is finalized before analyzing its financial targets and related indicators. Because the plan shapes the Co-op's direction, it will be useful to be able to consider whether any new goals warrant a change in the financial targets. For example, in the past there was a desire to be in a position to purchase the current building if the opportunity arose and it made sense to do so, which shaped the Board's requirement that we maintain even more "days of cash" than required by the NCGA.

Action: The Board will review its financial indicators after the Strategic Plan update is finalized.

Action: Melinda will provide the information she had presented last year about which of our indicators are different from the NCGA's.

Strategic Plan draft priorities & approval process (report/discussion)

The Board discussed the draft strategic priorities that emerged from Jessica Bearman and Sarah Deming's work with the ad hoc committee. They worked with the committee to gather extensive feedback on the current plan and owners' interests for the future.

Ad hoc process and structure of the draft

The ad hoc committee analyzed feedback from: surveys of customers, owners, and staff; in-person conversations with Co-op managers and department teams; dot surveys at the Co-op's annual meeting; a Board retreat; a non-shoppers' focus group and survey; and, several Breakfast with the Board events for customers. Jessica has said that this effort involved significantly more engagement with stakeholders than when the plan was first created in 2008.

In the draft appendix, Jessica and Sarah provided some individual comments from survey respondents. Colette reminded the Board that specific comments shouldn't outweigh the sum of what emerged from the majority of the 329 survey respondents. The comments add richness to our understanding, but they don't necessarily represent the direction that emerged from the survey.

Directors discussed how this process – because it's an evaluation and update of an existing plan – is different from when the Board more directly led the process to create a plan in 2008.

Draft priorities

Bill said he noticed that the draft priorities seem a little more insular – they don't reference broader interests such as the environment. It seems less outwardly focused.

Colette agreed and said that Jessica thought this may reflect that the Co-op is doing a good job with incorporating those bigger values. And it also may reflect owners' interests in more directly personalizing their broader values.

Julia said it could also reflect that customers take our environmental practices as a given. Meanwhile, what's considered an "environmental value" has become more complex. For example, valuing the environment can include paying a living wage so that our employees don't have to shop at Walmart.

Colette also noted that the draft priorities don't seem to suggest any significant changes to the Co-op's direction, but instead offer some nuances to consider. For example, there is still a very strong demand for local food and goods, but people now also want our education efforts to focus more on topics such as nutrition and how and why to make more local, organic, and sustainable choices.

Finalization

Idgi suggested that the final draft include the history of the entire Strategic Plan effort so that people understand when, how, and why our focus has shifted over the years and that it continues to evolve.

Bill suggested that the last stage involve another chance for owners to provide feedback.

It was noted that this last request for feedback shouldn't unduly weight what has already been gathered and analyzed through an extensive outreach process.

The Board will present an updated draft Strategic Plan at the Annual Meeting on April 6th. To have the draft ready for the Annual Meeting, the Board set the following actions and timeline:

1. **Action:** Idgi and Colette will structure a way to receive Board feedback on the draft strategic priorities document. Feedback is needed before March 9th. This process could involve working on a shared document that shows tracked changes.

2. **Action:** The Board will meet on Sunday, March 9th, from 1 p.m. to 5 p.m., to finalize the draft plan that will be submitted to the Advancement Department on March 24th for layout and production.

Policy work

This process will eventually involve ensuring that the plan and our Ends policies reflect each other. The Board also needs to clarify how the Board and Board committees will be involved in furthering the plan's priorities and what's better suited for management. We should put into policy a process for how the Board approves a strategic plan update.

Action: P&B will draft policy changes that address what's needed to guide future Strategic Plan processes.

'D' policy compliance (report)

The Board discussed its compliance with Policy D2 (Role of the Board) and Policy D3 (Board President's Role). The data comes from online surveys that directors completed. Directors agreed that they can vote to find the Board in compliance if a majority of directors have completed a survey and found the Board to be in compliance. We will record an abstention for those who do not complete a survey in time. As long as we have a quorum, we can move forward with this process.

Motion to find the Board in compliance with Policy D2, seconded, passed 6-0

Motion to find the Board in compliance with Policy D3, seconded, passed 6-0

Action: Joan will add to the Board's calendar monitoring deadlines that provide time for the survey reports to be included in the agenda packet. Survey links will be sent with the call for agenda items.

CBLD Café (question)

Directors have the option of attending the CBLD Café on owner engagement on March 1st or the governance training in July.

Action: Directors who can attend the CBLD Café in Portland on March 1st will let Melinda know by Sunday, February 16th.

Action: Melinda will register directors for the CBLD Café.

Committee reports (report)

Board committees will begin reporting on their activities at each monthly meeting.

- Executive Committee: Work has been focused on guiding the process to update the Strategic Plan.
- Elections Committee: All elections activities are scheduled. The Candidates Forum is coming up February 19th, at the Kenworthy.
- Member Engagement Committee: The committee is looking forward to the CBLD Café to help it become more active.

BOARD ASSIGNMENTS AND MEETING REVIEW

Newsletter Assignments

Due 2/15: Last elections brief – Joan/Tammy

Due 2/15: Annual Meeting preview – Idgi

Due 2/15: Strategic Plan – Colette

Due 3/15: At-Will article – Colette/Melinda
Due 3/15: Election results – Bill

Breakfast with the Board (BWB)
3/08: Meet your new directors

Study & Engagement
March: CBLD Café report

Regular meeting adjourned at 8:43 p.m.
Notes taken by Joan Rutkowski

The next meeting will be Tuesday, March 11, at 6:15 p.m. (with dinner beginning at 5:45 p.m.) in the Fiske Room of the 1912 Center.

Signature of the Board President

Date