

Moscow Food Co-op Monthly Board of Directors' Meeting **Tuesday, June 10, 2014, 6 p.m.**

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

Facilitator: Kay Keskinen

Guests: Joe Gilmore, Hunt Paddison, Gary Rencehausen, Dave Richards

STUDY & ENGAGEMENT: Growth

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

Board members shared their thoughts about “The Growth Roadway,” an article written by Art Sherwood, a consultant with CDS Consulting Co-op. The article was chosen for Study & Engagement to help the Board move into strategic conversations about growth for the Co-op. The article presents five stages that boards and general managers can use to successfully work together on a growth project. Depending upon the needs of the process, the Board shifts back and forth between being in its leadership role and engaging in its work to keep the GM accountable.

It was noted that a principle underlying all five stages is “alignment” – all players should be aligned around the purpose of growth and the process for exploring the options. Julia said she thinks there needs to be more discussion about the purpose for Co-op growth. Growth isn’t necessarily about building a second store; it could involve ways to grow the existing operation at the current site. Generally, the desire is to grow in order to further the Co-op’s mission.

Board members discussed the importance of Stage Five, “integrated strategic communications.” Being able to articulate why the Co-op has chosen a particular growth option and to connect that reasoning to the Co-op’s evolution and values is important. It assures people that the project is not haphazard, and the process for articulating the story also helps everyone clarify and align their thinking. This clarifying begins in the Stage Three, “preparing for stakeholder questions,” as the GM and Board consider questions that they anticipate being asked about growth. Bill was surprised that owner involvement did not happen until Stage Three. He suggested keeping owners informed throughout the process.

The article’s framework has the GM taking the lead on proposing a specific growth idea in Stage One, which is when the Board and GM are exploring possibilities. The GM’s proposal shifts the Board into its mode of ensuring accountability as it asks questions and explores how the GM’s proposal would further the cooperative’s Ends. Colette noted that our interest in growth started from a different place, when owners expressed a desire for growth as they provided feedback for updating the Strategic Plan. Given this, she wondered who initiates the next step and what that should look like. Directors agreed that they were ready to hear Melinda’s thoughts on the pros and cons of our growth possibilities.

The Board discussed the next steps and the necessary action items to commit to those steps.

Action: Policy & Bylaw will ask Todd to look through our governance policies for gaps or needs that should be addressed in advance of growth or exploration of growth options.

Action: Melinda will get a copy of the policies other cooperatives had to guide them through expansion.

Action: Professional Development will develop a proposal for helping the Board learn what it needs to know for the growth process. This professional development plan should include gaining clarity about accountability and responsibility with respect to the growth process.

Action: In Executive Session at the July Board meeting Melinda will share a preliminary summary of growth options being discussed by management.

MEMBER FORUM

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

Dave said he was there to ask about progress on the Board's letter of support for his group's effort to develop a Lewiston food cooperative. He introduced Gary Rencehausen, who owns a building in downtown Lewiston that may be an appealing option for a Lewiston cooperative. The Board is finalizing the letter of general support and will send it as soon as it's ready.

CONSENT AGENDA

Laurene Sorensen recently applied for the open seat that was vacated by Tammy Parker. Tammy accepted an out-of-state job and resigned from the Board in March. Laurene was interviewed at the May Board meeting.

Motion to appoint Laurene Sorensen to the Co-op's Board of Directors to fill the seat vacated by Tammy Parker, seconded, passed 6-0-0

Minutes:

The May minutes need to be corrected to say that it was the April minutes that were approved during the May meeting.

Motion to accept the May 2014 BOD meeting minutes as amended, seconded, passed 4-0-3

Retreat Minutes:

Motion to accept the Spring 2014 Retreat minutes, seconded, passed 5-0-2

Colette noted that during the retreat the Board didn't decide when the Co-op's mission statement should be examined and possibly updated. The timing and process for this could be talked about later in the agenda when the group considers Policy & Bylaw's proposal about the Ends.

GM Compliance Reports:

Policy B3: Communication and Counsel to the Board

The GM provided a written report about events and trends affecting store performance and stability. Melinda was asked for an update on her interest in hiring a part-time controller. Melinda said she is waiting for a complete financial audit to see if it includes recommendations that indicate the need for a controller.

Motion to accept B3 and find it in compliance, seconded, passed 7-0

Policy A1.2: Support Local, Organic, and Sustainable Food and Goods Economy

The GM provided a written report about the Co-op's support of the local, organic, and sustainable food and goods economy. The group discussed ways to increase the number of locally made goods in the Wellness department. This may make the Co-op feel more welcoming to those who live in rural communities because they would see themselves represented in the store. Melinda said the department manager works hard to bring in locally produced items. Currently, local producers seek us out, and we need to think of ways to find and connect with those who don't bring their goods to the store.

There appear to be many people in the county who have cottage industries. Ideas for connecting to more local and rural craft producers include reaching out through church communities and hosting a fair similar to the recent Farmer Mixer.

Action: Directors should email Melinda their ideas for increasing the number of locally made goods/crafts from producers in nearby rural areas.

Motion to accept A1.2 and find it in compliance, seconded, **passed 7-0**

Policy B5: Customer Service as a Value

The GM provided a written report about the store's efforts to reach 100% customer satisfaction.

Motion to accept B5 and find it in compliance, seconded, **passed 7-0**

CONFIRM AGENDA

BRIEF ANNOUNCEMENTS AND ACTION ITEM FOLLOW-UP

Ongoing Action Items from May

- The Owner Engagement Committee will meet to finalize the latest draft committee charter for submission to the Board.
- The Owner Engagement Committee will develop a draft Communications Plan for owner engagement.
- The Owner Engagement Committee will create a call for owners to join the committee.
- The Elections Committee will develop a recruitment plan to present at the Board's July meeting.
- The Nominations & Elections Committee will reach out to the PO who is helping with recruitment and invite her to work with the committee on this.
- The draft Nominations & Elections Charter will be updated to reflect any changes made to how special membership meetings and elections are overseen. *First the Board needs to vote on P&B's D9 proposal*
- After Board approval, Joan will send Tiffany the approved elections committee charter to help publicize the PO openings. *To do when charter is finalized*
- Policy & Bylaw will draft a policy for bringing a grievance against the GM for inclusion in the employee handbook and a separate policy that provides a process for bringing a GM-related concern or complaint to the Board when a formal grievance is not warranted.
- As it works on updating the Ends, Policy & Governance will also consider whether any B policies (B6, B7, B13, etc.) are more about vision than GM limitations and should instead be with the Ends to provide more specific detail about expectations.
- Policy & Bylaw will propose a revision to the monitoring calendar to make Ends reporting happen once a year, before the Annual Meeting.
- Policy & Bylaw will draft policy changes that address what's needed to guide future Strategic Plan processes.
- Policy & Bylaw will look for an appropriate place in policy to define how the GM should relate to the Board and how the Board should monitor those expectations.

- Melinda will distribute the draft priorities, suggested goals, and Board suggestions to managers for their feedback on the goals and explanations as soon as possible (once info in retreat notes is okayed).
- Bill will draft an introductory narrative to the Strategic Plan and bring it to a P&B meeting as soon as possible.
- Kurt will take the lead on drafting changes to the at-will article and pass it around for Board feedback.
- Committee chairs will present draft committee work plans for 2014 at the June Board meeting.
- Idgi will photocopy for Melinda the CBL 101 materials.
- Melinda will work with staff to develop a Strategic Plan outcomes report and let Strategic Initiatives know if their assistance is needed. *In process*
- Julia will draft a letter of support for the Lewiston co-op effort and send it to Colette and Melinda for consideration in advance of the June Board meeting. *Kurt is writing this and is waiting for Board approval*
- Melinda and Hunt will talk with managers to help propose summer dates for a joint Board/Management dinner gathering. *Board members are invited to attend any managers' meeting; the management team will plan the October gathering*
- During one of its monthly consulting conversations, the Executive Committee will talk to Todd about how to structure monitoring the Ends policy in a meaningful way.
- The Professional Development Committee will determine whether any of the Board's goals from the April Study & Engagement need to become action items for the Board or for specific committees.
- At the June Board meeting Julia and Idgi will present non-Board member names to fill the remaining openings on the ad hoc Participating Owner Committee.
- The PO program discussion could include whether to seek feedback from POs and/or owners on how the Board's discount should be structured and/or whether to consider Board stipends. *This is a reminder for if/when PO committee forms*
- The Board will review its financial indicators after the Strategic Plan update is finalized.
- 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

- ✓ The 2015 survey for Policy D8 should separate question #2 into two parts.
- ✓ Instead of Breakfast with the Board, each month two directors will sign up for a Co-op outreach/community event and wear their nametags while there to represent the Board.
- ✓ Julia will write an article describing the Board's new engagement effort.
- ✓ P&B will rewrite the draft priorities as Ends statements to propose at the June Board meeting.
- ✓ Policy & Bylaw will consider drafting a change to C2 to change "visionary policy" to "Ends policy."

BUSINESS AGENDA

GM financial report/Monthly update (report)

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

The Board discussed the budgeted sales breakdown by department. Produce has made adjustments that should eventually increase local produce sales, but for now it has lower sales figures. However, the full economic picture shows that labor expenses are not a concern and bottom line dollars are strong. Melinda said she does not want to adjust the budget because she wants to have consistency for comparisons throughout the year.

Motion to accept the financial reports as in compliance, seconded, **passed 6-0-1**

Patronage Dividend (proposal)

The Board discussed details associated with issuing 2013 patronage dividends. Deb Reynolds, the Co-op's finance manager, was present to answer questions.

Patronage dividends are a distribution to owners of a portion of annual net profit based on how much owners spent relative to total owner sales. Only net profit attributable to owner sales is available for patronage dividends – net profit resulting from sales to non-owners remains as taxable income. By declaring a 100% patronage dividend, all of the year's net profit attributable to owner sales is exempt from federal and state income taxes.

Deb provided financial information based on declaring 100% and distributing 20% of what's been declared. Twenty percent is the legal minimum and is what the National Cooperative Grocers Association (NCGA) recommends so that a store can meet anticipated operational needs. The remaining percentage is held in the equity section of the Co-op's balance sheet as retained patronage dividends.

The Board also needs to set the minimum payout amount so that there aren't payments exceeded by the cost of printing and mailing individual notifications. Co-ops generally set the minimum between \$2 and \$5. Deb said the difference between the two in terms of savings is negligible this year.

Deb said that the Co-op had a low redemption rate for 2012 dividends (which were issued in 2013). The Board discussed whether low payout amounts influenced the redemption rate. Many of the unredeemed checks were for lower dividend amounts, but she also found quite a few large dividends that went unredeemed. We also did not have current addresses for some owners. This is problematic because unredeemed patronage becomes taxable income. The group agreed that more needs to be done to educate owners about the deadline for redemption and how redeemed dividends help the Co-op retain money for its operations. The process for donating dividends back to the Co-op needs to be more publicized. The Information Technology department is looking into electronic ways to improve the process.

Is there any advantage to distributing more than 20%? Deb said that if this increase also led to an increase in the amount that goes unredeemed, then this would increase our taxable income.

Motion to approve declaring 2013 patronage dividends with 100% of applicable net profit, 20% distribution, and a \$2 minimum payout amount, seconded, 6-0-1

B3 policy update proposal (proposal)

Kurt described the proposed changes to B3, which the committee drafted to update how the policy identifies the business plan. The Board agreed that the verbs in points 2 and 3 also need to be changed so that the expectations are consistent with those in the other points.

Motion to accept the proposed Policy B3 changes with an amendment to improve verbiage in points 2 and 3 passed 7-0

Action: Joan will change the verbs in B3 points 2 and 3 before distributing the approved policy update.

D9 policy update proposal (proposal)

Kurt described the proposed D9 changes, which seek to establish guidelines for appointment processes. P&B also looked at the existing wording about the oversight of special membership meetings and

elections and concluded that it is in line with the bylaws. The bylaws specify who can call special meetings and Policy D9 specifies that the elections committee oversees those meetings. The committee feels that the elections committee is equipped to handle the logistics of special meetings/elections due to its experience with regular elections.

Motion to approve the proposed Policy D9 changes passed 7-0

C2 policy update proposal (proposal)

The committee proposal removes the word “visionary” from C2 because that term is not officially used to describe our Ends. It also adds a sentence that reiterates that the Board monitors the GM to check her or his thinking and help problem solve but not to take operational actions.

Motion to approve the proposed Policy C2 changes passed 7-0

Ends draft (proposal) and Strategic Goals (discussion)

The Policy and Bylaw Committee shared why it is proposing that the Board 1) add the mission statement to the current Ends policy, 2) keep the current Ends, and 3) add the updated strategic priorities as a second Ends policy. The committee doesn’t want to lose some of the current Ends, so the group is suggesting adding the mission to the existing Ends policy and making that policy an umbrella for a second Ends policy that contains current strategic priorities. The second set of Ends could be updated as needed with every updated Strategic Plan.

Some directors wondered if this proposal is a way to avoid the hard work of updating the Ends. The direction that came out of the retreat had the committee proposing Ends that are updated with the new strategic priorities; Todd Wallace, the Co-op’s consultant, had said that the new strategic priorities would make good Ends.

Specific concerns about and alternative ideas for the Ends proposal are:

- Having two sets of Ends adds an additional layer of items that the GM needs to be accountable for.
- There is redundancy that needs to be addressed, and the proposal may add to the problem. There is overlap between the two sets of proposed Ends, and some essential ideas in the current Ends are already expressed in the mission and/or the 7 Cooperative Principles and/or some B policies. Being economically sustainable (A1.1) is already called for in financial policy expectations.
- Some of the points in Ends A1-7 are constants and are not as fluid as Ends statements should be. They could be articulated as principles, and some already may be part of the 7 Cooperative Principles.
- Incorporating the current Ends under the mission may muddy the mission.
- The mission statement could be rewritten to incorporate essentials from Ends A1-7. The mission should still remain a clean and concise statement.

Action: The Executive Team will talk to Todd about the differences between mission statements, vision statements, and Ends policies and share that information at the July 22 Board meeting.

Board training alternative (discussion)

The Board has agreed that July is not a good time for many directors to travel to Portland for a CBL training. Though the training is valuable, much of the content about cooperative fundamentals is available in print. The recent retreat also had some education about cooperative governance.

Consultant Art Sherwood now lives in Washington State, and training money that would be used for CBL could instead be used to have him visit and conduct a workshop about growth. Also, the Board could consider attending next year's Consumer Cooperative Management Association (CCMA) conference, which will be in Boise.

Action: Professional Development will look into training options in lieu of the July CBL training.

Action: Colette will talk to Mark Goehring about difficulties with the July timing for the CBL training.

Committee Reports/Committee Work Plans for June (report)

Committee members shared information about their activities following the last Board meeting.

Nominations & Elections: The committee needs to meet.

Policy & Bylaw: Its recent work was on tonight's agenda.

Owner Engagement: The committee needs to meet.

Professional Development: The group has been trying to find a time to meet.

Strategic Initiatives: Its work was the focus of the retreat, and the action plan was laid out in the minutes.

- Mark Williams is interested in being on the Owner Engagement Committee.
Action: Idgi will talk to Mark about being on the ad hoc Participating Owner Committee, if the committee proceeds.
- Laurene will join the Owner Engagement and Nominations & Elections committees.
- Idgi will go from three committee commitments to two, making her work with Policy & Bylaw optional and not subject to attendance expectations.

Colette asked if there is something she could do as President to help activate the dormant committees. Board members agreed that it is up to them to be motivated by the importance of their committee work. It may help for committees to have regularly scheduled monthly meetings.

Action: Committee chairs will figure out a regular monthly meeting time and send the information to Joan ASAP.

Ad Hoc Participating Owner Committee

Board members discussed whether to reconsider forming the ad hoc Participating Owner Committee. Some directors are ready to let Melinda and staff shape the PO Program based on legal advice and staff interpretation of what is legal and fair, which is what the guiding policy calls for, and to evaluate her on this when called for by Policy B6. Julia said that the attempt to form this ad hoc committee feels like overreach into operations.

As stated in its draft charter, the ad hoc committee's purpose would be to assess the PO program in terms of its financial, legal, and social ramifications for the Co-op and to propose whether the program needs to be redesigned based on these considerations. The program coordinator did conduct such an assessment, and disagreement among directors about the assessment has made staff hesitant about making large-scale changes. Some directors believe the ad hoc committee's work would help align all interested parties.

Because the Board voted to form the ad hoc committee, a vote is needed to put reconsideration of the committee's formation on the agenda.

Motion to put the ad hoc Participating Owner Committee topic back on the agenda for July to determine whether to let Melinda move forward under Policy B6, seconded, 4-3

Committee Recruitment (discussion)

Committee work needs to include identifying how many owners and staff are able to join committees. This will help Advancement advertise the committee options; finalized charters also are needed from some committees to help with recruitment.

Action: Committee chairs will let Joan know of how many openings for owners and staff they have on their committees.

BOARD ASSIGNMENTS AND MEETING REVIEW

Newsletter assignments

Due June 15: At-Will article (Kurt)

Due June 15: Patronage Dividend declaration (Colette/Melinda)

Due June 15: Introducing Laurene Sorensen + photo (Laurene)

Due July 15: Committee recruitment (Bill)

Outreach & Engagement assignments

Idgi will participate in the Co-op Kids' "Play at Friendship Square" on June 17 at 9 a.m. She could write about this for the newsletter.

Regular meeting adjourned at 8:37 p.m.

Notes taken by Joan Rutkowski

The Executive Session topic was "GM Check-In."

The next meeting will be Tuesday, July 22, at 6 p.m. (with dinner beginning at 5:30 p.m.) in the Fiske Room of the 1912 Center.

Signature of the Board President

Date