

Moscow Food Co-op Monthly Board of Directors' Meeting-Approved
Tuesday, January 13, 2015, 6 p.m.

Present: Kurt Obermayr, Idgi Potter, Bill Beck, Glenn Holloway, Colette DePhelps, Laurene Sorensen, Mary Simonsen (Board); Melinda Schab (GM); Sara Miller (Board Administrative Assistant)

Facilitator: Kay Keskinen

Guests: Hunt Paddison, Joe Gilmore

PUBLIC FORUM

Public Forum is a time for the Board to listen to owner and general public comments; follow-up is considered outside of the forum. There was no one present who wished to speak.

BOARD APPOINTMENT

Motion to seat Laurene Sorensen and Mary Simonsen to fill vacancies on the Board until the next election. Motion seconded, **passed 5-0**

Record will show there are now 7 Board members in attendance.

CONSENT AGENDA

Minutes:

The Board made the following amendments to December 2014's Board Meeting minutes:

- Page one: change spelling of Laurene's last name from 'Sorenson' to 'Sorensen'
- Page one: change title of Study & Engagement to 'Reinventing Our Cooperative Democracy'
- Page two paragraph one: change 'GM evaluations' to 'GM monitoring reports'
- Page four bullet point two: remove '(?)'
- Page four bullet point four: adjust paragraph and add a space between 'regularly' and 'perform'
- Page four second bullet point from the bottom: change 'July' to 'January', and after conversation add 'and through finding B3 & B4 reports in compliance'
- Page five: change 'Motion to accept Owner Engagement Charter and find it in compliance' to 'Motion to adopt Owner Engagement Charter' and change 'passed 6-0-1' to 'passed 7-0'
- Page six: remove second bullet point
- Page six bullet point seven: change 'as it is a Co-op mission, and investment in capital is a vessel to fulfilling that value' to 'as it is a Co-op end, and investment in human capital is a method to fulfilling that value'
- Page seven: change 'Strategic Initiates' to 'Strategic Initiatives'
- Page seven: change action item from 'Sara to add note to nominations and elections checklist to never appoint Director after September because it is impossible to get them fingerprinted in time' to 'Sara to add note to nominations and elections packet to not appoint a Director after September because it is difficult to complete fingerprinting requirement by the year end'

Motion to accept the December 2014 BOD meeting minutes as amended. Motion seconded, **passed 7-0**

GM Compliance Reports:

Policy B2: Compensation and Benefits

The General Manager (GM) provided a written report on workplace conditions and employee benefits.

- Kurt asked what Co-op employees receive for time off. The New Employee Handbook includes all information regarding specifics, but Melinda believes employees working 0-2 years receive 16 days of leave. The Employee Handbook was handed out at the all staff meeting, but some Board members no longer have one or did not receive one, including Bill, Laurene, and Colette.
- Bill was interested in how the Co-op approaches merit-based raises. According to Melinda and Hunt Paddison, the Co-op has a list of criteria used to evaluate performance for merit-based wages.
- Bill mentioned he would like to have more time with the Board packet in order to better develop clear and concise questions to ask during GM reporting or have time to clarify with Melinda before the meeting. Melinda clarified that Board packets were received later than normal recently due to a variety of circumstances.
- The GM's B2 report was discussed as an excellent newsletter article option for the future.

ACTION: Melinda will provide Bill, Laurene, and Colette with current employee handbooks.

ACTION: Sara and Colette will develop a Calendar for the Board

Motion to accept B2 and find it in compliance. Motion seconded, **passed 7-0**

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.

- Melinda added the following addition to B3, bullet point one: The GM will attend the Palouse – Clearwater Food Summit 4.0, acting as the MFC official representative. She will be giving a five minute presentation about the co-op.
- On January 8th, 2015 the Co-op hosted its first Science After Hours with the Palouse Clearwater Environmental Institute. Melinda gave a brief synopsis to the Board, saying the event was well received by the community, with standing room only and attendees actively engaging with presenters.

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

Policy B9: Current Financial Conditions/GM Update

The General Manager (GM) provided a written report, per Policy B9, about the Co-op's financial activities.

- Glenn inquired about this year's budget process, and Melinda summarized how she and Hunt have incorporated changes to the budget process and projections. In 2014, Melinda and Hunt compared the performance of the Moscow Food Co-op to other medium-sized Co-ops around the country. After the comparison was complete, Melinda told Hunt what she believed was a reasonable target for success, which he brought to department managers then brought their thoughts and responses back to Melinda to establish targeted budget standards. Melinda also added action steps to implement if standards are not met within a department.
- In addition to budget projections and standards, the Board discussed targets for owner equity. Currently, the Co-op does not have an established target for owner equity, but Board members feel one should be established in the near future.

- The Board and GM discussed NCGA's days of cash target in comparison the Co-op's days of cash. Currently the NCGA target is 10 and the Co-op target is at 26. Melinda clarified that days of cash need to be viewed as a trend rather than monthly to gain an understanding of where the Co-op falls in comparison with NCGA targets. For example, days of cash can be negatively affected by what day of the week the last day of the month falls on. Glenn asked for clarification on what a day of cash calculation is, and Melinda offered to add a day of cash calculation to future B9 reports.

When reviewing the growth profit margin graph, Glenn asked why the 2014 margin is below the previous years. Melinda and Idgi explained that the graph is slightly misleading, as there is only a 1% difference between 2013 and 2014. The Board and GM discussed the difference between a net profit and a gross profit margin. The net profit (bottom-line profit) should be gaining, while the gross profit margin should be lower. The Co-op has been actively trying to lower the gross profit margin in recent years.

ACTION: Add owner equity to study and engagement.

ACTION: Melinda will add day of cash calculation to B9 reports.

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

General Manager (GM) FYI Report

In order to create open communication between the Board and General Manager, Board meetings will include a GM FYI report. The FYI report is an informal opportunity for the GM to update the Board on important Co-op information and for the Board to ask brief, clarifying questions.

- Melinda began the FYI by announcing she has received the market survey, the first draft of the Co-op's readiness report from Paula (NCGA Development Advisor), and Linda's Prepared Food report. Melinda will share electronic versions of these reports with the Board after she has had time to review them.
- Melinda made the following addition to the GM FYI reports: Melinda is attending an NCGA meeting on January 28-29, 2015.
- In response to moving the GM's report on Strategic Plans to February, Glenn had a few clarifying points and concerns. The Board has identified new Strategic Priorities, and Glenn wanted to be sure that the Strategic Plan is being put into operations at the Co-op and that the GM is reporting to the Board how they are being implemented. Colette made a point that when the Board hired Melinda, they told her she needs to come to them when she has a lot on her plate. Melinda has communicated well to the Board, and pushing back the strategic plans report by one month during this busy time is of little consequence. Glenn explained he was looking for clarification, as the Board has sometimes failed to clarify what they expect to the GM.
- Melinda prompted the Board on how they would like to move forward or make changes to the Tuesday Grower's Market hosted in the Co-op's parking lot. The market, originally designed to be run primarily by the Co-op's participating owners, has become labor intensive for the staff and potentially dangerous for customers. However, the Tuesday Market is important to growing the local food economy and is a good method for Co-op outreach. In general, the Board felt the Tuesday Market is still a worthwhile outreach effort, given a few structural changes to reduce costs. Restructure might include moving the market offsite (in a community space downtown) and removing some staff-ran activities. The Board discussed the possibility of developing a

farmer advisory committee, with members acting as ambassadors to the larger market community, or using the Annual Members Meeting to further discuss the future of the Tuesday Market. The Board would like to see a Tuesday Market transition plan after Melinda has contacted outside resources including the Idaho Farmer's Market Association and Scott who runs the Pullman Farmers' Market.

- Colette took the time to share that she has received really positive feedback regarding the Co-op's new quarterly magazine, *Rooted*. The Board would like to see more *Rooted* magazines distributed externally, which Joan, the Owner Engagement Coordinator, is currently working on.

To conclude the GM FYI, the Board asked if there is anything they can do for Melinda. Melinda summarized that she has a lot on her plate, as the Advancement Manager of the Co-op recently left. Melinda is not planning on posting the job for another six months and, if she does post it, she will post the job internally. Whoever receives the position will essentially be doing two jobs (their old role and Advancement Manager), as Melinda will not be hiring someone to fill in the gaps. Melinda feels that the advancement team at the Co-op is great and fully capable. Colette requested that if Melinda feels she has too heavy of a work load or finds herself working 60-70 hour weeks, and needs to shift her priorities, to let the Board know. Melinda can include it in her report or it can be discussed during an executive session.

ACTION: Sara will change action item to reflect the GM reporting on Strategic Plan operations in February rather than January.

BRIEF ANNOUNCEMENTS AND ACTION ITEM FOLLOW-UP

Laurene announced that the Owner Engagement Committee is launching a Beer with the Board pilot in February, 2015. The goal for Beer with the Board is to let owners understand who the Board is, and help owners see Board members as their link to the Co-op. The Board discussed a possible budget of \$300.00 to provide owners with appetizers and drink tickets for beer, wine, or coffee.

Glenn announced that he (accompanied by his wife, and a variety of lawyers and legislators within the state) have authored a Cottage Industry Bill, opening up the possibility (if passed) for a commercial kitchen in his facility and the ability to sell to the Co-op. Glenn also announced his farm is now certified as a Savory Hub.

Action items as of January 13, 2015:

- Policy & Bylaw will continue to look at B policies (other than B13, B6 and B7) for congruence with the new Ends and the purpose of B policies. IN PROGRESS
- Laurene will review the Co-op's bylaws (using drafted version with member-owner changes), and if she finds anything significant she will put it on the Board's agenda for directors to consider submitting for owner approval at the Annual Meeting in April. IN PROGRESS
- Idgi will add Board training opportunities to next year's Board budget. IN PROGRESS
- Colette will ask Todd how to do external Board assessment. IN PROGRESS
- February 2015: Melinda will present the Board with Operational details for working on the Strategic Plan. She may provide updates via monthly B3 reports prior to this check-in.
- April 2015: Annual Meeting will focus on Strategic Plan celebration (?) and will include telling the story of the Co-op's evolution and where the new Strategic Plan will take us.

DONE

- ✓ Owner Engagement will determine how many openings for owners and staffs they have and let Advancement know of this information for publicity; Owner Engagement will create a call for owners to join the committee.
 - ✓ Owner Engagement will consider how to involve owners in the growth conversation/process.
 - ✓ Laurene make change to Owner Engagement Purpose: "...and working with Co-op GM to implement effective owner engagement strategies."
 - ✓ Sara will add note to nominations and elections checklist to never appoint Director after September because it is impossible to get them fingerprinted in time.
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CONFIRM AGENDA

The Adaama Loan agenda item was moved to the beginning of the Business Agenda.

Agenda items D2 & D3 were moved to the February Board Meeting agenda.

BUSINESS AGENDA

Adaama Loan (P)

Melinda made a proposal to the Board to extend the Co-op's loan through Adaama for up to \$200,000, If the Co-op does not extend the loan, it is due to be paid off in April 2015. During the Winter Retreat, the Board discussed credit and loan options, concluding that healthy businesses should have some debt. The Co-op would use the proposed \$200,000 loan to make capital improvements, including but not limited to new produce cases and an oven for the bakery. Melinda clarified that a complete list is listed on the capital improvements budget.

Motion to authorize Melinda to enter into a loan agreement with Adaama for up to \$200,000.

Discussion: Bill expressed concern with spending money on short notice without looking into other loan options. Although it would entail a great deal of leg work, the Board discussed if it might be worth the time to look into loans and interest rates from different banks. Idgi informed the Board and GM that the Potlatch Federal #1 Credit Union would accept a transfer of finances the Co-op has with American West. Idgi offered to set up a meeting and discuss the parameters of a business loan with Potlatch Credit Union.

Exploring different loan options may take a longer period of time. Melinda would like to order a new oven soon, and would prefer to avoid taking money out of the savings account, as it would hurt the Co-op's days of cash. Hunt clarified the need for a new oven based on in-store research: If a business spends half the value of the equipment to fix it, they should buy a new one, and if the Co-op had a new oven, the store would be saving 38 hours of staff time a week. The Board discussed amending the motion to extend the Adaama loan. In order to allow the GM to enter into a loan (which is required according the Co-op's Policy & Bylaws), while still providing the GM with loan option flexibility, the Board suggested dropping Adaama from Colette's motion.

Motion to amend the motion and drop Adaama. Motion seconded, passed, 6-0-1

Motion to pass amended motion. Motion seconded, passed, 6-0-1

Amended motion now reads as follows: Motion to authorize Melinda to enter into a loan agreement for up to \$200,000.

Let the record show that at 7:30 Colette DePhelps left the meeting.

Annual Members Meeting (D)

With the Annual Members Meeting approaching, the Board discussed how and what they should present to Co-op owners. Historically, Melinda gives a presentation, Colette/the president discusses long-term goals, and the treasurer discusses the budget. Idgi offered to discuss why net profit is down and how the money has been used to improve the store and implement strategic plans with input from Melinda on how these improvements benefit the Co-op. At last year's meeting the Board presented the Co-op goals. This year the Board would like to present a public statement regarding growth and implementation plans, including strategic goals, benchmarks, next steps, and owner engagement. Melinda suggested adding a video or slideshow as a visual aid to the meeting, which the Board agreed upon. The Board would also like to see a more interactive segment of the meeting in addition to the Q&A. The Board will continue the conversation of Annual Members Meeting discussion topics further as the event approaches. The Board discussed scheduling of the Annual Members Meeting, settling on Sunday, April 12th from 5:00 – 7:00 in the Great Room of the 1912 Center. The Board will provide locally sourced snacks, beer, and wine.

ACTION: Sara will email Jenny to reserve the Great Room with the kitchen and a projector on April 12th, from 4:00-8:00.

Winter Retreat Action Items (D)

Kurt assigned Board members to the action items developed during the Winter Retreat. Items with a lower priority were marked as future action items to be discussed at a later date.

Action Item Assignments:

1. Idgi & Melinda – Come up with written documentation outlining Board/GM relationship structure.
2. Kurt – Further discuss and create guidelines for Board email use. Kurt clarified that email use does not need to be a policy, but a few clear standards may be beneficial to Board communication. Idgi noted Board members should be aware of the difference between “reply” and “reply all.”
3. Future action item – Develop talking points to make owners feel heard, specifically related to expansion and growth. Melinda suggested creating these with the management team so everyone can be on the same page; she will touch base with Todd in the future about bringing him out to facilitate discussion around management team/Board talking points.
4. Melinda & Board – Melinda will add FYI Report to the agenda at future Board meetings. Board members will ask Melinda what they can do for her at future Board meetings.
5. Melinda – Look into Campus Christian on Greek Row (point of contact: Matt Meyers) at University of Idaho as a location for Co-op's growth option.
6. Melinda – Obtain detailed financial auditing proposals with outlined costs and explore more financially viable options.
7. Policy & Bylaw Committee – review budget language and budget policy.
8. Future Action Item – Laurene will complete some pro bono research on member loan options.

Owner Voting Privileges (Q)

The Board clarified there are no restrictions in the Co-op's Policies and Bylaws on how long someone has to be an owner to vote in the elections. The Board clarified that upon request the Co-op sends out absentee ballots. Kay offered her services as an absentee election ballot collector to the Nominations and Elections Committee. The Board discussed setting a recording day, establishing it should be at least

1 week before the voting begins. With voting beginning March 2, the record date was set for February 15, 2015.

ACTION: Sara to change Nominations and Elections calendar – give two week lead time for recording day before voting starts.

Proposed BOD Candidates for 2015 (P)

Bill informed the Board there are six applicants for the open Board of Director's seats. To the best of the Board's knowledge, two of the six applicants have incomplete application packets. After confirming the applicants have not sent in the missing items, the Board will deem them ineligible. As the application's directions are clear, the Board feels they should set a precedent for only accepting completed applications. The Board feels that all requested information should be provided in order for the application to be considered complete.

The following applicants are confirmed eligible to-date:

Charlene Rathmun
Laurene Sorensen
Mary Simonsen
Colette DePhelps

Motion to vote to accept Charlene Rathmun, Laurene Sorensen, Mary Simonsen, and Colette DePhelps. Motion seconded, **passed 4-0-2**

ACTION: Review and update next year's application process to make sure application is clear and outline that those who do not turn in a completed application are ineligible.

ACTION: Bill will contact ineligible candidates.

ACTION: Nominations & Elections Committee will establish a date, time, and location for a candidate orientation and notify candidates ASAP.

ACTION: Nominations & Elections Committee will develop set of written questions for the candidate forum to share with the Board before the forum.

STUDY & ENGAGEMENT: Charitable Giving Conversation

In order to create a better understanding of how the Board would like to allocate donations, Melinda asked the Board if they would create a set of guidelines for charitable giving so she can make a policy based on the Board's values.

The Board and General Manager came up with the following criteria for charitable giving evaluation:

- Mission/values of Organization (and how they align with Co-op values/missions)
- Alignment w/Co-op Ends policies
- Minorities (giving priority to organizations representing minorities)
- What is the organizational benefit to community?
- Organization should be secular and apolitical
- Is there a high need?
- Is there an immediate need?
- Local organizations (example: can donate to a local Red Cross but not the national Red Cross)
- Specific purpose for donation

- Verification of application (organizational need should be verified)

The Board thought the Co-op should split charitable giving into two categories, 1) Annual charitable giving, and 2) Needs based charitable giving. Annual giving will be larger amounts that align with Co-op Ends provided once a year. Needs based can be more flexible and can take a variety of forms (for example, every month the Co-op could give \$100 worth of small items, or set up a discretionary fund for the GM). Melinda noted that Paula with NCGA believes the Co-op donates too much. Bill would like to see a clear and defined process to avoid any appearance of conflict of interest.

ACTION: Melinda will share what policy she comes up with based on the charitable giving criteria.

BOARD ASSIGNMENTS AND MEETING REVIEW

Newsletter assignments

All assignments are due on the 15th of the month before the Newsletter is issued.

February (theme: have a heart):

Laurene: Beer with the Board & Winter Retreat

Bill: Election article

March (theme: reissue – recycling/repurposing):

Bill: Elections update

Idgi: annual members meeting

Glenn: re-issue themed article

April (theme: seed to sprout):

Bill: election result announcement

Idgi: seed to sprout themed article

May (theme: rediscovery)

Laurene: rediscovery themed article

June (trivia)

Kurt: trivia themed article

ACTION: Bill will give photo credit on Laurene's headshot which will go into newsletter.

Upcoming dates to remember:

Local Investment Workshop – February 18

Beer with the Board – February 19

Candidate Forum – March 2

CBL 101 – March 28

Annual Members Meeting – April 12 (tentative)

Meeting evaluation: The Board felt they got a lot accomplished in today's meeting, and gave thumbs up all around.

EXECUTIVE SESSION

*Notes taken by Sara Miller
Meeting adjourned at 8:35 p.m.*

The next meeting will be Tuesday, February 10, 2015 at 6:00 p.m. (with dinner beginning at 5:30 p.m.) in the Fiske Room of the 1912 Center.

Signature of the Board President

Date