

Moscow Food Co-op Monthly Board of Directors' Meeting **Tuesday, December 9, 2014, 6 p.m.**

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

Facilitator: Kay Keskinen

Guests: Hunt Paddison (Store Manager)

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.

STUDY & ENGAGEMENT: Reinventing Our Cooperative Democracy

As the Board discusses growth and prepares for the 2015 Board of Directors election, they chose to focus their Study & Engagement discussion led by Bill Beck on an article from the National Cooperative Grocers Association: "Reinventing Our Cooperative Democracy: A Conversation." Art and Todd's (the authors of the article) conversation is interesting and hard to argue; they are thoughtful theorists, and it is great to have the reminder from these individuals that we are a democracy, emphasizing ownership and equality. The four P's discussed in the article (practice, promote, perpetuate, and protect) create an added level of practicality to the democratic model. On the other hand, the main vulnerabilities of democracy are tyranny and complacency. People often recoil from the group that speaks out loudly, but if we could embrace rather than shy away, we can focus on the merit of their voice rather than avoiding conflict, which perpetuates complacency.

The Board discussed the importance of providing opportunity for belonging. Directors and GM emphasized that providing the opportunity is the goal, not necessarily how many people participate or utilize them. Participation is often measured in election votes, but the true duty of the Board is to provide the opportunity to as many people as possible; this is a representation of democracy. The Board also discussed the grey area for owner expectation. Often, the Co-op does not hold owners accountable when they stray from democratic, Co-op values. The Board and GM deliberated the possibility of expressing expectation for owners to honor values within the Co-op; this may be a good opportunity to practice exercising democracy.

The Board and GM discussed democratic and Co-op value driven guidelines for products the store offers. Idgi expressed the Co-op is challenged with honoring voters vs honoring values as a Co-op, bringing up the question "are we truly a democracy when we draw a strict line in what products we offer?" This question prompted the following points:

- The Co-op serves a diverse community with a wide spectrum of values, serving each value is a challenge. The GM and Board's roles are to serve as many as possible while still upholding Co-op values.
- Other Co-ops offer more conventional food and products to discourage customers from going elsewhere and provide the convenience of a one-stop shopping trip. However, there are certain owners that may be offended if the Co-op begins selling conventional food.
- The Board discussed what the Co-op bylaws state in regards to natural food. Although the bylaws state the Co-op as a consumer cooperative and not specifically a natural food Co-op, the bylaws are clear that certain foods won't fit within the Moscow Food Co-op principles.

- The Board and GM discussed the possibility of expanding their products to better serve populations in need. The nutrition program, Women, Infant, and Children (WIC) was discussed as a positive program in the community, where studies have shown that women on WIC are much healthier. Co-op expansion to include WIC foods is a strategic question needing further thought and discussion.
- In summary, the Board and GM would like to maintain democracy and the trust from their customers to make good choices in the products the Co-op provides, while improving the community and impacting as many people as possible. If the Co-op begins providing products in order to serve programs that benefit communities, the GM and Board would educate owners with efficient evidence supporting their decision.

Lastly, the Board discussed how to ensure meaningful elections, a small piece in the Study & Engagement article. The Board discussed what values applicants running for seats on the Co-op Board of Directors should be demonstrating to owners. Bill then shared his thoughts on Board transparency, bringing up the question of sharing GM monitoring reports with owners. The Board also decided to add a physical copy of all Study & Engagement articles to the owner packet for all future BOD meetings.

ACTION: Sara to include Study & Engagement articles in owner packet (electronic and physical copies posted within the Co-op and brought to BOD meetings).

CONSENT AGENDA

Motion to move B9 financial agenda to business agenda with 10 minutes worth of discussion.

Minutes:

The Board made the following amendments to the November 11, 2014 minutes:

- Clarify roles of meeting attendees (Board, General Manager, Administrative Assistant), move Hunt Paddison to Guests.
- Board Appointment: change 'in' to 'to' and remove 'of' before Julia Parker.
- Brief Announcements and Action Item Follow-Up: in first bullet remove 's' from 'staffs', remove 'of' after 'let Advancement know'.
- Confirm Agenda: add 'the' before Board, add Idgi 'will' follow up with Deb.
- Business Agenda: add period after Owner Engagement Action item, add 'only in their role as Board Members' to the sentence 'Also, staff often see Directors only as Board members'.
- Change 'delicate' to 'deligate'.

Motion to accept the November 2014 BOD meeting minutes as amended, seconded, **passed 6-0-1**

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.

- Mary asked about the process for choosing local non-profit organizations to give grant funding from the Cooperative Community Fund. The Board discussed the possibility of adding a list of organizations requesting money to the election ballot and having owners vote who receives funds from the grant, and in turn increasing voter turnout.

- The Co-op still provides donations throughout the year based on GM discretion. Providing donations throughout the year allows the Co-op to fund spontaneous needs and opportunities for organizations.
- Idgi connected the conversation to the November 11, 2014 BOD meeting Study & Engagement: The Spirit of Generosity. Providing donations on a needs-basis to local organizations is a great way for the Co-op to stay connected to the community. Melinda expressed interest in finding out more about how Co-op owners feel about current practices in giving.

The Board and GM invited Hunt Paddison to summarize the Co-op's new app for iPhones and Androids. Hunt discussed the following purposes of the free app:

- Advertise daily deals/sales.
- Provide coupons only redeemed from the app when presented at time of payment.
- Daily deli menu.
- Full access to MFC blog (this blog receives several thousand views a month through the MFC website).
- Link to other social media outlets.
- List of community events.
- Map to the Co-op.
- Access to Co-op Newsletter.
- Push notifications to remind users of events, deals, etc.

Motion to accept B3 and find it in compliance, motion seconded, passed 6-0-1

Policy B9: Current Financial Conditions/GM Update

B9 moved to Business Agenda with allotted 10 minutes time.

BRIEF ANNOUNCEMENTS AND ACTION ITEM FOLLOW-UP

Owner Engagement will meet at 3:30 rather than 4:00 on December 11, 2014

As of December 9, 2014:

- Owner Engagement will determine how many openings for owners and staff they have and let Advancement know of this information for publicity; Owner Engagement will create a call for owners to join the committee.
- The Owner Engagement Committee will prioritize looking at how policy should guide owner engagement in general and how that outcome should shape how staff proceeds with the Participating Owner Program.
- The PO Program discussion will resolve 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.
- Owner Engagement will consider how to involve owners in the growth conversation/process.
- 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.
- 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. *In process: the request has been made*
- Bill and Glen will figure out a time and focus for an owner engagement opportunity and share set-up needs with Board Admin.
- 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.
- Add Board training opportunities to next year's Board budget.

- January 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

- ✓ Laurene will change Owner Engagement Purpose: "...and working with Co-op GM to implement effective owner engagement strategies."
- ✓ P&B will change B7 references from member to "owner"
- ✓ Sara will take out "and according to the article, would cost around \$1 million" from Study and Engagement summary in October minutes.

CONFIRM AGENDA

Board agreed to move Policy B9: Current Financial Conditions/GM Update to Business Agenda.

BUSINESS AGENDA

Financial Audit (P)

The GM discussed the response she received from financial auditor Bruce Wagner regarding the possibility of a future Co-op financial audit.

- Based on information and questions Bruce received by the GM, the proposal suggested a three year auditing process. The proposal included a price breakdown for services for each.
- After the proposal is complete, the GM will receive a financial audit report and consulting services.
- Colette asked the GM if she felt we were in a place to do a financial assessment and readiness assessment in one year. The GM believes we can complete both but must receive the readiness assessment before a final decision is made on moving forward with auditing.
- The Board discussed the cost to benefit of completing a three year audit. Bringing in an outside auditor (in addition to the CPA) provides a different perspective than someone who regularly performs reviews and taxes. Laurene mentioned it is standard for any business once it gets to a certain size to have an external auditor separate from their day-to-day person.
- In growth context: the Co-op will have to eventually finance any growth, and the type of audit from Bruce's firm will exemplify good business practices, especially considering the Co-op has never completed one.
- Bill expressed concerns about the audit cost and time, asking if it was possible to complete a 1 year audit. The Board discussed this possibility, and many supported the three year audit proposal. In depth audits can be educational and unearth major areas for improvement that an insider may not have the perspective to see.
- Tax return preparation: the Board and GM discussed and agreed there are benefits to bringing in an outsider every 5 years to complete Co-op taxes, as it is considered best practice in many business models.

The general feel of the discussion was the Board and GM would like to educate themselves and have the tools to continue best business practice.

The Board and GM discussed the steps the GM took in obtaining the audit proposal from Bruce Wagner.

- Bill expressed concern with the audit proposal process.

- Colette explained the GM did not receive a directive to complete financial audit in 2015. Based on the January 2014 minutes, the Board was informed that Bruce’s auditing firm completes requests for the following calendar year in the fall. The Board did not formally vote but accepted in conversation and through finding B3 and B9 reports in compliance that the auditing process begin in 2015.
- Laurene mentioned that since the Board has never completed an audit, there was no way of knowing a financial audit would take as long as 3 years.

Motion to confirm engagement in three-step full financial audit process as recommended by Bruce Wagner beginning in 2015, seconded, **passed 6-0-1**

BOD Policy Compliance: D1 (P)

The Board discussed the results of the online survey for compliance of Policy D1: Governing Philosophy.

- 6 of 7 directors completed the online survey; Mary abstained as she is newly appointed.
- The results of the survey indicate the Board is in the mid-level range for compliance.
- Lowest scores include: 2.5 on discipline with respect to attendance. Colette believes the Board falls short on attendance in committees and giving advance notice when members aren’t able to participate. There is a Board policy related to attendance and the Board is looking into ways to track participation, have follow up, and ensure continuity.
- There is a systematic evaluation of board compliance in place, and although the policies exist within the MFC, these policies were inherited rather than developed by the Co-op Board. The Board discussed looking into the feasibility of having a Board assessment to give Directors an external review.

ACTION: Colette will ask Todd how to do external Board assessment

Motion to accept D1 and find it in compliance, motion seconded, **passed 7-0**

Owner Engagement Charter (P)

The new charter highlights the focus of Board to owner relationships, bringing changes to communication mandates. Laurene noted the proposed charter should be kept open ended because the committee is still in its early stages. Improvement will be made after further communication and owner feedback.

ACTION: Sara to change “member” to “owner” within the Charter.

Motion to adopt Owner Engagement Charter, motion seconded, **passed 7-0**

Winter Retreat (D)

Kurt confirmed hosting the Board retreat facilitator, Todd Wallace. The Board discussed location and food logistics and received direction to Laurene’s home where the retreat will be hosted.

ACTION: Sara will pick Todd up from the airport and bring him to the retreat Friday evening.

ACTION: Sara will bring retreat agenda packets for Board members and GM.

ACTION: Sara will send out directions to Laurene’s.

ACTION: Attendees will let Sara know if they need a chair.

Proposal to Amend D10 (GM Evaluation) (P)

The Board and GM discussed the holidays and Board retreat in December; this is a hectic time to do GM evaluation. Colette proposed moving GM evaluation to February. Six months later, every other year, the Board will complete a compensation review in August.

Motion to Amend D10 and find it in compliance, motion seconded, passed 6-0-1

B9 (MOVED TO THIS LOCATION) Current financial condition and GM update

GM provided written report on Current Financial Conditions.

- Bill voiced concerns related to B9 compliance – the Co-op is making significantly less money than this time last year, which Bill does not find to be necessarily in compliance. Bill would like to open up a conversation about whether or not the Co-op is meeting NCGA standards.
- In order to satisfy the strategic plan, the Co-op needs to be making profit of greater than .25%.
- Idgi brought up that the Co-op has had a buildup of deferred maintenance that the store is beginning to chip away at, which would account for these numbers. Other factors include changing the margin on fresh produce (giving profit back to producers), trainings, HR audits, and labor.
- Hunt entered the discussion to explain the increase in cost of labor. In 2014, the Co-op added a great deal of staff investment to increase retention, a problem the Co-op has struggled with in past years. The Co-op added a store manager, owner services coordinator, and HR positions. Since these changes were made, the Co-op has seen increased retention which will create a better bottom line in the future.
- Idgi informed the Board that once they receive a new budget, some of these changes will be reflected.
- Laurene also mentioned the importance of being an employer of choice, as it is a Co-op End, and investment in human capital is a method to fulfilling that value.
- The GM explained the increase in directors insurance (quadrupling in cost), is due to the Co-op now employing over 100 people, requiring them to provide a 401K plan. The GM suggested many of these questions can be answered via email, as she has access to information she doesn't have at Board meetings.
- Bill also asked the following questions:
 - Who makes up the Front End Overhead: the GM, Hunt, facilities, cashiers, front end manager, finances, and Tiffany's team.
 - Is it necessary to have capital budget reporting? The GM would like to discuss the answer to this question further with Paula. In general, the Board and GM discussed financing the capital budget as a possible business practice rather than pulling money from savings.

Motion to accept B9 and find it in compliance, seconded, passed 5-1-1

Committees: Reports/Work/Plans progress/Schedule:

Nominations & Elections:

The Nominations and Elections Committee is planning on doing a tabling event in the near future, possibly the first week in January. Committee members have added a couple of people to the recruitment list, but more applicants are needed and Board members were encouraged to keep looking for candidates. At the last committee meeting, members discussed venues for promoting elections with Tiffany. Mary made a pamphlet for recruitment which will be simplified and used as ongoing information for the Board. Bill thanked Mary for her great work and dedication to the Board.

Policy & Bylaw:

New policies will be added to the January, 2015 agenda. The Policy and Bylaw Committee will review policy and expansion.

Professional Development:

The Professional Development Committee completed an orientation with Mary and Laurene in November.

Owner & Engagement:

Laurene summarized the Owner Engagement Committee is still in process and is very grateful for to staff members to ease the implementation of procedures.

Strategic Initiatives:

There was no committee meeting in November due to Thanksgiving, and no meeting will be held in December due to Christmas. The next Strategic Initiatives Committee meeting will be in January, 2015.

Motion to find calendar in compliance, seconded, **passed 6-0-1**

BOARD ASSIGNMENTS AND MEETING REVIEW

Newsletter assignments (due by the 15th each month)

Laurene: January issue – Submit retreat article

Bill: Submit elections article

Idgi: Submit Co-op vs natural food article

Upcoming dates to remember

Winter Retreat: Dec 12-14

CBLD 101: March 28

CBLD Café: TDB

Food Summit: Jan 30, 9 a.m. to 4 p.m.

Local Investment Workshop: Feb 18

CCMA: June 10-13

Meeting evaluation (all): The Board briefly reviewed the meeting with an overall feeling of good conversation and questions that require further thought and review.

Regular meeting adjourned at 8:15 p.m.

EXECUTIVE SESSION

Motion to suspend appointment of Mary and Laurene until they comply with fingerprint requirement, motion seconded, **passed 7-0-0**

ACTION: 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.

Executive session adjourned at 9:00

Notes taken by Sara Miller

The next meeting will be Tuesday, January 13, 2015 at 6:00pm (with dinner beginning at 5:30 p.m.) in the Fiske Room of the 1912 Center.

Signature of the Board President

Date