

Moscow Food Co-op Monthly Board of Directors' Meeting-Approved
Tuesday, March 10, 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: Joe Gilmore, Joan Rutkowski

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.

Joan Rutkowski, the Co-op's Owner Engagement Coordinator, addressed the Board about the upcoming Owner Week. Owner Week begins Wednesday, March 18th and ends Tuesday, March 24th. During Owner Week, the Co-op sets up a table and a celebratory piece (the wheel will be used to engage owners and encourage participation in Owner Week). Joan asked the Board if they would be willing to help man the table, which would be a good opportunity for the Board to engage owners and discuss what the Board does, (i.e. Policy Governance). The table will need to be manned during the Co-op's hours of operation, Joan asked the Board to volunteer when they are available; any times they do not fill will be covered by Joan.

STUDY & ENGAGEMENT – Great Governance: Annual Meetings

Colette announced that the wrong study & engagement article was attached to the packet. With the Board's Annual Meeting approaching on April 12th, the study & engagement focused on successful annual meetings under Policy Governance.

- Colette noted the first thing that stood out in the article was setting goals for the annual meeting. At this point, the Board has created topics and a process for the meeting, but should discuss what the Board intends to achieve as outcomes/goals. Kurt suggested the first goal should be to perform the Policy Governance legal requirements of annual meetings. Colette would like to engage owners in a conversation about Co-op priorities and get feedback for implementation ideas in the strategic planning process. The Board liked the example given in the article for a conversation topic: how is my Co-op membership different from my Costco membership? The Board felt this topic is a good way to open up the dialogue of how the MFC is different as a Co-op.
- The Board and Melinda discussed what previous successful events have looked like, like the carnival, and how to attract the most attendance. Melinda suggested beginning the planning process for the annual meeting at least 6 months in advance. Joan noted that participating in the Annual Meeting implementation is written into the Owner Engagement Committee charter. Many Co-ops, when planning far enough in advance, bring in external guest speakers to help improve owner attendance and facilitate critical thinking about important Co-op values. Laurene said she would like to see a discussion at future Annual Meetings with other Cooperatively owned businesses so that owners can see the common threads of Co-ops and understand it is not just about natural foods.

- The Board discussed food options, deciding that providing dinner would be the best option, as the Annual Meeting will be at dinner time (5pm-7pm). The article suggested sourcing food for Annual Meetings from a local business; the Board decided to contact Gnache to provide food buffet style and source beer and wine locally.
- Colette noted that the Board has access to a sound system for music at the meeting, if they would like to book a band.
- Many Co-ops outline an Agenda for their Annual Meetings, advertised in advance so owners have a better idea of the structure and understand how they will be engaged. The Agenda will be finalized by the Owner Engagement Committee. In addition to their role in finalizing Agenda topics, Colette would like the Owner Engagement Committee to establish an effective marketing plan for Annual Meetings. Kurt suggested creating large banners to put on the floor of the Co-op, rather than hanging posters in the windows, as the store is visually stimulating making it easy to overlook advertising. Colette suggested developing quarter-sheet fliers for cashiers to put in shopping bags.
- Colette would like the Board to have a conversation about combining the Candidate Forum with the Annual Meeting. This may increase attendance at the Candidate Forum and provide owners with a better idea of who is running in the election.

Action: Idgi, Melinda, and Colette will discuss what is going into the annual report and when the deadline is.

Action: The Owner Engagement Committee will finalize the Agenda at their meeting on Thursday, March 12, develop a marketing plan for Annual Meetings, finalize food options, and develop quarter sheets with Annual Meeting information.

CONSENT AGENDA

Minutes:

The Board made the following amendments to February 2015's Board Meeting minutes:

- Page 7 – Change date at the bottom of page from February 10 to March 10.
- Edit the spelling of Laurene's name.

Bill was curious whether or not Laurene's presence via phone at the February 10 meeting should be considered present based on the Board's current code of contact. The Board felt that conferencing in is included as present.

Motion to accept the February 2015 BOD meeting minutes as amended. Motion seconded, **passed 7-0**

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.

- Melinda passed out the corrected Profit & Loss (P&L) summary, as there was a last minute adjustment for something that should have been on January's P&L that was moved to February, changing the bottom line. Melinda noted that this time of year is hard for the finance department, as they have a lot on their plate.

- Colette said she would like to have an idea of the number of active members to better understand what the Co-op's owner equity looks like. Colette would like to have a conversation in the future about how active memberships/non-active memberships tie into owner equity and life changes.
- Melinda noted that since financial reports have been changed to quarterly reports rather than monthly reports, B3 will include brief financial information when necessary.

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

Policy B8: Budgeting/Financial Planning

The GM provided a written and visual report about the 2014 budget and the reasoning behind its projections.

- The 2015 budget includes a 3% increase from last year. Melinda justified this educated budget guess, saying she did not want to set a budget that was out of reach, but would like to exceed the 3% target.
- Deb calculated cost of goods as a percentage of sales, and based on her math the gross profit is higher than Melinda would like.
- Melinda presented on the wages and salaries budget, summarizing the importance of departments meeting their projected labor targets. The budget projections for each department are based on a percentage of sales per labor hour. The Co-op saw a 25% increase in medical insurance over the last year, noting that this number is based on how many people were enrolled at the beginning of the year and will fluctuate throughout the year with staff changes. Colette asked if the deli has higher levels of part-time employees than other departments and how this may impact budgets (since the deli is the largest department and makes up approximately 30% of Co-op sales; having full-time employees is more efficient than part-time). Bill noted that since the Co-op has separated the front end and administrative departments, the budget summary should reflect this.
- The Co-ops credit card services charge is up from last year. The Board discussed methods to lower these charges, including and "I Love My Gift Card" campaign. This campaign would encourage Co-op shoppers to put money on cards to be used only when shopping at the Co-op. Colette said she would like to re-word the campaign so patrons of the Co-op understand the process and how it benefits them and/or the Co-op (benefits include saving the Co-op money which they can reinvest in the store, a quicker purchasing process, and allows families to give pre-paid cards to their children). The Board also discussed charge accounts, which took up a lot of the finance department's time in the past. An alternative could include a reverse-charge account where owners can put money on their account in advance, which creates less hassle for the finance department while still avoiding a build-up of credit card charges. The Ashland Co-op has a similar pre-paid card program and gives incentives to owners by matching the dollar amount with a small percentage (i.e. when an owner puts \$100 on a pre-paid card, the Co-op will add an additional \$5). Idgi thought the Co-op could create incentives like entering each person who puts money on a pre-paid card into a raffle for prizes. Colette suggested a Co-op credit card, but Melinda clarified that Visa/MasterCard/Discover/etc. still charge for use, even if it was a Co-op card.
- Melinda shared the CoCo GAP report for the Co-op. CoCoGAP is a data sharing tool that measures the Co-op's performance in key operational areas against the top 25 percent of other Co-ops with similar sales. The "Gap" is the amount of additional profit your co-op might be able to realize each year if the target department performed at benchmark levels. Melinda showed

the Board how each department is doing using this tool, outlining where certain departments could improve in sales per labor hour. Melinda used the Wellness Department as an example, saying that they are at 8% per quarter, while other Co-op's Wellness Departments are at 5.3%. This Co-op is not doing as well in sales per labor hour as many other stores of this size, but Kurt suggested this may be greatly connected to population size, as many Co-ops are located in highly populated areas. Colette noted that in order to reach Co-op strategic goals, the Co-op should increase sales without adjusting wages. The Board discussed how the Co-op can increase sales, including an incentive program for employees (for example, staff that don't meet targets within a department are not eligible for raises that quarter). Melinda felt that what incentivizes departments is the prospect of layoff's if targets are not met, which is more tangible than not receiving raises as a consequence. Another challenge for meeting targets is the Co-op culture. Many staff members do not take on the role of salesmen. Idgi noted that during her time working at the Co-op bakery, the incentive to sell food is to avoid waste, but other departments lack this kind of clear evidence.

- The Board reviewed their budget based on 2014 expenses.
 - The Annual Meeting Budget is \$1,000 bases on last year.
 - The Board spent \$3,000 extra on Art's consultation.
 - Training expenses were based on last year's budget.
 - Owner Engagement Committee events/costs fall under the Board's budget.

Action: Melinda will look into the number of part-time vs. full-time employees in the deli and report her findings to Colette.

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

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.

Melinda shared a list of questions Bill had regarding current financial conditions, prompting the following discussions/key points:

- The biggest change in the budget was personnel expenses, specifically bringing on a store manager. The Board discussed that most stores do not have a store manager in addition to the GM until they have reached a higher profit margin than the MFC is currently at.
- Melinda is currently working to develop pricing strategies based on Paula's recommendations that will be shared with the Board when completed.
- Melinda shared that having such a high portion of overall Co-op sales from the deli has a negative impact on store profit. Since the deli has a high margin (i.e. it takes more money to operate than other departments), this creates a higher gross profit margin for the entire store. Pricing strategies will help solve problems like these.

The Board agreed to moving further financial questions to the Board's next Work Session.

Motion to accept B9 and find it in compliance. Motion seconded, **passed 7-0**

Policy B12: Owner Data Privacy Policy

The General Manager (GM) provided a written report on the local economy.

Motion to accept B12 and find it in compliance. Motion seconded, **passed 7-0**

General Manager (GM) FYI Report

The GM provided an FYI report as an informal opportunity for the GM to update the Board on important Co-op information and for the Board to ask brief, clarifying questions.

- Paula suggested the Co-op complete a NCG customer satisfaction survey every 3-5 years, and suggested that the store should complete one in 2015.
- Karen, the Human Resources Manager, has an abundant amount of paper work, which Melinda explained was not intended to be her primary duty upon hiring. In order to free up Karen's time to provide trainings and other important resources to Co-op staff, Melinda would like to outsource to ADP, a payroll service.
- Melinda informed the Board that the bakery appliances are beginning to fail and will purchase new equipment soon.

Action: Melinda will gather more information on customer satisfaction surveys and share her findings with Colette.

Action: Melinda will look into whether or not ADP services and the center store reset was in the budget presented at today's meeting and relay that information to Colette.

BRIEF ANNOUNCEMENTS AND ACTION ITEM FOLLOW-UP

Glenn announced that the State of Idaho Organic Registration Program is has changed, based on violations of the federal government laws for organic certification. With this change, producers can claim their products are Organic in Idaho if they make less than \$5,000 in sales annually. If producers make more than \$5,000 annually, they must be registered organic. Colette encouraged to Board to attend one of the many talks/events that will take place around the state to discuss this important topic.

Action items as of March 10, 2015:

- Joan and Melinda will work to develop problems/scenarios that may come up based on current Owner Policy relating to death/divorce.
- Review and update next year's application process to make sure application is clear, specifically outlining that incomplete applications will deem applicant ineligible.
- 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 review the budget language and budget policy.
- Colette will add Owner Equity as a Study and Engagement topic.
- Colette will add a Board FYI to work session Agendas.
- 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.
- Idgi & Melinda will come up with written documentation outlining Board/GM relationship structure.
- Kurt will create guidelines for Board email use.

- Melinda will look into Campus Christian on Greek Row (point of contact: Matt Meyers) at the University of Idaho as a location for Co-op's growth option.
- Melinda will share what policy she comes up with based on the charitable giving criteria.
- Laurene will complete some pro bono research on member loan options.
- 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.
- 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.

DONE

- ✓ Idgi will add Board training opportunities to next year's Board budget.
- ✓ Melinda will add day of cash calculation to B9 reports.

CONFIRM AGENDA

Changes:

- Addition: Colette added Board Leadership to the Agenda as a discussion item before Committee Reports
- Addition: Executive Session
- Removal: Annual meeting from Business Agenda (this conversation was finalized during Study & Engagement).

BUSINESS AGENDA

BOD Policy Compliance: D4-D7 (P)

The Board discussed its compliance with Policies D4-D7.

D4: Committee Principles

The Board reviewed areas they rated themselves under 3 (on a scale of 1-5). Overall, the only area in which the Board falls below 3 is owner involvement. Colette asked Committee chairs to open up a discussion for improving owner involvement at upcoming Committee meetings. Having an increased involvement from owners in Committees is a good method for gathering good candidates for future elections. Joan summarized there are owners involved in the following Committees: Policy & Bylaw, Owner Engagement, and Nominations & Elections.

Action: Committee chairs will discuss methods to improve owner involvement in their Committees. It should be in charters to allow for owner involvement.

Motion to find the Board in compliance with Policy D4, seconded, **passed 7-0**

D5: Board Meetings

Colette noted that based on D5 survey results the Board's meeting process performance has improved.

Motion to find the Board in compliance with Policy D5, seconded, **passed 7-0**

D6: Board Administrative Assistant

Colette summarized that overall the results for D6 compliance were positive, with the exception of the GM and President's evaluation of the Administrative Assistant. Colette assured the Board these evaluations are completed annually and will make a note to announce this in the future (as the Administrative Assistant is in the grey area, working for the Board but is Melinda's employee, it is not appropriate to discuss results of the evaluation).

Motion to find the Board in compliance with Policy D6, seconded, **passed 7-0**

D7: Relationship to Members

The D7 survey needs to be updated to include the Co-op's new mission statement. One Director commented in the D7 survey that the Board needs more adequate avenues for communication with owners so the Board can understand shared interests. Colette noted that during the strategic planning process the Co-op completed many owner surveys to understand owner's shared interests, but implementing these interests into operation is difficult and the Board should avoid over surveying their owners.

Action: Sara will update Policy D7 survey to include the Co-op's new mission statement.

Motion to find the Board in compliance with Policy D7, seconded, **passed 7-0**

Proposal to Riscind B13: Local Economy

Policy & Bylaw committee confirmed that Melinda had developed a system in which the Co-op and local producers can create mutually beneficial relationships.

Motion to rescind Policy B13, **passed 7-0**

Policy Proposals: B8, B9, C3 (P)

Policy B8: Budgeting/Financial Planning

Policy B8 changes were made to reflect GM quarterly reporting on financial conditions rather than monthly. The Board requested Melinda provide them with any important financial updates (based on her judgment) at monthly BOD meetings and will include monthly Profit & Loss balance sheets. Kurt informed the Board that the Policy & Bylaw Committee purposefully removed approving a budget from the language per the suggestion of Todd Wallace (NCG Advisor). Since a budget is an educated but estimated guess, the Board should avoid approving budgets in the future.

Action: Sara will add old versions of proposed Policies to future packets for Directors to use for comparison.

Motion to amend Policy B8 language from monthly to quarterly , seconded, **passed 7-0**

Motion to approve Policy B8 as amended, seconded, **passed 7-0**

B9: Current Financial Conditions

The Board reviewed changes to Policy B9.

Without objection the Board changed Policy B9 language from annually to quarterly.

Without objection the Board changed Policy B9 language to remove "cash" from number8.

Without objection deleting cash

Colette noted that numbers 1-6 in Policy B9 are positive statements, 7-11 are negative statements, and 12 is a positive statement. Laurene noted that "maintain" (used in number 1) can have different meanings. Kurt informed her that the goal of using "maintain" to ensure the GM is working to ensure the Co-op is not following below NCG targets, and if she does, will explain why and present solutions.

Action: Policy & Bylaw Committee will make changes to Policy B9 language.

Action: Policy & Bylaw Committee will group all positive requirements together (move number 12 to 7).

Action: Melinda will make changes to B9, number 1 to reflect important financial indicators/NCG targets.

Policy B9 was referred back to Policy & Bylaw for further review.

Policy C3: General Manager Performance Evaluation and Compensation Review

The Board review changes to Policy C3.

Under number 1, section d, Colette expressed concern that this does not reflect what the Board does for the GM evaluation. Kurt explained that section d was meant to include this GM evaluation process and felt leaving the language loose still allows for the Board to evaluate the GM. Colette felt that if the process is not outlined in Policy, according to Policy Governance, the Board shouldn't have the process at all. Colette summarized that the Board has a GM Leadership and Communication Evaluation and the Policy should be congruent with practices, reflecting specifics that the Board uses for evaluation.

Action: The Professional Development Committee will discuss suggestions for Policy C3 and report to Policy & Bylaw Committee.

Policy C3 was referred back to Professional Development Committee for further review.

Election Outcomes

Bill reported on the election process, summarizing that it was a successful democratic and fair election. Bill noted that twice as many owners voted in 2015 than in 2014, noting this may be a function of a contested election (2014 was uncontested). The Board discussed how they might evaluate voter data to better understand the process and the demographics of voters. Joe Gilmore noted that he can report demographics like which owners voted, how much they spend in the store on average, etc. The Board could use these numbers to better understand specific indicators and establish which populations to target to increase voter turnouts. Bill expressed concern with evaluating such specific data and the Board inserting themselves too deep into the process.

Suggestions for future elections:

- Kay noted that the Nominations & Elections Committee should look into what to do in case of a tie; currently there is no established procedure if this occurs.
- An owner suggested to set a specific date that elections end each year (for example, voting deadline always falls on the 1st Sunday in April) to ensure owners who do not visit the Co-op regularly or follow social media will always know when to vote.
- Kurt liked how anonymous the process was and suggested getting a printed name from owners in addition to a signature to ease voter confirmation process.

- Glenn suggested designing questions for the candidate forum that are sensitive to candidates with little Board experience. Melinda noted that candidates were provided with the tools to answer a majority of the questions at the candidate orientation. Kurt felt that the only questions that provided an advantage to experienced candidates were those surrounding strategic plans.

The Nominations & Elections Committee will work to review the process to ensure future elections are more efficient and inclusive. Bill invited the Board to send any additional suggestions or comments to the committee.

Action: Sara will add space for owner's printed name to the Election checklist.

Action: The Nominations & Elections Committee will establish a process to break a tie in future elections.

New Board Member Orientation Schedule

The Board discussed the following logistics for the upcoming New Director Orientation:

- Date: March 26, 2015
- Time: 4:00pm
- Location: Co-op Mezzanine
- Todd suggested the orientation be at least half-day and offered to help with orientation.
- Colette would like the orientation on the 26th to give Directors basic information to prepare them for CBL training on March 28th. Colette suggested providing additional themed orientation (for example, growth orientation and CBL follow-up).

Action: Glenn will include fingerprinting in the orientation Agenda.

Action: Glenn will contact new Directors to confirm orientation attendance.

Action: Glenn will contact Todd for assistance/suggestions for New Director Orientation.

Action: Sara will change to Board calendar to reflect New Director Orientation schedule.

Beer with the Board Reflection

Laurene presented the following reflections and logistics of Beer with the Board:

- 17 people in addition to the Board attended.
- The One World Café location provided a few hindrances, including 2 doors (making it difficult for Sara to greet everyone), upstairs was a bit noisy and warm, running out of chairs (people wanted to sit in a circle), and the upstairs wasn't clearly labeled by One World as reserved.
- The Board summarized the following owner responses:
 - a. Owners were in support of Co-op supporting WIC Program.
 - b. Owners requested basic, introductory cooking classes.
 - c. Owners requested more simple, allergy free options and a self-service hot bar at the deli.
 - d. Owners requested labeling sugar content in foods and dressings.

Action: Owner Engagement Committee will create a reserved sign that includes the event name for future Beer with the Board gatherings.

Board Leadership

Colette reported her discussion with Todd regarding leadership and officer elections to the Board. Todd suggested that with high turnover rates the Board be intentional in evaluating their depth of leadership to help smooth transitional periods. Todd also suggested the Board improve their culture surrounding accountability, possibly via the evaluation of attendance standards. The Board is currently in the habit of

needing to be reminded often of their responsibilities, which needs to be addressed and improved so the Board is not relying on a system that is complex and encumborsome.

Colette discussed upcoming officer elections at April's Board meeting. In the future, the Board should begin conversations and evaluating possible candidates 6 months in advance. For this year's officer election, Colette asked all Directors interested in running for an officer positions to provide a summary to go in April's BOD packet stating why they want to run, and what they can bring to the position. If contested, the Board will have an anonymous and confidential voting procedure.

Committees: Reports/Work Plans Progress (R)

Nominations & Elections – No additional updates.

Policy & Bylaw – Kurt cancelled the next Committee meeting. Committee members will discuss rescheduling via email.

Professional Development – No additional updates.

Owner Engagement – The Committee would like to broaden owner involvement to include other programs away from the Participating Owner Program so they can be involved in other ways.

Strategic Initiatives – No update, the February Committee meeting was cancelled for illness/travel.

BOARD ASSIGNMENTS AND MEETING REVIEW

Newsletter assignments

Rooted articles due by noon on the 15th.

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

The Board discussed deadlines and logistics for articles. Melinda informed the Board the process for turning in articles will stay the same and the Marketing and Outreach Department will distribute them via various forms of social media and within the store. April's BOD meeting will include a social media orientation during Study & Engagement from the Marketing and Outreach Department.

Glenn asked for clarification from the Board on where they stand on writing controversial articles. Idgi suggested writing unbiased articles based on conversations that may be controversial (for example, an article about what the Co-op currently sells and why, not about what the Co-op could or should be selling). Colette suggested sticking to the approach to focus on store topics, as Board members are often seen by owners as representations of the entire Board and its opinions.

Upcoming dates to remember:

CBL 101 – March 28

Annual Members Meeting – April 12

Meeting Evaluation: Melinda said she would like an hour for the budget discussion next March. Colette commended Melinda's visual budget presentation.

Meeting adjourned at 8:40 pm

EXECUTIVE SESSION

Executive session concluded at 9:30 pm.

Notes taken by Sara Miller

Meeting adjourned at 9:30 p.m.

The next meeting will be Tuesday, April 14, 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