

# FA Board of Directors Meeting

Tuesday April 21, 2009

**Board Members present:** Bettina Schempf, Camille Freitag, Chris Bentley, Greg Alpert (until 7:30pm), Larry Plotkin, Toni Hoyman, Liz Kelly

**Board Members absent:**

**Staff present:** Jacqueline Smith, Evelyn Hall

**Board Advisor:** Marcia Shaw, Judy Forgey

**Owners present:** Will Hormann, Jim Smith, Alvin Eshe

**Guests & Presenters :**

**Scribe:** Claire Pate

**Handouts:** Timeline of Pooled Chocolate Concerns (Will Hormann);  
Board Elections (Judy Forgey)

Board Advisor, Marcia Shaw, formally opened the Board meeting at 6:30pm. Introductions were made.

## I Owner Comment:

Will Hormann, owner household member, said he had come to the Board a year ago in February to discuss problems in the chocolate industry, in that 30 to 50% of the world's production is tainted with slavery. He was back to talk about the status of the work that the Co-op has done to address the issue of carrying chocolate products that have not been source verified, and is concerned that there were still a significant number of the products in the store that do not meet product selection guidelines. He handed out a Timeline of Relevant Events of how the issue has been dealt with, and feels that the work has not been completed in looking at pooled chocolate concerns. He said that last May, the Coop staff made a lot of headway on this issue, but they still have work to do in having all chocolate and cocoa products source verified. He feels that staff has worked on this for two years up to this point, and there should be a deadline for finishing up the work. He would like to see the work done by June 1, 2009. He submitted recommendations for the Board for the work that is yet to be done which includes getting a monthly report from the GM about progress of source verification and establishing a committee of people not employed by the Co-op to review the source verification. Toni thanked him for his presentation, and said she would get back to him after getting a report on this issue from the GM.

## II Discussion about Board Development Committee – Judy Forgey

Sixteen years ago, as a Board member, Judy went to a workshop on "Building a Better Board." She learned that perpetuation of an effective board is an important issue; that recruiting new candidates is a year round activity, and there should be a board committee that focuses on it. This was the genesis of the Board Development Committee and its focus is contained in the acronym ROTER: Recruitment, Orientation, Training, Evaluation and Recognition. The election procedure was one of the first goals.

Managing overlapping skills on the board is another important activity, as is advertising with the appropriate appeal for candidates. She reviewed the whole procedure for recruitment and elections. Training begins with the candidate packet, which includes a description of Policy Governance.

Development and maintenance of a board manual was an important undertaking. Something yet to be done is to develop a bibliography of resources for the board. Evaluation and recognition of the board also need more work.

When asked what change she would like to see, she said being more selective in endorsing board candidates. One line of thought is that it would be better to have vacancies on a board than to have members that cannot work effectively. Secondly, she always likes to get feedback relating to the current board's preferences for endorsements, and she would especially like it if the board members were more active in recruiting new members. Judy said she likes the committee makeup and size as it is.

There was a discussion about retention of board members, and a suggestion that in the exit interview there be a question to the effect: what if anything could have induced you to stay on? Larry suggested that this particular board has a good deal of fiduciary responsibility and takes it seriously; this could lead a director to serving for only one term.

### **III Board Chats (Greg)**

Greg explained that a lot of work goes into setting up the "Board Chats," with much of the work being done by ORC and staff. Evelyn Hall added that ORC puts in a lot of time, but if it accomplishes the Board's goals then it should still happen. Staff time scheduling can be tricky, putting the notice into the Thymes, getting the sign ready, snacks together, and determining a question to be asked. Then notes are typed up after the chat. The consensus was that it's a good thing for us to be out there for the linkage with the owners, though it is important to weigh the benefit against the time and cost involved. A staff person does not necessarily have to be at the Chat, but should be around to answer questions. Bettina suggested putting an annual calendar together. Marcia suggested the Board should think about what they do with the comments they get. There was general agreement that the benefit was in the outreach and giving owners awareness of and an opportunity to interact with the board. Suggestions for the ORC to consider, as they look at the program and alternatives for outreach, are: scheduling board chats during the wine tastings or other events, such as Earth Day activities; or other outreach opportunities.

### **III Approval of Consent Agenda Motion**

The Finance Committee minutes and the GM report were removed so they could be a part of the discussion regarding increased funding for the North store project.

**Motion 4-2009 (#1) approval of March Board meeting minutes, April Board agenda, calendar and timeline, Executive Committee minutes 4/14/09, Board Development Committee minutes 4/02/09, Owner Relations Committee minutes 4/07/09, Policy Governance Committee minutes 4/04/09, GM monitoring report L4. Toni, Chris. Motion passes; 6-0-0**

### **IV Announcements/Board Correspondence/Affirmations**

- Toni will be following up with the owner who addressed the board at its last meeting regarding her desire to open a smoked tofu kitchen.
- Date for Annual Owner Meeting – June 7, 2009; Board members should be there at 5:45pm.
- Board chats schedule: May 2 - Liz

- Report on Training – 4 candidates attended and Toni, Camille and Marcia attended a session on “Risk.” Talked about failure of the Berkeley Coop and how their governance broke down. Did some scenarios, such as having to do significant lay offs, and learned the importance for both management and board to speak with one voice, and for the board to be present if/when lay offs are ever announced. Also learned how to handle a “gadfly” on the Board. A Board Code of Conduct should be re-signed each year, and there should be a statement at the end that says if you do not follow the Code, you will resign.
- Met with Sara to start a search process for a General Manager to replace Michele when she retires next May. Looking into hiring Carolee Coulter to help with the search. The idea is to hire for February or March to have time with Michele.

V Items Removed From Consent Agenda

To be considered later, with North store expansion project budget request.

VI Survey Monkey results re L3

Camille said that only 4 people responded. It is important that all respond. There were no other comments.

VII Proposal to Change Date of Board Elections

**Motion 4-2009 (#2) to approve changing the date of the elections from May to June starting in 2010.**  
Toni, Liz.

Toni said that this change gives Finance the time they need to get their reports ready for the owner packet.  
Motion passes; 6-0-0.

VIII Director and Board Advisor Evaluation Criteria

Camille said that the board needed to first come up with an exhaustive list of characteristics that are important for a board member and board advisor to be evaluated on, then later rank them through voting. She described a process that could be employed which would give each board member a ranking on their effectiveness in each characteristic, but would provide that data privately and for their own personal use. The end result is really sheer information for each board member/board advisor to determine where they might need to improve rather than public evaluation. The consensus was that this process would be good. Members should email any additional suggestions for characteristics to Camille by Friday, May 8 so the ranking can be done at the next meeting. It was pointed out that the ranking can be problematic in that sometimes item #20, for instance, might not seem important but might actually be a show stopper in terms of board effectiveness.

## **IX Approval of Additional funding for North store Expansion Project**

Toni expressed her frustration with being at this point of being asked to approve an increase in an expenditure that has already occurred, and also feels that the discussion should be held when the GM is at the meeting. She had a question stemming from the Finance Committee minutes: how is there a positive bottom line with the staff qualify for a bonus while still being in this situation with the expansion being so far over budget?

Jacqueline and Larry said that the two budget areas are completely separate issues: there is an operational budget and financial performance, and a capital/project budget and financial performance. The operational has been administered well, and costs have been contained with ratios such as labor as a percentage of sales being within acceptable margins. Operations side has done well and has ended positively. Toni wanted to know why we are using the line of credit if we have a positive bottom line. Jacqueline said that it has to do with timing of paying for the expansion. The Co-op used its cash and line of credit to pay for the expansion before the bank reimbursement was ready. The bank has another \$350,000 to release to the Co-op. Originally the project was to be completed by March 15, and some expenses have been adjusted but don't really affect the bottom line very much. On the operational side, the staff qualified for the bonus. Managers have worked hard to constrain labor costs.

Larry added that the major effect of the large project-cost overage is that we have to look at month to month costs of the additional amount financed for the project. The overages that we are going to approve have to be looked at from a cash flow perspective of servicing the loans. We will look at the effect of a variety of scenarios (good and bad sales performance) on how difficult the additional expenses will affect us. Everything is based on sales and cost ratios: ability to hire new staff, etc.

Jacqueline further explained that she has been in contact with the Bozeman Co-op and the situation leading up to their layoffs – they did not adjust to changing market conditions quickly enough, and when the hit came it was large. If you don't stay on top of expenses, it becomes very difficult to fix – we are making it a priority to keep labor in line with sales. Managers have done well in the first quarter.

Bettina said that the numbers are incorrect for the Board Budget summary that is part of the GM's report, page 16 of the packet. The consensus was that it makes better sense to take this piece out of General Manager's report and make it part of the Finance Committee report.

There was additional consensus that policy L4, items 3 & 5, might need some reworking to require a monitoring system and reports for capital expenditures. At this time, the Board does not get reports on capital expenditures. There was a general feeling that the overage for the North store project felt out of compliance, but there should be specific language in L4 that speaks to the monitoring and reporting requirement. Bettina thought that just adding new measures for performance to the GM's report would work. It was agreed that L4 should be sent to Finance then to Policy Governance committee to look at possible revisions to items 3 & 5.

In response to a question from the Board, Jacqueline explained that the initial estimate for the North store expansion project was \$500,000. By the time it came to the Board for formal approval it was \$750,000, which was an optimistic amount in Jacqueline's view.

By the end of 2008, Michele knew the total cost would exceed \$750,000, therefore she asked that she could use the remaining capital budget for 2008 and the capital budget for 2009 when it was approved. In order for the finance manager to provide financial reporting on the project it would have required much more involvement in the project than occurred. Such involvement would have seriously impacted the ability to maintain the operational records of the Co-op. As it turns out, there were a lot of costs associated with the

project that were not anticipated. The intention is to perform a complete project review and debriefing after the end of it.

**Motion 4-2009 (#3) to approve expanding the board-approved expansion budget from the original \$750,000 to \$950,000, leaving approximately \$50,000 in the 2009 Capital Equipment budget for managing emergency capital contingencies for the remainder of 2009. Bettina, Larry.**

Additional concerns were voiced about having to approve funding that had already taken place, and the fact that we might have been better served by having had a general contractor overseeing the project who might have anticipated some of those costs. Larry summed up the request: \$150,000 is hindsight and \$50,000 is prudence. Toni expressed her concern that the GM is out of compliance on this issue. Motion approved, 6-0-0

#### **X Ongoing Discussion relating to Board Committee Structure**

Now that all committees had been reviewed and heard from, it was agreed that most members would be willing to come to a special meeting to discuss this subject, as long as there was structure to the discussion. Toni will do a schedule check electronically using "Doodle."

#### **XI Board Processes Survey**

Camille complimented the board members on their thoughtful comments. It was decided to schedule one or two of the topics for discussion at each upcoming meeting, until all of the areas had been discussed.

The first topic was "Meetings." Effectiveness of meeting facilitation was discussed at length, with the consensus that it was useful and effective having Marcia facilitate, though it might not be utilizing her greater skills. It was important for whoever is facilitating a meeting to not get involved in the content of the meeting, and Marcia has done a better job of this. If any board member feels that this is not the case, it is important for them to speak up during the meeting. Other comments included:

- The Board needs to be clear with board advisors about expectations.
- Hard for president to be a part of the meeting and facilitate.
- Important for a facilitator to not interject opinion, but to focus on process and direction.
- It is helpful to hear the historical perspective that a board advisor offers.
- Marcia should be asked how she sees we can better use her skills at the Co-op.

- Important to develop board advisor evaluation criteria, which Marcia has asked for from the beginning.

It was agreed to develop a list of characteristics and criteria for evaluation for a board advisor which will be used as feedback, similar to the process for board members. The board advisors should be asked for their input in this regard.

There was some discussion about how well informed the members feel for the meetings, with the consensus that they feel well informed, though there should be a discussion about the GM reports when the next topic, Board/management relations, is discussed. In particular there should be a discussion about the criteria for a GM report to be found in compliance or out of compliance. There also needs to be a discussion about being better informed about the larger picture, and about issues which will help to guide the co-op into the future. (**This discussion would relate to comment 5 under “Do you Feel well informed.”**)

It was agreed to discuss comments for Board/Management Relations and maybe Owner Relations at the May meeting.

### **XIII     Meeting Wrap-up**

All agreed that a meeting wrap up was important, but because Marcia was not there and it was late the discussion was cut short.

Chris will be doing the board Thyme's article. Toni will respond to Sharon Nicholson's owner comment/question, and Greg will respond back to Jim Moorefield. Toni will get input from Jim on chocolate and get back to Will Hormann.

**Meeting Adjourned: 9:05**

#### **Board parking lot:**

*Bylaws: Revision to Article 4.8*

*OSU Survey for 2009*

*North store expansion project debriefing*

**Policy Governance parking lot:**

*Review Governance policies*

*Look at the wording – G7 Code of Conduct policy*

*Possible L4 revisions, after Finance Committee performs a review*

**Agenda for May:**

*Board processes survey – Comments relating to Board/management relations and Owner Relations.*

*Special orders and Product Selection Guidelines*

*Board Advisor and Director Advisor Evaluation Criteria*

*Include two items as standard agenda items: 1) Assignments for responding to owner comments/questions; and 2) wrap-up discussion – how did the meeting go?*

**Agenda for June:**

*Marty Schultz – Financial Training at 7pm*