

Minutes of September 2009 board meeting

Held at the Corner Building, Carrboro 6:15 p.m. Wednesday August 13, 2009

Directors present:

David Rizzo (chair), James Morgan (secretary), Lori Washington (treasurer), Ruffin Slater (general manager), Jacob Myers, Linda Stier, David Bright.

Others attending:

Karen Archia (facilitator), Jason Baker (notes), Robert Short, Emily Buehler, Kathy Bucher, Curt Brinkmeyer (visiting owners)

1. Preliminaries

a) Owner input:

Emily Buehler, worker-owner, noted that she had emailed the board two weeks in advance to ask for materials for tonight's meeting. David Rizzo apologized for not checking the board's email more frequently.

Kathy Bucher, worker-owner, stated that she had planned on attending primarily in case she was needed to answer questions on the Auditor's report which was scheduled for executive session. She was invited to stay for the first part of the executive session so that as finance officer she could respond to any questions from the Board or from the auditor.

Rickie White, a consumer-owner candidate for the board, introduced himself and thanked board members for their willingness to meet with him and share information.

Robert Short, a consumer-owner candidate for the board, inquired whether board materials were generally available in advance, to which the board responded no.

b) Agenda:

The agenda was approved with three modifications. The by-law review was removed from the agenda as the Board was still awaiting input from consultant Thane Joyall at CDS; the order of items 4b and 4c were switched in order to allow more time to discuss board self-evaluation; and retreat date scheduling was added to the closings.

c) Minutes:

August minutes were approved with no corrections. The Secretary obtained consent from the Board to modify the June minutes to correct for an unrecorded decision of the Board to add a new sub-provision 7 to Board Policy 2-3.

2. General Manager Items

a) GM Report and Communication to the Board

The general manager reported information about his recent trip to the NCGA general assembly, about meat industry consolidation, cooperative board leadership development, real estate issues, and Panzanella's performance.

b) Monitoring Report: Ends

James Morgan asked Ruffin to in future reports add additional information about our bio-diesel usage, as not all bio-diesel is a net benefit for the environment. There was a brief discussion about the 'authentic food' branding campaign and what next steps may be taken in this direction. Jacob Myers noted that the data reporting of the "Primary" policy provision was lacking in detail, but was not sure what additional information might be added here. James Morgan noted in the Educational policy provision that there is value in sharing information about the location of origin of produce, as there is a wide variety of levels of specificity in the information provided.

Decision: The Board accepted the Report.

c) Monitoring Report: 2-6 Financial Condition

In presenting his report on this policy for the month of August 2009 the General Manager noted that a late correction to a billing error on the part of our credit card processor would put us ahead for the month by \$7,000 rather than \$10,000 behind projection as stated in the distributed document. He also noted that he is in discussion with NCB about our noncompliance with the covenant on our loan for the last fiscal year. This covenant will likely be waived. He confirmed that the Owner Discount line item in the report represents only owner coupons to Panzanella as there is no longer an owner discount at the register.

Decision: The Board accepted the Report with acknowledgement of contravention.

d) Monitoring Report: 2-7 Asset Protection

The board flagged policy provision 6 regarding intellectual property for policy review. There was some discussion on the meaning of intellectual property, and a suggestion that it be expanded beyond just digital data to cover propriety recipes and product information. The GM noted that this type of intellectual property protection was addressed in the employee policy manual. There was also some discussion of the security of our reserve fund, currently standing at \$214,000 and deposited as a condition of our loan with NCB-FSB. The GM noted the entirety of this amount is presently covered by the FDIC as it is under \$250,000.

Decision: The Board accepted the Report.

Decision: The Board decided to schedule a review of provision #6

e) Monitoring Report: 2-8 Communication and Support to the Board

It was noted that the board may need to review its process for communicating its needs with the GM, and this was noted for consideration as a retreat agenda item.

Decision: The Board accepted the Report

Decision: Process for communicating board needs was added as a Board Retreat agenda item.

f) Monitoring Report: 2-11 Owner Investment & Return

The report indicated compliance with the policy. In the discussion of policy provision 3, it was noted that, as has been discussed before, the limited opportunities for consumer owners to volunteer for an additional discount requires some future attention. The cooperative should not rely on the volunteer system to provide affordability. Under policy provision 7, it was noted that the change in owner return from discount to dividend lessens but does not eliminate the opportunity for abuse, as there is still benefit to the owner of a share should non-owners choose to use it. Under policy provision 10, it was noted that the 'volume discount' for listing additional owners on a share is not completely equitable. In policy provision 11, the data section does not address retained earnings.

Decision: The Board accepted the Report.

3. Policy Development

a) Board Policy 2-11 Owner Investment and Return: ongoing review

Following the change from discount to dividend distribution of surplus was no longer delegated by the Board to the General Manager. Jacob presented an option for deletion of 2-11 suggesting that the remaining necessary limitations were covered elsewhere by other policies. The provisions relating to distribution of surplus were extracted for possible future inclusion in a new Board Process policy to address this new area of Board responsibility, to be discussed at the upcoming Board Retreat. It was noted for the framing of that future Policy that any monies that might be refunded to owners as part of the dividend system must be solely derived from surplus directly resulting from owner economic transactions with the coop through the year. Surplus derived from non-owner transactions shall not be treated as profit to individual owners and shall only be held as retained earnings to strengthen the coop's financial

standing or distributed as community re-investment. This distinction is a core requirement of the ethical and legal constitution of the organization as a cooperative. It was also noted that there was no requirement that all funds resulting from owner transaction surplus must be distributed: the Board may also set aside some or all of any owner-derived surplus for retained earnings and/or community re-investment towards fulfillment of our Ends if it so chooses.

Decision: PM 2-11 was deleted

Decision: PM 3-3 and PM 4-6 are to be modified to reflect this change, as noted by the Secretary

Decision: Future development of this policy will return as a Board Retreat agenda item

4 . Board Process

a) Elections Committee Update

Dave Rizzo reported that the work of the Elections Committee was currently on schedule and that much of the business has been conducted via email in the interest of timeliness. A few issues had been identified for discussion at the Election Committee's wrap-up meeting to consider for future elections, including: whether candidates should be asked to strictly stick to the question-and-answer format of the board application, whether candidates should be allowed stand-ins at tabling events, and the issue of the deadline extension due to miscommunication with a candidate.

b) Annual Meeting planning

The Annual Meeting planning is proceeding according to schedule. There was a brief discussion of what to do if there are more owners wishing to attend the meeting than there is space. It was noted that there will be standing room available if the amount of seating is surpassed, and there was interest in exploring videotaping the meeting for a possible webcast, which would allow others to watch if the fire code capacity is exceeded.

c) Board Self-evaluation

Linda presented the board with a document outlining the various methods by which inputs and outputs may be measured. This item will be brought back at the October meeting.

5. Closings

The Board reviewed and confirmed its tasks and decisions. In an attempt to implement some of the suggestions in the Board Self-evaluation discussion, the board went section by section through the agenda to conduct evaluation of the meeting. Comments were noted as follows:

- GM items: it may be time to re-evaluate the monitoring process. There would be benefit from rescheduling the reporting calendar to even out the reporting workload through the year.
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- Policy Development: excellent prep by Jacob on 2-11; earlier circulation of documents would be appreciated.
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- Board process: excellent prep by Linda, again a request for earlier circulation.

The date for the Annual Retreat was scheduled for Thursday, January 7th, time to be determined based on the workload projected for the day. The meeting was adjourned at 9:00 p.m. before moving into executive session to discuss the Auditor's report. The General Manager and Kathy Bucher were invited to stay to answer any questions during the first part of the executive session.