

City Market/Onion River Cooperative – Board of Directors Meeting

Community Meeting Room – Burlington, VT

Monday, January 28, 2013

Time	Topic	Board Action/Outcome	Presenter / Facilitator
5:30-6:00	Gather: Eat; Informal Discussions	Eat, Connect, Enjoy	All
6:00-6:05	Preliminaries: Review Agenda Review Minutes ¹	Approve ^a	Michael
6:05-6:15	Open member time	Member linkage	Members
6:15-6:20	Proposal: Response to Members	Discuss, decide	Susan
6:20-6:25	Board Elections ² · Discuss roles · Encourage candidates	Discuss, build wisdom ^b	Michael
6:25-6:45	Board Self-Assessment	Discuss	Michael
6:45-6:50	Board Preparation · Discuss information modes	Discuss, build	Michael Susan
6:50-7:05	GM Reporting ³ · Monthly GM Report · B4: Financial Condition	Monitoring ^c	Clem
7:05-7:15	Board Monitoring · D10: Secretary Role · D12: Community Service Award	Monitoring ^d	Wayne Kevin
7:15-7:25	Half Time Stretch	Revitalization	All
7:25-8:20	Board Work: Board Perpetuation / Member Engagement · “Fresh Start” discussion	Discuss, build wisdom, build alignment	Michael
8:20-8:30	Future Planning ⁴ · Review BoD Calendar · Reminder: retreat date	Discuss & decide	Michael
8:30-8:40	Wrap Up: Action Items, Self Eval.	Reflect & assess	All
8:40 PM	Adjourn		Michael

<p>Attachments:</p> <ol style="list-style-type: none"> 1. Draft minutes of last month’s meeting 2. Readings: “Democracy in Cooperatives” and “CBLD Elections Field Guide” 3. GM Reports <ul style="list-style-type: none"> · Monthly GM Report · B4: Financial Conditions · FY13 Q2 Balance Sheet & Income Statement 4. BoD Calendar <p>Please bring your personal calendar for planning purposes.</p>	<p>Meeting Preparation:</p> <ol style="list-style-type: none"> a. Review the enclosed draft minutes of last month’s meeting. b. Read 2 articles: “Democracy in Cooperatives” and “CBLD Elections Field Guide” c. Read the GM reports and come prepared for monitoring. d. Review policies D10 & D12 and come prepared for BoD monitoring.
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President’s Note on the Agenda: Hi all — fun stuff coming up this month, as we continue our conversation about member engagement and board perpetuation, but taking a “fresh start” — as we did with our by-laws work almost exactly 2 years ago. Two very good articles (note the author(s)!); please make sure you read them, as they will guide our hour-long conversation in the second half of the meeting.

Thanks for all your work,
Susan

Onion River Co-op/City Market

Board of Directors Meeting
December 17, 2012

Board Attendance:

Nancy Nesbitt, Board Member, Treasurer
Kevin Duniho, Board Member
Susan Munkres, Board Member, President
Wayne Warnken, Board Member
Julia Curry, Board Member
Rachel Jolly, Board Member, Secretary
Charles Baldrige, Board Member
Faye Conte, Board Member

Absent:

Molly O'Brien, Board Member, Vice President

Also in attendance:

Clem Nilan, General Manager
Jarred Cobb, Member Services Program Coordinator, Board Liaison
Allison Weinhagen, Director of Member Services
Michael Healy, Board Facilitator
Stephanie Ratté, Board Minute Taker
Pat Burns, Operations Manager
Serrill Flash, Member
Matthew Cropp, Member
Alison Nihart, Member

Preliminaries

A quorum was established and the meeting started at 6:00.

Review minutes

The November minutes were accepted as written.

Open Member

Alison Nihart and Matthew Cropp presented the concept of time banks to the Board. Some of the most successful time banks are sponsored by an institution. Onion River Coop came to mind as a way for members to help members.

Board Conversation

Member Engagement

Michael facilitated a working session where the Board processed the data that Allison Weinhagen presented last month. The working session led to a discussion on how the non-operational portion of Member Engagement contributes towards achieving the Ends.

Monitor D13 - Board Elections

Julia reported on this policy for the Board. She found that the Board was substantially in non-compliance.

D13.1 - The Board doesn't actual recruit most of the candidates.

D13.2 - list of qualifications - What is the process of evaluating a candidate in light of the list?

D13.4 Board Perpetuation committee doesn't exist.

D13.5 Board providing orientation to prospective candidates doesn't happen until after a candidate has been elected.

The Board reached consensus that they were not in compliance regarding D13.4, and overall the policy doesn't reflect actual practices.

Board Perpetuation

The Board decided to table further discussion on policies D13 and B9 - Board Elections until a future meeting where there is sufficient time to discuss the non - compliance and how these policies affect Board Perpetuation.

Executive Session

The Board accepted the GM Compensation package.

GM Reporting

B6 Monthly GM Report

Clem presented this report to the Board.

B9 Board Elections

The Board reached consensus that the interpretation and data were sufficient to demonstrate compliance.

Future Planning

Review BoD Calendar

The Board discussed changes to be made to the Board calendar.

The Board adjourned at 8:45.

Follow Up

Clem will update the Board calendar based on the Future Planning discussion.

Susan will schedule sufficient time on a future agenda to discuss policies D13 and B9 - Board Elections, the D13 non - compliance finding, and how these policies affect Board Perpetuation.

Susan will place an agenda item to solicit candidates for the Executive officer positions.

Susan will place time on a future agenda to discuss the process for responding to open member presentations.

Democracy in Cooperatives

BY MICHAEL HEALY

Alexis de Tocqueville, in the first half of the 19th century, visited our still-wet-behind-the-ears nation and penned his famous treatise *Democracy in America*. In this book, de Tocqueville noted that “the American learns to know the laws by participating in the act of legislation; and he takes a lesson in the forms of government from governing. The great work of society is ever going on before his eyes and, as it were, under his hands.” As owners of locally controlled businesses, we cooperators are learning how to do the great work of society, and in doing that work for our local community, we can also affect the larger society in which we live.

Last June in Minneapolis, along with several hundred other cooperators, I was inspired by Michael Hartoonian’s keynote presentation, “Creating Wealth in a 21st-Century Market-Driven Republic: The Value of Cooperatives in a Democratic Economy.” Of the many ideas he presented, I was particularly struck by the image of democracy as an unending argument about divergent principles: whether we more highly value private wealth or common wealth, diversity or unity, law or ethics. Hartoonian did not say that democracy is the choosing of, or a vote on, either position; rather, democracy is the conversation and argument that precedes and follows the choice.

I heard a similar statement while watching “You Can’t Be Neutral on a Moving Train,” a recent documentary about the life of historian and activist Howard Zinn. In a quote from one of his many books, Zinn says that democracy is not a series of votes; it is a series of actions. Here again was an insightful and thoughtful person telling me something about democracy that I had never before considered. In light of these congruent statements from two disparate sources, I have observed and questioned the way democracy is practiced in my country and in my cooperatives. I haven’t yet figured out how to impact and improve the way we practice democracy as a nation; but I have begun to see how this ideal can come to life at a more local level in our food co-ops.

Along my journey of discovery, I also read “The Co-operative Values: Their Meaning and Practical Significance,” by Sidney

Pobihushchy. Pobihushchy, who also spoke at a recent CCMA, has taken a closer look at the cooperative values as formulated by the International Cooperative Alliance. About democracy, Pobihushchy notes: “Popular elections in and of themselves do not a democracy make. Free and open discussion, deliberation, and consultation are essential preconditions to elections as democratic elements.” The cooperative principles themselves speak of “members who actively participate in setting their policies and making decisions.” I can’t help but notice that democracy is again equated not with voting but with actively participating and discussing. Sometimes I have to get hit on the head with a hammer before I pay attention; sometimes, though, I just have to hear a good idea from enough trusted and respected sources.

Looking further at the cooperative principles, I find one about education: Cooperatives provide education and training for their members, elected representatives, managers, and employees so they can contribute effectively to the development of their cooperatives. As I look carefully at this principle, I have to ask: what kind of education contributes to cooperative development?

As a consumer-owner, I appreciate the education I receive from my co-op about consumer issues. I can learn about the hazards of pesticides, the hidden costs of big agribusiness, and how to cook using whole grains. These are all worthy topics; they just happen to miss the essence of this cooperative principle as it applies to my role as an owner.

To what could this principle be referring? I believe it refers in particular to democratic control. If we are to learn how to control something democratically, we must learn it through our participation in local self-help and self-governing organizations, specifically in our cooperatives. As consumer-owners of food stores, we must unlearn the lesson fed to us since infancy that we vote with our dollars. If we are nothing but consumers, the



ILLUSTRATION BY BANNIKE

implication is that we have nothing but dollars with which to vote; and, like it or not, whoever has the most dollars gets the most votes. But in a cooperative, we are not just consumers; we are also owners. As such, we have not merely votes but our voices to add to the conversation. We have our piece of the truth to add to that grand argument Michael Hartoonian mentions. Cooperatives provide a place in society in which we can learn to use, and practice using, our voice.

Peg Nolan, in the January–February 2005 issue of *CG*, suggested that we can see a cooperative’s relationship with its members “not as a discreet function to be managed by the member relations department, but rather as the organizing principle for the entire co-op.” With this in mind, how do we make democratic control so pervasive that member-owners participate not only as consumers, but also as citizens? Can we learn, through our participation in this local organization, how democracy could function in other aspects of our society? To answer these questions, we can look to some of the tools of democracy we have already chosen to use in our co-ops.

The first and foremost of these tools is the board of directors, that small group of owners empowered to make decisions on behalf of all owners. Most aspects of owners’ democratic control emanate from and revolve around this form of representation. If, however, we believe that voting for directors is the limit of democratic control, we miss the importance of Hartoonian’s and Zinn’s words. Remember: by itself voting is not democracy. Participating in the conversation

about who should be a director, and why, is at least as important as the vote itself. And in order to participate in that conversation, members must be educated about the desired qualities of effective board members and the importance of those qualities.

This, then, is one of the essential duties of a board: to ensure that the members, the citizens who will elect directors, know how one choice differs from another. You know the standard joke at election time: Vote early and vote often. Well, boards that understand their duty as keepers of the democratic flame will educate early and educate often.

Long before any election, boards should inform their members about such elections by putting out an open call for candidates. Early in the election cycle, the board should encourage potential applicants to acquaint themselves with the role of the board and board policies and procedures by attending meetings, talking with current directors and reviewing the board's written documents. In addition, the board should provide an application packet that includes a summary of board structure, desired qualities of directors, and a job description. We cannot compel members to read or learn from this material. But we can make it available in a variety of formats, in a variety of locations, and over a reasonably long period of time. In this way, even members who don't run for office, or even those who don't vote in the election, have access to a succinct summary of their board's invaluable role of working on behalf of all the co-op's members.

Elections are just one small part of a board's and co-op's democratic engagement with its member-owners. If democracy is a series of actions, and if those actions are, in large part, the conversations and arguments about owner values, then a board will constantly engage the members in that ownership conversation. Robert Greenleaf, in *Servant Leadership*, illuminates the dual nature of a board's role. Just as physicists came to understand light as simultaneously a wave and a particle, Greenleaf understood and explained that boards must simultaneously serve and lead their co-op's owners.

What does this mean in the context of a conversation about democracy? Asking members to state or explain their desires as owners, and trying to incorporate those varied perspectives into policy decisions, are parts of serving the membership. Explaining to members the potential impact of certain decisions, actions, or investments—whether or not those choices were previously considered by the members—is part of leading. In both the serving and the leading, directors initiate and participate in an exciting and essential dialogue with the members.

As an example, look to Mark Goehring's description, in the previous issue of this magazine, of the Brattleboro Food Co-op board's development of the Neighboring Co-ops idea. When Brattleboro Co-op held member meetings about moving the store, members spoke less about location and more about the value of community. The board, having initiated a conversation with their member-owners, took the stated value of community, learned more about the meanings and implications of this value, and created policy that led them to the Neighboring Co-ops project. Included in this board's long-term plan is an interactive and educational community engagement project that will encourage members and other stakeholders to participate in this visionary conversation.

Along with the conversation with the member-owners, at the board table, we should find directors having a vibrant debate and exchange of ideas over how to understand and reconcile the members' expressed desires. If, as Hartoonian suggested in that keynote speech, cooperatives really are something that a democratic culture has created to protect itself, then a board might ask: Which part of our culture should we protect? Which of our community concerns do we believe we should address through this democratically controlled business?

In earlier years, cooperators debated whether earnings (a.k.a. profit) were a good or bad thing. Today, having recognized that earnings are part of a healthy business, maybe boards and owners will instead debate what is the highest and best use of those earnings. Should all the earnings of a cooperative business return directly to the member-owners in the form of patronage refunds or discounts? Can we use our earnings, our economic capital, to address other community concerns? Could or should we pool our capital with that of other co-ops to address the needs of a regional "neighborhood"?

The answers to such questions can and will vary from co-op to co-op. In Carrboro, N.C., the member-owners of Weaver Street Market have used the wealth created by their business in an entrepreneurial manner, creating new businesses in their community that further their mission to create "a vibrant, sustainable commercial center." At Community Mercantile in Lawrence, Kansas, the member-owners have created a foundation to further their educational and outreach goals. We have the potential, in any democratically controlled cooperative business, to engage our owners in a conversation about wealth: Do we more highly value common wealth or private wealth? How does the cooperative create

and accumulate wealth? Should we use wealth to make our world a better place? If so, how?

In all such idealistic aspirations, we must recognize the necessity of the pragmatic work involved. In order to use democratic processes to change the world, we must learn to use the tools of democracy. We should make good use of our co-ops as gardens in which to germinate and nurture the seeds of democracy.

This brings me back to focus on the board itself. If our boards are to be responsible for making democracy work in our cooperatives, and our boards are composed of people whose essential qualification is their desire to actively participate in leading their democratic organization, then we must ensure that our servant-leaders receive the education and training they need to responsibly fill this role. In order to participate productively and intelligently in the types of conversations and debates our boards must have, our elected representatives should learn about their legal duties, about the world of cooperation, about the needs of their community, about how to make decisions as a group, and much more.

In essence, our boards must learn how to govern effectively and how to transmit that knowledge to succeeding generations of directors. Many boards from co-ops in the eastern corridor of the NCGA have made a commitment to such learning. And these co-ops have chosen to invest some of their common funds in this endeavor. This investment is not just intended to help the directors currently serving, though it will certainly do that. Even more, this is an investment in the future of democratic control of these co-ops; effective boards will learn how to perpetuate themselves, ensuring that the member-owners will always have an effective mechanism by which to control their cooperatives.

It's not a hammer to the head, but rather the insight of Alexis de Tocqueville that now rings in my ears: "the great work of society" is always in our hands. Here in our co-ops, with our own hands, we can govern together that which we own together. We can practice being citizens. We can learn and teach each other what it means to be an owner and a citizen. We can take action, involving ourselves and our neighbors in a conversation about that which we hold in common. And we must recognize that our boards have a singularly important role to play in making all of this happen. To ask any less of ourselves, or of our boards, is to give up on the possibility that any people can truly control their own destinies. ■



Elections Field Guide

By Michael Healy and Thane Joyal

[Available online](#) in the [CBLD Library](#)

Was your last Board election a thoughtful exercise in democracy in which members chose a well-qualified set of directors that add value to the Board and to the co-op? More than anyone else in the cooperative, the Board itself is responsible for ensuring that the answer to this question is “Yes!” Elections should be neither mundane nor contentious, but should honor and reinforce the democratic foundations of cooperatives.

Three fundamental principles underlie election procedures and processes:

- ☆ **One member, one vote:** The Cooperative Principles tell us “cooperatives are democratic organizations controlled by their members,” with members having “equal voting rights (one member, one vote).”
- ☆ **Member engagement:** Board elections are an important way that consumer co-op owners and their Boards engage with each other.
- ☆ **Excellence in governance:** The Board, which bears ultimate responsibility for the affairs of the co-op, must ensure that elections meet basic standards of fairness and create strong leadership for the cooperative.

What makes an election both fair and beneficial to the co-op?

- ☆ An informed electorate or membership. Owners understand the leadership role of the Board, the ongoing work in which the Board is engaged, and the current issues facing the cooperative.
- ☆ Voting processes that are open to all, easily-understood and monitored. There is a concise and clear set of election procedures that follow all applicable requirements (including state law, your co-op’s bylaws, and Board policy). Elections are monitored and overseen by objective persons to make sure that the procedures are followed.
- ☆ A voting process in which each vote is sacred. Each person casts their vote without undue influence from anyone else; ballots are secret. In addition, ballots are kept secure from the moment they are cast until they are counted.
- ☆ An outcome that all owners have confidence in and are able to support regardless of personal views.

Some suggested “best practices”

- ☆ Establish a set of criteria for fair and democratic board elections. Write these criteria as a governance process policy, or as a committee charter, or as a limitations policy to direct the GM.
- ☆ Require that the person or committee responsible for supervising the election process report back to the board following the election. The content of the report should clearly indicate how the process met the board’s pre-established criteria.
- ☆ Create an application packet for candidates to (1) educate them about the Board’s role and (2) give them an opportunity to reflect on and explain their qualifications.
- ☆ The Board should present members with more than enough qualified candidates. Contested elections are an important aspect of true democratic control. (See the “Perpetuating a Strong Board” workshop materials for more discussion about identifying qualified candidates.)
- ☆ Unless your governing documents provide otherwise, only the Board itself should have power to place candidates’ names on the ballot. While a committee dedicated to recruiting candidates may be helpful, authority granted to nominating committees can easily conflict with authority the members have given to the Board.
- ☆ On the ballot itself, distinguish “Board nominated” candidates from “self nominated” or “petition nominated.”
- ☆ Allow members to cast ballots over a period of time, rather than solely at the annual meeting itself. This is a simple way to encourage greater participation.
- ☆ Remember the election itself is just one part of an annual cycle of Board recruitment and development. After a bit of rest and celebration – jump right back into the Board development work so that your members will have another great crop of Board candidates next year.
- ☆ Don’t forget to orient and train your new directors. Remember the 5th Cooperative Principle: “Cooperatives provide education and training for their members, elected representatives, managers and employees so they can contribute effectively to the development of their cooperatives.”

Some pitfalls to avoid

- ☆ Any person or group (ex: nominating committee, individual director, employee) having undue freedom to put *their* preferred candidates on the ballot or to influence members’ votes.
- ☆ A process that allows small but vocal minority of members to overpower the right of all members to have a balanced conversation about the merits of various candidates.
- ☆ Candidate statements that are not vetted for factual accuracy.
- ☆ Balloting process that is too restrictive, making it hard for members to participate.
- ☆ Balloting process that makes it easy for an individual or small group to “stuff the ballot box.”
- ☆ Proxy voting, or any other practice that undermines the “one member, one vote” principle.
- ☆ An overemphasis on increasing voter participation without an equal or greater emphasis on increasing voter education.

Some specific process suggestions:

- ☆ Clarify the board nomination process.
 - Include specific provisions for how to consider incumbents for nomination, and for incumbents to recuse themselves from the decision-making process as appropriate.
 - Include specific provisions for addressing potential candidates' conflicts of interest; the board should not nominate anyone who has a conflict of interest.
- ☆ Clarify any rules for campaigning.
 - Do not allow employees to campaign for themselves or other candidates while they are on the job.
- ☆ Decide in advance what happens in case of a tie. While you could have a run-off election, something as simple as a coin-toss could suffice to break the tie. Just don't wait until after the election to figure out your preferred process.
- ☆ Make sure ballots clearly indicate any special circumstances in the election. For example, if members are electing 3 people to full terms and 1 person to a partial term, with the 4th-ranked candidate filling the short term, clearly explain this on the ballot.
- ☆ Count ballots in a location that allows for observers to be present without interfering with the process.

Excellent boards ensure excellent elections.

Throughout the election cycle, from the nomination process, to the balloting period, and on to the vote count itself, the Board ensures complete integrity. Make decisions based on your controlling documents, set and alter policy and procedure as necessary, delegate and monitor carefully. Because democracy matters, elections matter; because elections matter, your Board must fulfill its duty on behalf of your co-op's members.

Questions for discussion:

1. What are the controlling (source) documents guiding your elections?
2. Does your co-op have well-documented procedures, monitored and revised as necessary before and after each election cycle?
3. Can you show that procedures are aligned with requirements set out in source documents?
4. Do you believe contested elections are important? Why or why not? What difference do they make for your cooperative and your members?
5. What systems could you implement to make it easier for members to participate, while still ensuring they are making informed choices?
6. Do your co-op's board elections follow the three underlying principles laid out at the beginning of this article?

Resources:

- ◆ Perpetuating a Strong Board, CBLD online recorded workshop:
<http://cdsconsulting.coop/cbldlibrary>
- ◆ “Democracy in Cooperatives.” by Michael Healy. *Cooperative Grocer*, May 2005
<http://www.cooperativegrocer.coop/articles/index.php?id=595>
- ◆ “Putting Your Best Slate Forward,” by Mary Hooten Lee. *Cooperative Grocer*, Nov 1990
<http://www.cooperativegrocer.coop/articles/index.php?id=81>
- ◆ “Turnover or Tenure: Should Directors' Terms Be Limited?” by Karen Zimbelman.
Cooperative Grocer, Sept 1990.
<http://www.cooperativegrocer.coop/articles/index.php?id=84>
- ◆ “Co-op Election Process and Improving Turnout.” CGIN listserv discussion, Jan-Mar, 2008. www.cgin.coop.
- ◆ Declaration on Criteria for Free and Fair Elections, Inter-Parliamentary Union.
<http://www.ipu.org/Cnl-e/154-free.htm>

General Manager's Monthly Report (in Support of the B-6 Policy)

January 28, 2013

In Policy B6.1, the Board asks that the GM "make the Board aware of relevant trends, public events of the organization, or internal and external changes which affect the assumptions upon which Board policy has previously been submitted."

Finance: (Please see the B-4 report in the packet for more financial information)

- December marked the end of the second quarter of the fiscal year.
 - Second quarter sales were 8.9% over the 2nd quarter of 2011.
- ORC's December sales were \$2,976,954, an 8.6% increase over December 2011.
 - Cost of goods and labor were controlled to budget.

Current Accomplishments:

- Michael LaRose, the Consumer Protection Specialist from the State of VT Agency of Agriculture, Food & Markets performed the annual Price Verification audit on January 15th. For the 7th year in a row, ORC received a perfect score - NO mistakes in pricing found among the 100 items he tested.

Bag Refund:

- 23,502 bags were reused in December. The recipient was Vermont and New Hampshire Upper Valley American Red Cross. ORC sent them a check for \$1,175.

Local Food

- Local Food sales were \$998,303 in December 2012 compared to \$918,870 in December 2011.
- The percentage of local sales compared to store sales was 33.5% in December 2012, the same as in December 2011.

Organic and Fairly Traded Food

- Organic produce sales were \$300,872 in December 2012 compared to \$255,866 in December 2011.
- There were 215 fairly traded products sold in December 2012 compared to 196 in December 2011.

Co-op Membership:

- Member sales in December grew to an all-time high of 63.54% of store sales compared to 56.53% in December 2011.
- Co-op membership grew to an all-time high of 8607 in December of 2012 from 7585 in December 2011, an increase of 13.5%.
 - Partially Capitalized Membership reached 6069 compared to 5117 last December.
 - Fully Capitalized Membership reached 1629 compared to 1544 last December, another all-time high.
 - Non-shareholding Membership totaled 909 which is a decrease from 924 last December.
- Member worker hours totaled 1318 in December compared to 1422 in December 2011.
- Of all member hours, 43.51% were performed in the community compared to 40.44% in December 2011.

Food-for-All

- FFA sales were \$155,570 in December of 2012 compared to \$138,677 in December 2011, a 12.1% increase.
- Membership in FFA was 1129 in December 2012, compared to 1170 in December 2011, a 3.5% decrease.

Hunger Related

- ORC donated \$6,245 to the Food Shelf in December 2012 compared to \$4,559 in December 2011, a 37% increase.
- 3SquaresVT sales were \$92,424 in December 2012 compared to \$85,399 in December 2011, an 8.2% increase.

