

## FIDDLEHEADS

### Board Of Directors Meeting May 20, 2014 6:30-8:30 PM 105 Huntington Street, New London

Time	Topic	Resources	Board Action/ Outcome	Leader
6:30-6:40	Meeting Preamble <i>Each of us is a member of the coop community and has been elected to be leaders in serving our members. May we conduct this meeting by empowering each other, treating each other with kindness, and maintaining an atmosphere of mutual respect.</i> Check-in			Chair
6:40-6:45	Agenda Review		Make any needed adjustments	Chair
6:45-6:55	<b>Member Comments</b>			Chair
6:55-7:00	<b>Minutes</b> April and Special (board packet)	Doc #1	Accept minutes	Chair
7:00-7:05	<b>Consent Items-Any item can be removed for discussion at the request of a board member</b> <ul style="list-style-type: none"> <li>• GM Update Report (board packet)</li> <li>• GM Monitoring Report B6: Staff (board packet)</li> <li>• GM Monitoring Report B1 Financial Condition (board packet)</li> <li>• Board Monitoring Report D1 Unity of Control and D2 GM Accountability</li> <li>• Board Monitoring Report D3 Delegation to the GM and D4 Monitoring GM</li> </ul>	Doc #2 Doc #3 Doc #4 Doc #5	Accept report Accept report Accept report  Accept report Accept report	Chair
7:05-7:20	<b>Consent Agenda Items needing discussion</b>		Accept after discussion	Chair
7:20-7:50	<b>Executive Session</b> <ul style="list-style-type: none"> <li>• To discuss GM Evaluation and Compensation Process</li> <li>• To discuss Real Estate Matter</li> </ul>			Chair
7:50-7:55	<b>Action Items</b> <ul style="list-style-type: none"> <li>• Approve recommendation of GM Evaluation and Compensation Process</li> <li>• Act on Real Estate Matter</li> </ul>	Doc #6	Approve  Act as needed	
7:55-8:15	<b>Board discussion-These items are for discussion; no action at this meeting</b> <ul style="list-style-type: none"> <li>• Committees <i>Discuss our current committee structure and answer the following questions</i> <ul style="list-style-type: none"> <li>○ What committees do we need?</li> <li>○ Do we have charters for these committees?</li> <li>○ How will we track committee activities?</li> </ul> </li> <li>• Annual Meeting Review <i>What worked? What didn't?</i></li> </ul>	Doc #7  <i>How to Use Committees to Help Do Board Work</i> (CBLD Library)	Set actions and decide answers  Document lessons in minutes.	Chair  Chair
8:15-8:30	<b>Closings</b> <ul style="list-style-type: none"> <li>• Review June draft agenda (Board Packet)</li> <li>• Meeting Checklist <ul style="list-style-type: none"> <li>○ Everyone was present physically and attentively</li> <li>○ No sidebar conversations</li> <li>○ Maintain topic focus</li> <li>○ Everyone had a voice and was heard</li> <li>○ Be honest but not brutal</li> <li>○ Don't monopolize</li> <li>○ Clarify the purpose of each agenda item to begin</li> <li>○ Signal if you feel personally attacked, disrespected, or put down</li> </ul> </li> <li>• Review Decisions, Tasks, Assignments</li> </ul>	Doc #8	Review Evaluate meeting process: what worked and what needs improvement	Chair Chair  Chair

**BOARD PACKET:**

- 1) Draft April & Special Meeting Minutes
- 2) GM Update Report
- 3) General Manager Monitoring Report B6
- 4) General Manager Monitoring Reports B1
- 5) Board Monitoring Reports
- 6) GM Evaluation And Compensation Review Timeline
- 7) Committees and Task Forces
- 8) June Draft Agenda

**I. CALL TO ORDER**

Susan Zimmerman called to order the regular meeting of the Fiddleheads Board of Directors at 6:32 p.m. on April 15, 2014 at 105 Huntington Street, New London, CT.

**II. ATTENDANCE**

**The following Board members were present:**

Susan Zimmerman, President  
Ed Demuzzio, Treasurer  
Mark Roberts, Vice President  
Sue Phillips, Secretary  
Mona Harmon-Bowman  
Carolyn Wilson,  
Ellen Clinesmith  
Suzanne Cattanach,

**The following additional persons were present:**

Alyssa Skaves, Recording Secretary  
Richard Virgin, General Manager

**III. AGENDA REVIEW**

**Summary:** Items on the Agenda include a discussion of the Board Retreat, update on the Annual Meeting, a report from the Election Task Force, and a brief discussion reviewing the use of Survey Monkey.

GM requested an executive session to discuss a real estate matter. There was some discussion around the logistics of this given the already very full agenda. It was decided, nevertheless, to go into executive session first, given concerns that it could become lengthy.

It was decided after exiting executive session (which was at 7:55 p.m. - see below) that only relatively quick and routine matters would be covered to allow Board meeting to end around 8:30 p.m., as is customary.

President also reviewed, by reading out loud, the Director Code of Conduct which is Policy C5 concerning Board Process.

#### **IV. EXECUTIVE SESSION**

Prior to the executive session commencing, the President reviewed, by reading out loud, the Director Code of Conduct which is Policy C5 concerning Board Process.

The Board went into executive session, including the GM, starting at 6:39 p.m.

The executive session lasted until 7:55 p.m.

No minutes were taken and voting occurred.

#### **V. MEMBER COMMENTS**

No members present.

#### **VI. MINUTES**

##### **A. February 18, 2014 Minutes**

**Summary:** The minutes should be checked to ensure there is consistency in the use of the spelling "co-op" as opposed to "coop."

Mona also has a few edits, for clarity, not content, which she will email to the secretary.

##### **Motion to approve the February 18, 2014 Board meeting minutes.**

Motion: Mark Roberts

Second: Suzanne Cattanach

All in favor, with Mark Roberts abstaining.

##### **B. March 18, 2014 Minutes**

**Summary:** Mona has some edits for clarity which she will email to secretary.

##### **Motion to approve the March 18, 2014 Board meeting minutes.**

Motion: Ellen Clinesmith

Second: Mark Roberts

All in favor: 5

Abstaining: 3 (Ed DeMuzzio, Suzanne Cattanach, Carolyn Wilson)

## **VII. ANNUAL MEETING TASK FORCE REPORT**

**Summary:** Bylaw ratification needs to be put on the agenda for the annual meeting. The Bylaws are currently on the website, but additional information should be provided to members about the purpose of the revisions for which ratification is sought. The final version of the Bylaws was sent to all Board members on March 20<sup>th</sup>.

Board members were comfortable with the revised agenda for the annual meeting. Volunteers are needed for set-up and break-down. Board members should also be involved in meeting and greeting members.

**Action Items:** Ellen Clinesmith will post an announcement stating that:

- ratification of the bylaws
- approval of the 2013 annual meeting minutes
- a financial report (treasurer/accountant)
- elections for 3 board members
- operation report (GM)
- receiving annual report (document and presentation by President)

will all be on the agenda at the annual meeting.

## **VIII. ELECTION TASK FORCE**

**Summary:** There are currently more Board candidates than openings, thus the three highest vote getters will be elected to the three available seats on the Board. The third seat became available because of Lee Boltz resigning from the Board shortly after the March Board meeting. Nominations do not have to be taken from the floor but proxy voting will be allowed. The Election task force referenced the by-laws and explained the procedure for proxy voting.

### **Motions to accept the Election Task Force Report.**

Motion: Mark Roberts

Second: Mona Harmon-Bowman

All in favor.

**IX. ACTION ITEMS**

**A. Board Monitoring**

The free trial version of Survey Monkey is not meeting the Board’s needs at present. Approval was sought to purchase a full account. GM suggested that as Fiddlehead’s Food Co-op already has a Survey Monkey account, it only needs to be renewed/updated and for access to be given to the Recording Secretary and Board Members who will be involved in monitoring survey process. Funds to reactivate the current Survey Monkey account will come from the general Fiddlehead’s account, as the co-op itself wil utilize it in addition to the Board.

**B. Retreat Date**

The current Board retreat is scheduled for May 18, 2014. A proposal was made to push the retreat date back to attempt to include attendance by all Board members. Obstacles discussed included scheduling a meeting before knowing the schedules of any new Board members elected at the annual meeting, the lack of available fall dates, and lack of consultant availability. Waiting until after officer elections in June was also discussed. It was also suggested the date not be released from Board Member calendars, but that the time be devoted to another topic – for example, space expansion.

**Motion to postpone Board retreat in an attempt to schedule a date in the fall after elections have been held.**

- Motion: Ellen Clinesmith
- Second: Ed Demuzzio
- All in favor: 5
- Opposed: 3

**C. Special Meeting**

A special meeting has been scheduled for April 30, 2014 solely for purpose of discussion of matters pertaining to real estate.

**X. ADJOURNMENT**

**Motion to adjourn at 8:49 p.m.**

- Motion: Sue Phillips
- Second: Mark Roberts
- All in favor.

\* \* \* \* \*

Draft minutes prepared by Alyssa Skaves on 4/21/2014.

Draft minutes reviewed and prepared for submission to Board by Sue Phillips on May 4, 2015.

Minutes approved by vote of the Board on \_\_\_\_\_ and put into final form by Sue Phillips on \_\_\_\_\_.

# **FIDDLEHEADS BOARD OF DIRECTORS**

Special Meeting of April 30, 2014 [Draft Minutes prepared May 11, 2014]  
(Once minutes approved replace bracketed item with Minutes approved and date.)

## **I. CALL TO ORDER**

Susan Zimmerman called to order a special meeting of the Fiddleheads Board of Directors at 6:45 p.m. on April 30, 2014 at Fiddleheads Natural Foods Co-op.

## **II. ATTENDANCE**

### **The following Board members were present:**

Susan Zimmerman, President  
Mark Roberts, Vice President  
Mona Harmon-Bowman  
Carolyn Wilson,  
Ellen Clinesmith

### **The following Board members were absent:**

Sue Phillips  
Suzanne Cattanach  
Ed DeMuzzio

### **The following additional persons were present:**

Richard Virgin, General Manager

## **III. AGENDA REVIEW**

**Summary:** The only item on the Agenda is an Executive Session to discuss matters pertaining to real estate.

## **IV. EXECUTIVE SESSION**

### **Motion to go into executive session.**

Motion: Mona Harmon-Bowman

Second: Ellen Clinesmith

All in favor

Executive session started at 6:50 p.m. and included General Manager.

Out of executive session at 7:35 PM

## **V. MOTIONS**

The Board being in agreement to add an agenda item to allow decisions to be made about the matters discussed in executive session.

### **Motion to approve a marketing study.**

Motion: Ellen Clinesmith

Second: Carolyn Wilson

All in favor.

**Motion to give authority to board president to sign the letter of intent subject to board approval in May 20 board meeting.**

Motion: Mark Roberts  
Second: Ellen Clinesmith  
All in favor.

**X. ADJOURNMENT**

**Motion to adjourn at 7:40 p.m.**

Motion: Mark Roberts  
Second: Ellen Clinesmith  
All in favor.

\* \* \* \* \*

Draft minutes prepared by Mona Harmon-Bowman on 4/30/2014.

Draft minutes reviewed and prepared for submission to Board by Sue Phillips on May 11, 2014.

Minutes approved by vote of the Board on \_\_\_\_\_ and put into final form by Sue Phillips on \_\_\_\_\_.



## **GM Update and Report**

The General Manager's Update was received but the file was corrupted.

**2**

It will be separately emailed as soon as a good copy is received to not hold up the Board Packet overall.

*Mark G Roberts*

## B6 Staff

The General Manager shall not treat staff in any way that is unfair, unsafe, or unclear.

The GM will not:

- 1. Operate without written personnel policies that:**
  - a. Clarify rules for staff.**
  - b. Provide for fair and thorough handling of grievances in a way that does not include the board as a participant in the grievance process.**
  - c. Are accessible to all staff.**
  - d. Inform staff that employment is neither permanent nor guaranteed.**
- 2. Cause or allow personnel policies to be inconsistently applied.**

### **Interpretation:**

It is not enough to have policies – managers should be trained so they understand how our policies work, and employees in a good workplace must perceive that the policies are followed consistently. The GM must see that policies are in place, are available to all employees, are understood by employees and that when other management positions are created that these managers are well schooled in the policies and how to exercise their practice in a fair and consistent manner.

The GM is in compliance with this expectation.

In December of 2013 all current employees were presented with a handbook of policies. This handbook had been very well researched and was drawn from handbooks of several other co-ops. The entire handbook was reviewed several times by an independent Human Resources expert who made adjustments to comply with legal HR regulations or normal HR practices.

The handbook was given to all employees to read. In a staff meeting numerous sections of special interest were explained and examples provided to help employees understand what a policy meant.

It appeared in writing and was pointed out to employees that they serve at will.

Employees then signed a document indicating that they had read and understood the manual. Those documents have been placed in their personnel files.

As new employees have joined our employee group, they have been introduced to the handbook in a very similar manner and have signed the document of understanding as well.

The handbook contains a grievance procedure that is objective and does not involve the Board of Directors in the process.

There have been no issues raised by employees who felt that a policy was being carried out in an inconsistent or unfair manner.

### **3. Fail to provide for adequate documentation, security and retention of personnel records, information, and all personnel related decisions.**

### **Interpretation:**

The Co-op will securely maintain employee and employment files for every employee and applicant for the appropriate length of time.

- Records will be held in a secure location. Personnel records are in a locked file cabinet in the office. The GM is the only person with a key.
- The Co-op follows all state and federal requirements for record retention. All records on current and previous employees are kept. Job descriptions are provided for each position and signed copies of the job description exist with each personnel file.
- Only authorized personnel have access to employee records. (Authorization protocols are available upon request.)

**4. Establish compensation and benefits that are internally or externally inequitable.**

Initial pay rates were equal to or higher than those of surrounding coops. Raises have been given to all employees, however, not everyone has received the same percent of raise. This was based on work performance which has been documented.

**5. Change the GM's own compensation and benefits, except as his or her benefits are consistent with a package for all other employees. I have no ability to alter my benefits or pay.**

**Operational Definitions:**

- A current employee manual is on file in the office..
- The manual will be reviewed every 3-5 years by a 3<sup>rd</sup> party HR professional.
- The employee manual will include a specific grievance process based on the Cooperative Model Grievance Procedure. This procedure has been established.
- Staff survey responses will indicate (by a score of at least 3.25) that employees understand and approve of the grievance procedure. This has not been done as the procedure has yet to be used, thus, employees have no basis to form an opinion regarding the procedure.
- A completed Employee Acknowledgement Form (on which employees indicate that they have received and read the manual) will be in each employee's personnel file. This has been completed.
- The manual and the acknowledgement form will include specific language concerning the "at will" status of employment at the Co-op. This language appears on the form and in several places in the handbook.
- Staff survey responses will indicate (by a score of at least 3.25) that employees have received and understood the manual. This survey will be conducted later. Currently we are doing some spot checking of sections of the handbook to reinforce understanding.

The GM is in compliance with this entire section.

## Policy Title: B1- Financial Condition and Activities

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Monitoring Report: First Quarter 2014

*With respect to the actual, ongoing financial conditions and activities, the General Manager shall not cause or allow the development of fiscal jeopardy or material deviation of actual expenditures from Board priorities established in Ends policies.*

I interpret this to mean that my management of the coop will be fiscally sound and that I will not create, condone, or allow any financial behavior within the coop that would result in financial conditions which would be significantly different from the 2014 budget, would lead to a loss of profitability, would be a fiscal practice which did not reflect GAAP principles, or that could potentially cause the loss of viability of the coop.

*The GM will not:*

*B.1.1 Allow sales to decline or be stagnant.*

I interpret this to mean that the overall pattern of sales must be better than the previous year. That as we compare our sales for the current to prior years that we will see growth. If sales do not show growth there will need to be an explanation that is tied to industry or overall economic conditions that are creating a negative impact much broader than just Fiddleheads Co-op.

<b>Gross Sales</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
First Quarter	\$236,944.23	\$418,023.50	\$586,495.42	\$794,294.75
Second Quarter	\$263,553.01	\$459,504.26	\$669,220.98	
Third Quarter	\$239,027.15	\$458,239.75	\$676,644.06	
Fourth Quarter	\$313,921.35	\$494,463.87	\$720,837.87	
Total	\$1,053,445.74	\$1,830,231.38	\$2,653,198.33	
<b>Percent Increase</b>				
First Quarter		76.40%	40.30%	35.40%
Second Quarter		74.30%	45.60%	
Third Quarter		91.70%	47.70%	
Fourth Quarter		57.50%	45.80%	
Total		73.70%	45%	

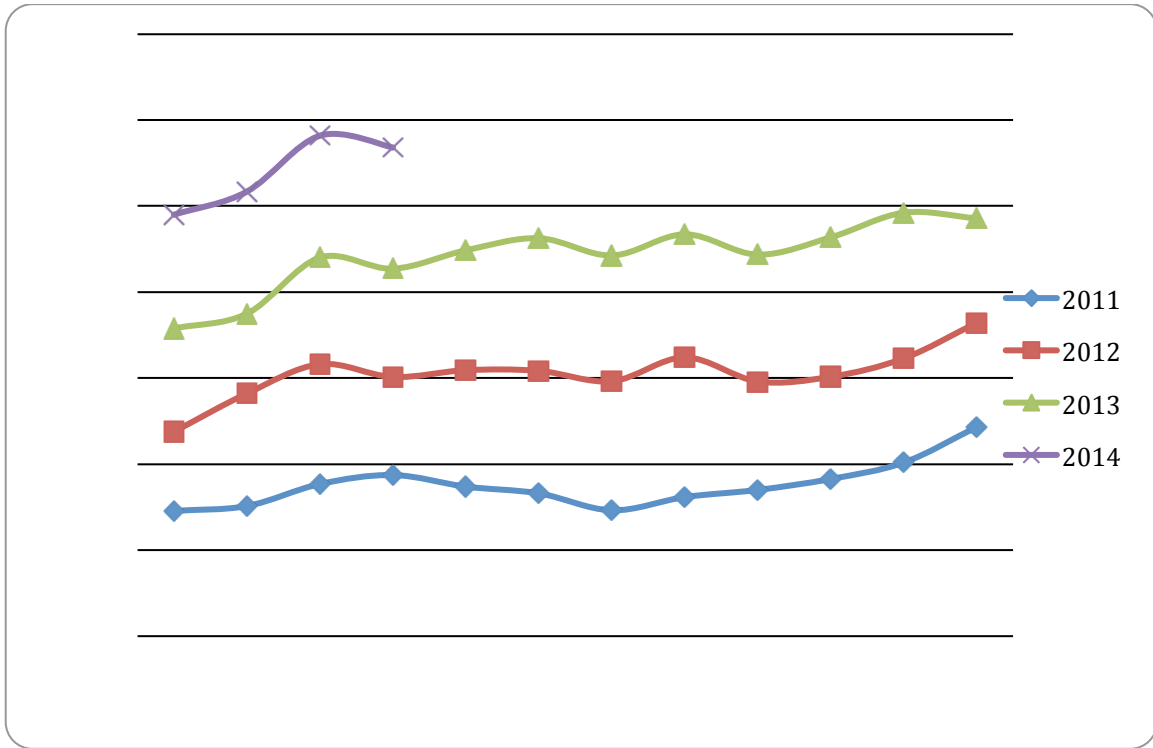
### **Dollar Increase**

First Quarter	\$181,082.27	\$168,472.92	\$207,799.33
Second Quarter	\$195,951.25	\$209,716.78	
Third Quarter	\$219,212.60	\$218,404.31	
Fourth Quarter	\$180,542.52	\$226,374.00	
Total	\$776,788.64	\$822,968.01	

### Sales by day of week first four months 2014

Tuesday	\$61,513.00
Monday	\$63,742.68
Wednesday	\$66,875.40
Thursday	\$68,079.18
Friday	\$75,388.66
Sunday	\$76,661.17
Saturday	\$107,601.95

Sales Patterns 2011-2014



These figures demonstrate that we continue to have increased sales and that our first quarter reveals a pattern similar if not better than previous years.

*The GM will not:*

*B.1.2. Allow operations to generate an inadequate net income*

I interpret this to mean that the GM will see that the sales generate adequate net income to meet financial obligations of the co-op. While co-op sales have increased, there have also been increases in expenses, so what is the net income that has been realized and is it adequate?

The Profit and Loss statement from January through March of 2014 reveals a positive pattern of sales, but it is slightly behind where I had hoped we would be in order to make our budget of \$3.4 million for this year. We are definitely increasing sales and at a good rate, but we will be doing a variety of things to try to step this pace up to meet our goal for the year.

The P and L at the end of December shows a net income of \$25,870.01

*The GM will not:*

***B.1.3. Allow liquidity (the ability to meet cash needs in a timely and efficient fashion) to be insufficient.***

Our liquidity ratio is .93.

Until we join COCOFIST we really can only track our own patterns without much to compare to. However, we have begun to submit a trail data package to get feedback in what we need to organize differently in order to plug into their submission categories.

The GM is in compliance with this standard.

*The GM will not:*

***B. 1. 4. Allow solvency (the relationship of debt to assets) to be insufficient.***

I interpret this to mean that the GM will monitor the relationship of assets and liabilities to make sure that the relationship is a positive one. Our current solvency is 1.35.

The General Manager is in compliance with this directive.

*The GM will not:*

***B.1. 5 Incur debt other than trade payables or other reasonable and customary liabilities incurred in the ordinary course of doing business.***

I interpret this to mean that I will stay within overall budget guidelines and that if adjustments need to be made that those changes will be communicated and explained to the Board of Directors. In the course of doing regular business if equipment fails and needs to be replaced, the GM will do so in a prudent manner and keep the Board of Directors aware of such changes. It will also be the responsibility of the GM to make changes in any insurance, tax, or loan arrangements required with the replacement of equipment.

We have not taken on any debt other than trade payables during the first quarter of 2014. Therefore I am in compliance with this directive.

*The GM will not:*

***B.1.6. Acquire, encumber or dispose of real estate.***

I interpret this to mean exactly what it says. I am not to take part in any real estate transactions in the name of the coop.

I have not purchased or disposed of any real estate in the name of the coop. Therefore, I am in compliance with this direction.

*The GM will not:*

***B.1.7. Allow tax payments or other government-ordered payments or filings to be overdue or inaccurately filed.***

I interpret this to mean that all tax obligations will be met and met on time.

We have an internal system of seeing that our sales tax is calculated and paid on a

received. The execution of these is also something that is reviewed by the auditors. We have not been delinquent or in arrears on any taxes for which we are responsible. Thus, the GM is in compliance with this directive.

*The GM will not:*

***B. 1. 8. Allow late payment of contracts payroll, loans or other financial obligations.***

I interpret this to mean that the GM will establish procedures which assure that payroll is prepared and distributed on time, that loan payments are made and that all other bills for operations, equipment, and product are paid in a timely manner. Our procedures are established and operating in such a way that 98% of all obligations are met on time. I am in compliance with this directive.

*The GM will not:*

***B. 1.9. Use restricted funds for any purpose other than that required by the restriction.***

I interpret this to mean that any restricted funds which are set aside or established for a particular purpose need to be spent only for that purpose. The co-op has not restricted funds in regular accounts. Therefore, none has been spent for an inappropriate purpose. I am in compliance with this directive.

*The GM will not:*

***B.1.10 Allow financial record keeping systems to be inadequate or out of conformity with Generally Accepted Accounting Principles (GAAP).***

I interpret this to mean that financial records will be kept in a professional manner and use the GAAP to prepare our records.

While we are not using GAPP, we are keeping records on an income tax basis of accounting.

It has been the practice to follow income tax basis of accounting at Fiddleheads rather than GAAP. While we have not used GAAP, we have consistently following the income tax basis of accounting as has historically been the case.

I am in compliance with the accounting method used by the BOD.

**Decisions or instructions of individual directors, officers, or committees are not binding on the GM except in rare instances when the Board has specifically authorized this power.**

• **Answered: 6 Skipped: 0**

<b>Strongly Disagree</b>	<b>Disagree</b>	<b>No Opinion</b>	<b>Agree</b>	<b>Strongly Agree</b>	<b>Total</b>	<b>Average Rating</b>
–	–	–	–	–	–	–
<b>0.00%</b> 0	<b>0.00%</b> 0	<b>0.00%</b> 0	<b>33.33%</b> 2	<b>66.67%</b> 4	6	4.67

**In the case of directors or committees requesting information or assistance without Board authorization, the GM can refuse any requests that, in the GM's opinion, may disrupt operations or that require too much staff time or resources.**

**Answered: 6 Skipped: 0**

<b>Strongly Disagree</b>	<b>Disagree</b>	<b>No Opinion</b>	<b>Agree</b>	<b>Strongly Agree</b>	<b>Total</b>	<b>Average Rating</b>
–	–	–	–	–	–	–
<b>0.00%</b> 0	<b>0.00%</b> 0	<b>0.00%</b> 0	<b>33.33%</b> 2	<b>66.67%</b> 4	6	4.67





## Board Policy D2 Monitoring Report

The Board will view GM performance as identical to organizational performance so that the Cooperative's accomplishment of Board-stated ends and avoidance of Board-proscribed means will be viewed as successful GM performance.

• Answered: 7 Skipped: 0

Strongly Disagree	Disagree	No Opinion	Agree	Strongly Agree	Total	Average Rating
–	–	–	–	–	–	–
0.00%	0.00%	0.00%	85.71%	14.29%	7	4.14
0	0	0	6	1		

The Board will not instruct or evaluate any employee other than the GM.

Answered: 7 Skipped: 0

Strongly Disagree	Disagree	No Opinion	Agree	Strongly Agree	Total	Average Rating
–	–	–	–	–	–	–
0.00%	0.00%	0.00%	28.57%	71.43%	7	4.71
0	0	0	2	5		



## Board Policy D3 Monitoring Report

**As long as the GM uses any reasonable interpretation of the Board's Ends and Executive Limitations policies, the GM is authorized to establish all further policies, practices and plans for the cooperative.**

•                      Answered: 3 Skipped: 0

Strongly Disagree	Disagree	No Opinion	Agree	Strongly Agree	Total	Average Rating
—	—	—	—	—	—	—
0.00%	0.00%	0.00%	66.67%	33.33%	3	4.33
0	0	0	2	1		

**The Board will respect and accept the GM's choices as long as those choices are based on reasonable interpretations of Board policies.**

Answered: 3 Skipped: 0

Strongly Disagree	Disagree	No Opinion	Agree	Strongly Agree	Total	Average Rating
—	—	—	—	—	—	—
0.00%	0.00%	0.00%	100.00%	0.00%	3	4.00
0	0	0	3	0		

**If the Board changes an Ends or Executive Limitations policy, the change only applies in the future.**

Answered: 3 Skipped: 0

Strongly Disagree	Disagree	No Opinion	Agree	Strongly Agree	Total	Average Rating
—	—	—	—	—	—	—
0.00%	0.00%	0.00%	33.33%	66.67%	3	4.67
0	0	0	1	2		

## GM Evaluation And Compensation Review Timeline

For the year running June 1, 2013 to May 31, 2014

6

April 15, 2014	Committee meets with GM to discuss process for evaluation and compensation
May 20, 2014	Board meets in Executive Session with GM to discuss process
June/July	Committee prepares draft evaluation letter and recommends compensation
June/July	Board meets in executive session without GM to approve letter
Late June/July	Committee meets with Dick to present letter with compensation

### PROCESS

#### **Evaluation will be based on input from three categories:**

1. Targeted Areas of Growth identified by the Board in the 2013 Evaluation Letter:
  - Ensure financial decision-making is based on an effective and efficient financial reporting system
  - Develop a monitoring report system with the caveat that the Board understands attainment of this goal depended on the Board meeting its commitment.
2. GM Goals for 2013-2014
  - Completion, publishing and implementation of an employee handbook
  - Replacement of the freezer
  - Creation and utilization of membership cards
  - Resolution of cold storage issue
  - Planning and implementing better utilization of back space
  - Becoming a member of and utilizing CDS Common Cooperative Financial Statement (CoCoFiSt) program
  - Becoming a member of the National Cooperative Grocers Association (NCGA)
  - Developing and formalizing a working plan to maintain effective store operations during temporary absences of the GM
3. Annual Monitoring Table
4. GM Summative Report

# Setting a Process for General Manager Compensation

BY MARK GOEHRING AND CAROLEE COLTER

**W**hat are some words that come to mind when you think of general manager compensation? Uncomfortable. Problematic. Crazy. Or: Exciting. Challenging. Strategic.

Even though everyone might say that general manager (GM) compensation is important, it doesn't always get handled that way. In order to help your board and GM approach this topic in a way more like the latter three words than the first three, we have designed a process for you to consider implementing at your co-op.

Here are the outcomes we can expect from such a process:

- GM compensation decisions become strategic and not emotional or contentious.
- GMs are fairly compensated for their work and feel satisfied with their compensation.
- Directors understand the consequences of GM compensation decisions.
- Boards understand the components of compensation and their relative uses.
- GM compensation plan is planned with reference to the market so that it is attractive to qualified candidates when a board needs to hire a new GM.
- Directors can articulate the board's values related to GM compensation.

The first time with this process may take longer than the one you're currently using. If your board is on a cycle of reviewing or setting GM compensation annually, we suggest you bring this to the board soon after compensation has been set for the coming year. See the flow chart at right which illustrates the process.

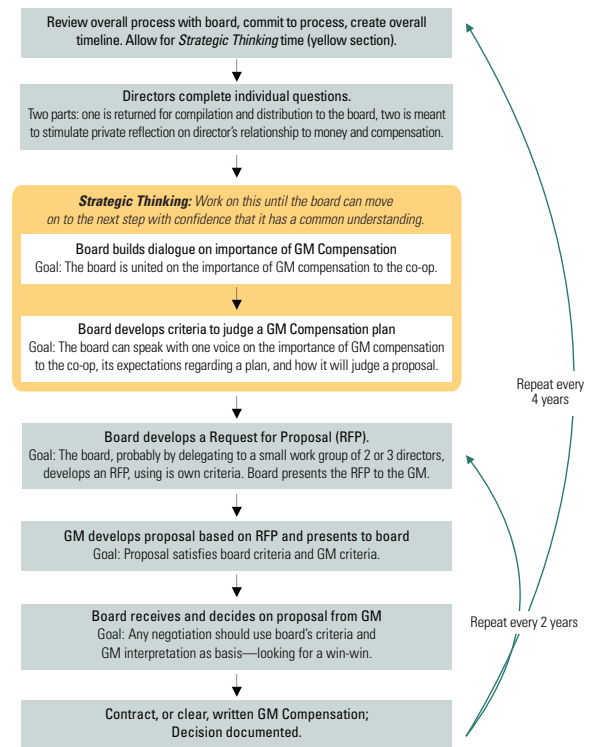
## Steps to a compensation plan

1. Board reviews and commits to overall process, creates time in a series of meetings.
2. Directors complete individual questions.
3. Board builds dialogue on importance of GM compensation to the co-op.
4. Board develops criteria to judge a GM compensation plan.  
Goal: The board can speak with one voice on the importance of GM compensations to the co-op, its expectations regarding a plan, and how it will judge a compensation proposal. Allow adequate time for steps 3 and 4, and do not proceed until you have arrived at a common understanding.
5. Board develops a Request for Proposal (RFP).
6. GM develops proposal based on RFP and presents to the board.
7. Board receives and decides on proposal from GM.
8. Process concludes with contract, or clearly documented decision on GM compensation.

### Step 1. Review and commit to the process.

The process organizes roles in a way that might be somewhat different from what you are doing now, and therefore warrants group discussion and commitment before you get started. We suggest that the board engage in strategic thinking and setting of criteria by which a plan will be judged, and then delegate the development of the plan to the GM. The board retains the controlling position, but we have introduced the GM's voice in the process in a manner that is clearly responding to board-stated criteria.

## GM Compensation: Thinking Strategically



Prepared by Mark Goehring, Carolee Colter and Marilyn Scholl 2007.

### Step 2. Directors complete individual questions.

There are two parts to questions for directors: One part is returned for compilation and distribution to the whole board, and the other part is meant to stimulate private reflection on a director's relationship to money and compensation.

**Questions for private reflection:** We don't expect directors to share these answers, but it is important to realize that our own experiences can have an impact on how we consider new topics. Directors should reflect on these questions in advance of board discussions on GM compensation so that they are able to "check your issues" at the door and help build a dialogue based on the issues brought to the table.

1. What is your own attitude regarding asking for money?
2. What experiences have you had regarding asking for fair compensation, or not being able to ask?
3. What experiences have you had that may influence how you consider GM compensation?

4. Do you feel you are able to contribute to the GM compensation process without your own issues about compensation or money getting in the way?

Acknowledging that personal association with money could interfere with a director's acting on behalf of the member/owners could help the whole board deal with this later if it becomes an issue.

**Strategic questions for directors and boards:** Distribute this survey in advance of the first board discussion on GM compensation. Ask for written responses, then compile and distribute the responses with the meeting packet along with the whole group questions.

1. Your name
2. Number of years on the board
3. Looking ahead to the future of the organization, do you see the organization growing and changing or staying the same? How important is the role of GM in this future? Why?
4. What worries or concerns do you have about the process we will use?
5. What worries or concerns do you have about the resulting compensation plan?
6. Within the context of your work as a director, how important is the GM compensation plan?

**Step 3. Boards build a dialogue on the importance of GM compensation to the co-op.**

This may take one meeting or several. The goal is to reach one voice on the importance of GM compensation to the co-op. The group will be informed of individual perspectives via the compilation of each director's written answers to the questions above, and now the board must think strategically together about the future of the co-op, its aspirations, and the importance of GM leadership in achieving those aspirations.

Following are questions for the use at the board meeting for building dialogue:

- Looking ahead to the future of the organization, do you see the organization growing and changing or staying the same? How important is the role of GM in this future? Why?
- Describe the importance of GM compensation from the point of view of the GM: the board of directors: the member/owners.

■ Goal as a result of board dialogue: the board can speak with one voice on the importance of GM compensation to the co-op.

**A side question worth considering:** How does the board make decisions? It can be helpful to the group's process if the board is clear about how it makes decisions before it makes one.

**Step 4. Board develops criteria to judge a GM compensation plan.**

Using the previous board dialogue as a foundation, the board now develops criteria for how it will judge a proposal. Here is a sample:

**SAMPLE REQUEST FOR PROPOSAL (RFP)**

**GOAL:** To inspire and motivate the GM to do what is best for the co-op; to achieve new goals.

**EXPECTATIONS AND LIMITATIONS:**

1. The plan should run from \_\_/\_\_/08 to \_\_/\_\_/10.
2. The plan should comply with a reasonable interpretation of all relevant policies.
3. The plan should be affordable for the co-op.
4. The plan should be in scale to the compensation plans of the other managers employed by the co-op.
5. The plan should be easily and objectively measurable/calculable.
6. The plan should consider the complete compensation package: base, contingent, benefits, deferred compensation, etc.
7. The plan should be in line with industry and local standards.

A note on time cycles of Steps 1 through 4: We suggest that the board request a compensation plan that would last for two years, and that the board consider using this entire process on a four-year cycle. After the first two-year period, the board could review its RFP criteria and possibly be in a position to re-issue the RFP without extensive board dialogue. After four years, however, enough board turnover may have taken place to begin again with Step 1.

**Step 5. Board develops a Request for Proposal (RFP).**

Once the board has approved the criteria, we suggest that one or two directors be empowered to draft an RFP for board review. When the board has

agreed to the RFP, it can pass it along to the GM.

**Questions to consider along with the creation of the RFP:**

- How will the board negotiate, if necessary? We suggest the board delegate to two or three directors the authority to act (see Step 7).
- What should be the desired outcome of any negotiation?

**Step 6. GM develops a proposal based on the RFP and presents it to the board.**

For an example, see "Sample Response to Board RFP" on page 30.

**Step 7. Board receives and decides on proposal from GM.**

If the board is not ready to accept the GM's proposal as is, we suggest that it delegate two or at most three directors to negotiate with the GM in person. The negotiators can bring the agreed-upon compensation package back to the full board for final approval.

**Step 8. Process concludes with contract, or clearly documented decision on GM compensation.**

Place the final version of the GM's proposal, with any negotiated revisions, in the GM's personnel file. If you use a contract with your GM, be sure to have it reviewed by an attorney.

The board now has an excellent paper trail of its process, beginning with the compilation of directors' perspectives, to notes about strategic thinking, to the RFP itself, to the proposal and final agreement. Two years later the RFP can be reviewed to see if it is adequate to pass along as is, or if it needs further work. Four years later the board can engage again in the complete process to reinvigorate its strategic thinking on this important topic.

The board also has some good material for communicating with members about its process. The results of its strategic thinking, as well as some of the criteria from the RFP, may be very appropriate to share with member/owners. The content of this strategic thinking may illustrate how the board values leadership of the co-op.

This process was developed as part of the Cooperative Board Leadership Development program for one of its distance learning workshops. (See [www.cdsfood.coop/cbl](http://www.cdsfood.coop/cbl) for more information.) Your feedback and comments about the process are welcome. Send them to Mark-Goehring at [cdsfood.coop](mailto:cdsfood.coop). ■



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## Sample Response to Board RFP on General Manager Compensation

Note: This example is for a co-op with gross annual sales of \$12 to \$18 million.

I am proposing a compensation package to run for two fiscal years, from October 1, 2008 to September 30, 2010. This package consists of:

- Base salary of \$83,200 per year, with an increase in the second year for inflation, based on the Consumer Price Index as of 10/1/09.
- Bonus of up to \$10,000 for achieving the goals in the table below:

Criterion	Total Available Bonus	Gratifiers	Pay-out
Sales Growth	\$3,000	Sales growth over 10%	\$3,000
		Sales growth 8-10%	\$2,250
Net income	\$3,000	Net income over 3.5%	\$3,000
		Net income 2.42-3.49%	\$2,250
Planned Achievement of Ends Policy E1.	\$4,000	Board acceptance of interpretation of achievement in monitoring reports	\$4,000

- Four weeks of paid vacation (one week more than the vacation available to staff with under 5 years of employment at the co-op).
- Deferred compensation of \$5,000 a year that funds
  - a retirement account in which I will be fully vested in 7 years and
  - a life insurance policy for \$1 million. In the event of my death, my heirs will receive \$.5 million and the co-op will receive \$.5 million to pay for consulting help, interim management and a GM search as needed.

How this compensation package meets the board's expectations and limitations in the Request for Proposal:

- The plan should run from 10/01/08 to 9/30/10  
The proposed plan covers those dates.
- The plan should comply with a reasonable interpretation of all relevant policies. All policies were reviewed for possible relevance, identifying the following:  
Under L4, Compensation & Benefits, this proposal is in compliance with the global policy "not to cause or allow jeopardy to financial integrity," as described below.  
Under L8, Emergency Management Succession, the life insurance policy in my proposed deferred compensation would help to protect the co-op from a sudden loss of GM services.
- The plan should be affordable to the co-op.  
My compensation as proposed, when added into all the other labor costs (payroll, payroll taxes, benefits) would still allow the co-op to meet the net profit target of 2.42 percent as identified in the long range strategic plan presented to the board in August.
- The plan should be in scale to the compensation plans of the other managers employed by the co-op.

The co-op pay scale has six levels according to responsibility, with the top of each level 50 percent above the base. The pay scale covers all positions at the co-op except the general manager. The difference between levels ranges from about 15 percent to 25 percent. The top of Level VI is only \$6000 (8 percent) below my current salary.

Pay Levels	Annualized for full-time positions
Level I \$8.00 to 12.00	\$16,640 to 24,960
Level II \$10.00 to 15.00	\$20,800 to 31,200
Level III \$12.00 to 18.00	\$24,960 to 37,440
Level IV \$15.00 to 22.50	\$31,200 to 46,800
Level V \$18.00 to 27.00	\$37,440 to 56,160
Level VI \$22.00 to 33.00	\$44,760 to 68,640
General Manager current	\$74,880
General Manager proposed	\$83,200

The financial manager, who has worked at the co-op for 15 years, has been at the top of Level VI for the past two years. I can't give her a raise without lifting the top of her pay level, but to do so would shrink the difference between her salary and mine even more.

The next highest paid manager is the store manager, who has recently expressed concern about his ability to make more over time. He understands that the top of the range for his job has to be lower than my pay. At the moment he is satisfied with his pay, but if he has no prospect of being able to earn over \$70,000, he may leave the co-op in a few years when his oldest child starts college.

By increasing my base salary, I could raise the base and tops for Levels V and VI, where I have lost staff to Whole Foods, which pays more for positions with these levels of responsibility.

- The plan should be easily and objectively measurable/calculable.

The proposed bonus is based on sales growth and net income which are easily measurable, and on acceptance by the board of monitoring reports demonstrating planned achievement of Ends Policy E1.

The payout for the retirement funds in the deferred compensation plan is determined by a vesting schedule of seven years (see detailed description of the plan in a separate document).

- The plan should consider the complete compensation package (base, contingent, benefits, deferred compensation).

My proposal contains all four elements.

- The plan should be in line with industry and local standards.

The Occupational Employment Statistics program of the Bureau of Labor Statistics provides a description for Chief Executive which most closely fits my job:

"Determine and formulate policies and provide the overall direction of companies or private and public sector organizations within the guidelines set up by a board of directors or similar governing body. Plan, direct, or coordinate operational activities at the highest level of management with the help of subordinate executives and staff managers."

Using CareerJournal.com, I found the following data for a Chief Executive of a specialty retail establishment here in our state:

State Specialty Retail Chief Executives	
Low, 17th percentile	\$61,581
Average	\$91,666
High, 67th percentile	\$122,218
Bonus	16.7% of base salary
Benefits	11.9% of base salary

The general manager compensation survey in 2006 in Cooperative Grocer did not contain enough specific information for co-ops in our size range, except to show that over 60% of managers of co-ops with sales of over \$10 million were making \$70,000 or more. Therefore, I conducted a phone survey of the 12 managers of co-ops with gross sales of \$12 to \$18 million.

Co-op GM's \$12 to \$18 million gross sales	
Low	\$63,300
Average	\$84,000
High	\$112,500
Bonus where applicable	5% to 20% of base salary
Benefits	Average 18% of base salary

Base salaries showed no clear correlation between size of salary and size of co-op. This is a very small sample, but it does fall within the range for salary and bonus for Chief Executives of specialty retailers in our state.

My proposed salary is below average but within the range of the comparable positions in our local area. The proposed salary and total compensation is within the range of other co-ops our size.

## List of Fiddleheads Board Committees

Compiled from Minutes June 12, 2012-February 18, 2014

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- **Budget Committee**
  - June 19, 2012 Motion to establish Budget Committee
  - September 18, 2012 Named Finance and Members-Ed, Lee, Jamie (no motion)
- **By Laws Task Force**
  - October 16, 2012 Motion to establish By Laws Task Force
    - Co-chaired by Lee and Sue
    - Members-Andy, Sue P., Susan Z., Lee, Ellen
  - February 19, 2013 Motion to consult with lawyer on AOI
  - March 19, 2013: Referred to Legal Review Task Force
  - June 18, 2013: Draft Bylaws approved
- **Board Governance Committee**
  - November 20, 2012 Motion to establish Governance Committee
    - Charter approved
    - Duties expanded to propose membership in other standing committees
  - June 18, 2013 Motion to do post action review
  - August 20, 2013 Motion to revise charter (see below)
- **Annual Meeting Committee**
  - January 15, 2013 Motion to establish Annual Meeting Committee
  - June 20, 2013 Committee post action review
  - January 16, 2014 (February 4 meeting date) GM to set committee
- **Compensation and Evaluation Committee**
  - April 16, 2013 Motion to establish Compensation and Evaluation Committee
  - August 20, 2013 GM Evaluation completed
- **GM Monitoring Development Task Force**
  - August 20, 2013 Motion
  - Motion to form a GM Monitoring Development Task Force
  - Ed, Ellen, Carolyn, Dick
- **Board Elections Task Force**
  - Motion to create a 2014 Election Task Force whose purpose is to determine how the 2014 election will be conducted, including the solicitation and publicizing of candidates.
  - Sue Phillips volunteers to chair this Task Force. Members will include Richard Virgin, and Lisa Cygan and Andy Derr, if willing.

# **REVISED GOVERNANCE COMMITTEE CHARTER**

PROPOSED July 16, 2013 ADOPTED: August 20, 2013

**Composition:** Up to three Board Members and up to three Member-Owners **Current Committee Chair:** Mark Roberts **Meeting**

**Frequency:** Monthly or bi-monthly as needed **Purpose:**

- Solicit suggestions from Member-Owners and Staff for Board and Directors and Committee membership.
  - Make recommendations to Board for Member-Owner participation on Board Committees and Task Forces.
  - Hold Workshops for potential Board candidates.
  - Recommend a slate of Directors to the Membership at the Annual Meeting or as required.
  - Create and distribute a New Directors Guide for new Board Members containing key documents.
  - Meet individually with new Directors within three months of election/appointment to discuss personal development and interest as a Board Member.
  - Research and present conference or other continuing Board education opportunities at Board Meetings.
-



**FIDDLEHEADS**  
**BOARD OF DIRECTORS MEETING**  
 June 16, 2014 6:30-8:30 PM  
 105 Huntington Street, New London

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Time	Topic	Resource	Board Action/ Outcome	Leader
6:30-6:40	<b>Meeting Preamble</b> <i>Each of us is a member of the coop community and has been elected to be leaders in serving our members. May we conduct this meeting by empowering each other, treating each other with kindness, and maintaining an atmosphere of mutual respect.</i> Check-in			President
6:40-6:45	<b>Agenda Review</b>		Make adjustments	President
6:45-6:55	<b>Member Comments</b>			President
6:55-7:10	<b>Cooperative Cafe Presentation</b> <ul style="list-style-type: none"> <li>Share key learning from Coop Café Conference in March</li> </ul>			Susan Zimmerman/ Carolyn Wilson
7:10-7:15	<b>Minutes May</b> (board packet)		Accept minutes	President
7:15-7:20	<b>Consent Items</b> <i>Any item can be removed for discussion at the request of a board member</i> <ul style="list-style-type: none"> <li>GM Update Report</li> <li>GM Monitoring Report</li> <li>Board Monitoring Report D4</li> <li>Board Budget and Results</li> </ul>		Accept reports	President
7:20-7:35	<b>Consent Agenda Items needing discussion</b>		Accept after discussion	President
7:35-7:45	<b>Action Items</b> <ul style="list-style-type: none"> <li></li> </ul>			President
7:45-8:15	<b>Board discussion</b> <ul style="list-style-type: none"> <li>Board Chair Succession <i>Discuss board chair duties and leadership transition</i> (board packet)</li> <li>Officer Elections <i>Elect Board Officers for coming year</i></li> </ul>		Decide on duties Vote on Officers	President
8:15-8:30	<b>Closings</b> <ul style="list-style-type: none"> <li>July draft agenda (Board Packet)</li> <li>Meeting Checklist                             <ul style="list-style-type: none"> <li>Everyone was present physically and attentively</li> <li>No sidebar conversations</li> <li>Maintain topic focus</li> <li>Everyone had a voice and was heard</li> <li>Be honest but not brutal</li> <li>Don't monopolize</li> <li>Clarify the purpose of each agenda item to begin</li> <li>Signal if you feel personally attacked, disrespected, or put down</li> </ul> </li> <li>Review Decisions, Tasks, Assignments</li> <li>Adjourn Meeting</li> </ul>		Review Evaluate meeting process: what worked and what needs improvement	President  President

**BOARD PACKET:**

- 1) Draft May Meeting Minutes
- 2) GM Update Report
- 3) General Manager Monitoring Report
- 4) Board Monitoring Report D4
- 5) July Draft Agenda