

# Los Alamos Cooperative Market Board of Director's Governance Policy Rev. 3

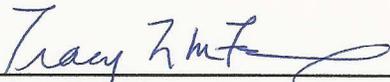
Reviewed:



Steve Watts, General Manager, Los Alamos Cooperative Market

Date: 5/21/2014

Approved:



Tracy McFarland, President of the Board, Los Alamos Cooperative Market

Date: 5/21/14



Eduardo Santiago, Secretary, Los Alamos Cooperative Market Board

Date: 21 May, 2014

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**Record of Revision**

- (1) Initial Issue approved 7/13/2009
- (2) Revision 1. Editorial update.
- (3) Revision 2. Approved February Dec 2012?
- (4) Revision 3: B8: allow Board stipend; X4: wording change; R4.5, R5.4 typo fixes.

## **B. Board Governing Processes**

The Board of Directors (Board) shall assure that the Cooperative's purpose, mission, and principles as established by the Bylaws of the Los Alamos Cooperative Market, Inc. are carried out in the interests of its member/owners, while avoiding any action detrimental to the Los Alamos Cooperative Market (Cooperative).

### **B.1 Board Governing Style**

The Board will govern in a way that:

1. emphasizes future vision,
2. emphasizes initiative and strategic leadership,
3. provides clear distinctions of Board and management roles, and
4. deliberates in many voices but governs in one voice.

#### **B1.1 Written Policies**

The Board will initiate policy and direct the Cooperative by carefully establishing written policies with a focus on intended long-term effects. The Board will strive to be proactive rather than merely reactive in developing policies. These policies will guide the Cooperative in four areas:

- Ends (E): The strategic vision of the Board.
- Board Process (B): How the Board fulfills its function.
- Board-General Manager (GM) Relations (R): Linkage between the Board and the Cooperative General Manager.
- Executive Expectations and Limitations (X): Boundaries of prudence and ethics within which all executive activity and decisions must take place.

#### **B1.2 Enforcing Policies**

The Board will govern with excellence by enacting and enforcing policies upon itself with regard to attendance, preparation, policy-making principles, and adherence to Board-General Manager Relations (R) policy. The Board will avoid any tendency to stray from governance adopted in Board Process policies. The Board will allow no Board member or committee to hinder or be an excuse for not fulfilling Board policy or commitments.

#### **B1.3 Accountable System**

The Board will establish a clearly defined system to hold the Board accountable to member/owners and the community for executing its duties conscientiously and effectively. The Board will monitor and regularly discuss the Board's processes and performance, ensuring continuous improvement through regular training as follows:

- Establish a schedule to periodically review the B and R policies such that all policies are reviewed at least once annually.

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- Establish a monthly schedule of General Manager reporting on **X** policies such that all policies are reported on at least once annually. As needed, the Board may modify the schedule and/or policies and/or the amount of detail required in the reports.
- Establish a system to annually review and/or create **E** policies. The Board will establish a schedule of General Manager reporting on **E** policies such that all policies are reported on at least once annually.
- Ensure that all Board members actively work on at least one Board committee
- Conduct an evaluation after each meeting

### ***B2 Board Job Description***

The Board's job is to create a vision born of its linkage with the Cooperative's member/owners, write a Governance policy that will guide and govern the Cooperative, hire and monitor the General Manager, and perpetuate itself.

- The Board will create a shared vision (Ends (E) policies) that guides strategic planning.
- The Board will develop effective linkage between the Cooperative and its member/owners.
- The Board will hire a General Manager. The Board will direct and evaluate the General Manager's performance by monitoring against Ends and Executive Expectations and Limitations (X) policy.
- The Board will perpetuate itself through recruitment, training, and ongoing professional development, including monitoring and self-evaluation.

### ***B3 Board Meetings***

Board meetings are for the single task of getting the Board's job done.

#### ***B3.1 Agenda***

The Board is the sole authority over its own agenda. The President generally exercises this control on behalf of the Board, but any Board member, with the majority's agreement, may add, delete, or rearrange the order of items on the agenda.

#### ***B3.2 Agenda Responsibilities***

Only issues that reflect the Board's chosen and legal areas of responsibility shall consume Board time.

#### ***B3.3 Agenda Procedures***

The Board meeting agenda shall be developed and shared with Board members in a timely manner.

- Issues for inclusion on the agenda include the draft minutes from the previous meeting
- All agenda items shall be accompanied by background information that is adequate to facilitate informed discussion. Expected Board outcomes for each agenda item shall be identified (e.g., an item for vote or a monitoring report).
- A proposal shall include the following sections: (1) a header which includes (a) the Board person or committee making the proposal, (b) the name of the proposal, and c) the meeting date at which the proposal shall be considered; (2) the exact wording of the proposal; (3) the purpose of the proposal,

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i.e., what the proposal will accomplish; (4) the cost, if any, of implementing the proposal; (5) the requested authority, if any, to direct the General Manager in implementing the proposal; (6) the expected date of completion; (7) dates of progress reports, if any.

### ***B3.4 Agenda Posted***

The President shall ensure that the agenda is posted on-line no later than two days prior to the meeting.

### ***B3.5 Board Minutes***

The Board Secretary is responsible for preparing the Board minutes. During meetings, it may be useful for the facilitator to summarize major points and decisions at the end of each agenda item. After meetings, the Secretary shall perform or oversee the editing of the minutes. The minutes shall use a format that includes at least the following headings for each agenda item:

- **Item Title:** This heading should match agenda titles.
- **Issues Raised:** This heading identifies main points of discussion.
- **Action Taken:** This heading records Board votes, informal decisions, postponement or tabling of items, and so on.
- **Action Required:** This item records further planned action, such as requests for more information, deadlines for action, or assigned duties to specific persons.
- **Attachments:** This heading is used as needed, and attachments are identified by title and date.
- After approval the minutes will be posted on the web site

### ***B3.6 Board Calendar***

The Board calendar shall be the primary reference for establishing the agenda. The calendar shall reflect all recurring actions that the Board must take based on the bylaws and policies, including but not limited to General Manager monitoring, member/owners linkage, and Board process assessment.

- The Board shall review the Board calendar each year in the month of February and the new one shall be distributed to all Directors.
- At the February review, the dates and times of each monthly meeting shall be set for the following calendar year.

### ***B3.7 Facilitator***

The President will appoint a facilitator for the meeting as necessary. At the beginning of each Board meeting, time should be allotted to each agenda item as necessary to keep Board meetings on track. Except when an outside facilitator is used, the meeting facilitator, if used, be rotated among Board members monthly. The facilitator shall ensure that each Board member has an opportunity to speak on each issue.

### ***B3.8 Open Meetings***

Member/owners may attend all Board meetings except for the executive session. If member/owners wish to address the Board, a total comment period of up to ten minutes per meeting shall be allocated to allow for this.

### ***B3.9 Executive Session***

The Board President may put an executive session on the agenda, or a simple majority may declare one to discuss financial issues, real estate, personnel matters, litigation, or potential litigation.

- Normally executive sessions are limited to Board members; however the Board may invite additional individuals to participate to facilitate the issue under discussion.
- The Board member/owner calling for an executive session must state their purpose in advance.
- Whenever possible, an executive session should be announced on the published agenda.
- While discussions in executive session shall be confidential, any resulting action or vote shall be reported in the minutes, in a manner consistent with the need for confidentiality.

### ***B3.10 Board Performance Measured***

Board performance will be regularly measured and areas of weakness addressed. The Board will measure its performance against Board policy objectives at the end of every Board meeting, and suggestions made for improvement.

## ***B4 Board President's Role***

The Board President assures the integrity of the Board's process and occasionally represents the Board to outside parties.

### ***B4.1 Policy Enforcement***

The Board President's job is to ensure the Board behaves consistently according to its own policy and those rules legitimately imposed upon it from outside the organization.

### ***B4.2 Limited Authority***

The Board President has no authority to unilaterally interpret Board policies on Ends or General Manager Executive Expectations and Limitations. Therefore, the Board President has no authority to unilaterally supervise or direct the General Manager.

### ***B4.3 Interpreting On Behalf of Board***

The President's authority includes interpreting any decision on behalf of the Board that is limited to and consistent with Board Process and Board-General Manager Relations policies.

### ***B4.4 Board President's Responsibilities***

In particular, the Board President is responsible for accomplishing the following:

- Developing an agenda, ensuring that an annual Board calendar is maintained, ensuring continuing Board education, and presiding over the annual member/owners meeting, as required by Board Process policies
- Planning for implementing and monitoring Board Process policies

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- Providing for effective communication and distribution of information to Board members between monthly meetings
- Ensuring that meetings are properly facilitated
- Representing the Board to outside parties in articulation of Board-stated positions

### ***B4.5 Delegate Responsibilities***

The Board President may delegate these responsibilities but remains accountable for their fulfillment.

## ***B5 Board Members' Code of Conduct***

Board members are expected to conduct themselves ethically, responsibly, and in a business-like manner, including the proper use of authority and appropriate decorum when acting as Board members. Board members are legally responsible for discharging their duties in good faith, with the care an ordinarily prudent person in a like position would exercise under similar circumstances, and in a manner reasonably believed to be in the Cooperative's best interest.

### ***B5.1 Conduct***

Board members should conduct themselves as Board members rather than as individual member/owners while conducting Board business. Board members shall bring complete honesty and personal integrity to the Board.

Board member shall avoid conflicts of interest, such as the following:

- There must be no self-dealing or any conduct of private business or personal services between any Board member and the Cooperative except as procedurally controlled to assure openness, competitive opportunity, and equal access to inside information.
- Board members who are employed by the Cooperative will not vote on the General Manager's compensation.
- Board members have an affirmative obligation to state any possible conflict of interest of their own as well as that of any other Board member.
- Board members will not use their positions to obtain for themselves, family member/owners, or close associates any employment or business with the Cooperative.
- Board members will disclose any business or personal associations with current staff, contractors, or suppliers.

### ***B5.2 Represent Cooperative's Interests***

Board members should loyally represent the Cooperative's interests. This supersedes any conflicting loyalty including, but not limited to, advocacy or interest groups, member/ownership on any other boards or staffs, or acting as an individual employee or consumer of the Cooperative's services.

- Board members should be aware of and follow the Cooperative's bylaws
- Board members shall be aware of and follow the Cooperative's policies.
- Board members shall openly and impartially consider all issues and matters, researching issues and seeking additional expertise where needed.

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As representatives of the Cooperative, Board members shall project a positive image and conduct themselves in a professional manner. All Board members will respect the rights of other Board members, staff, and member/owners to communicate their ideas, and will communicate with honesty and respect.

### ***B5.3 Board Meeting Attendance***

Board members shall prepare for and attend all Board meetings or notify the Board president when an absence is unavoidable.

### ***B5.4 Confidentiality***

Board members shall respect the confidentiality appropriate to issues of a sensitive nature. All personnel, real estate, marketing, legal, strategic planning, and financial matters will be considered sensitive issues subject to Board members' good faith and discretion unless or until made public by Board action.

### ***B5.5 Board Member Dissenting Issues***

When an individual Board member and/or Board members disagree with a policy or action developed by the majority of the Board, the dissenting Board member(s) shall have the right to present evidence and arguments to the Board in a manner consistent with Board's policies.

## ***B6 Board Committee Principles***

Board committees, when used, will be assigned to reinforce the wholeness of the Board's job, without interfering with the General Manager's authority, as delegated by the Board.

### ***B6.1 Committees Tasks***

Board committees are to help the Board do its job. Committee work is limited to those tasks the Board specifically delegates to them.

### ***B6.2 Assist Board***

Board committees assist the Board by preparing policy alternatives and implications for Board deliberation. Board committees do not make final decisions. Committees will produce proposals that will be distributed to the full Board prior to any committee-suggested Board decision.

### ***B6.3 Limited Purpose***

Board committees may not speak or act for the Board except when given such authority at a regular Board meeting for specific and time-limited purposes. Board expectations of and authority delegated to committees from the Board will be carefully stated so as not to conflict with authority delegated to the General Manager from the Board.

### ***B6.4 No Authority Over Staff***

Board committees may not exercise authority over staff. Because the General Manager works for the full Board, the General Manager will not be required to obtain Board committee approval before an executive action.

### ***B6.5 Committees Report To Board***

Board committees are established and conducted according to rules outlined in specific policy or in a written committee charter approved by the Board at a regular Board meeting. Board committees report solely to the Board.

Committee charters will include at least the following: committee composition, chair selection and duties, committee function and expected outcome, frequency of committee reports to the Board, and committee expiration date.

### ***B6.6 Committee Chairpersons***

The Board appoints committee chairs. Only Board members may be chairpersons. Board members may serve on any Board committees of their choosing. Other member/owners may serve on Board committees only with the consent of committee members, unless otherwise stated in the committee charter. Board committee chairs are responsible for their committee project budgets. Once the Board approves a project proposal, the chair is to give a copy to the General Manager and request that the General Manager confirm that the project budget is realistic, not implement the project if it is over the approved budget, and then provide a realistic budget to the chair.

### ***B6.7 Standing Committees***

The Board may form Board committees either as a standing committee or for a particular purpose; committees formed for a particular purpose will later be dissolved

### ***B7 Cost of Board Governance***

The Board will continually improve its ability to govern by providing adequate resources for training, monitoring, and linkage with member/owners. Costs will be prudently incurred but not so restrictive as to hinder Board development or functioning.

#### ***B7.1 Board Training***

Board skills and methods will be continuously maintained and improved in the following areas: There will be training to orient and educate both new and existing Board members, including but not limited to:

- Yearly retreats to clarify goals
- Attendance by as many Board members as possible at yearly cooperative industry conferences and conventions

#### ***B7.2 Outside Monitoring***

Outside monitoring will allow the Board to exercise confident control over organizational performance, including but not limited to:

- Fiscal Audit
- Legal and other professional counsel

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### ***B7.3 Member/Owner Outreach***

Member/owner outreach will link the Board to member/owners' viewpoints and values, and will encourage member/owners to participate in their cooperative.

- Newsletter
- Annual Meeting
- Website
- On-going Member Input:
  - Surveys
  - Coop web site

### ***B8 Board Members' Compensation***

Board members should be recognized for the value of their service to the Board and the Cooperative. All members of the Board of Directors, elected or appointed, may be compensated with a monthly stipend in the form of store credit. The Board will annually set the stipend and authorize this compensation based on the financial stability of the Cooperative.

### ***B9 Board Perpetuation***

The Board is responsible for its own perpetuation through recruitment, election, and education of skilled and committed member/owners.

#### ***B9.1 Orientation***

New and advisory Board members shall receive orientation within one month of their being seated. The topics shall include but not be limited to recent board history, governance policy, finances, and the Coop's bylaws. The Board shall conduct an annual retreat each year to ensure that Board members understand the governance, bylaws, and issues important to the coop's effective operation.

#### ***B9.2 Appointing Auxiliary Board Members***

The Board may recruit and appoint up to two auxiliary Board members to participate as nonvoting members in all regular meetings and potentially to fill a vacated Board position. Auxiliary board members are optional but can help ensure that the board is fully staffed.

### ***B10 Board Records Policy***

Board records will be maintained in a secure and accessible manner so as to perpetuate the organizational memory of its decision making. Records will, to the extent practical, remain open to member/owners' inspection. The approved minutes of each Board meeting will be posted in a manner approved by the Board.

#### ***B10.1 Archival Documentation***

Documents shall be archived by the Secretary to meet legal requirements regarding type of document, archive medium, and duration.

- The Secretary will archive approved minutes of monthly and special Board meetings in electronic form for three years.

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- The Secretary will archive approved minutes of executive session meetings regarding internal Board matters, such as appointments to the Board and conflict of interest in electronic form for three years.
- Archive the original paper copies of personnel documents such as employment contracts, performance evaluations, and other official communications between the Board and the General Manager or between the Board and contract workers in accordance with IRS regulations.
- Archive the original paper copies of documents that commit the Cooperative to the acquisition of substantial assets or liabilities such as purchases or loans indefinitely.
- The Board Secretary shall review on a yearly basis all archived documents and, with the President's approval, destroy any that have exceeded their required legal and internal retention requirements.

### ***B10.2 Storage of Archival Documentation***

The Board shall maintain a secured storage cabinet to archive hard copies of certain documents per section B10.1. Only the Board President and Secretary shall have access to this storage.

### ***B10.3 Backup Records***

The Secretary and one additional Board member shall, independently of each other, maintain complete electronic backup copies of all electronically archived documents. Backup documents shall always be maintained in an electronic storage medium that is currently available and readable.

### ***B10.4 Confidential Records***

Documents concerning the following shall be considered confidential: (1) personnel matters, (2) actual or potential legal actions, (3) strategic development, (4) any other issue the Board deems to be worthy of confidential status, and (5) all minutes from Board executive sessions.

### ***B10.5 Security of Confidential Records***

All confidential documents, both electronic and hard copy will be maintained in secured files, with the Board Secretary limiting access to current Board members.

- The Board President is responsible for ensuring that the Secretary maintains an archive of confidential Board documents.
- Physical and/or electronic documents requiring confidentiality shall be archived at a location that provides primary access for the Secretary and also assures access for the President.
- When a Board member resigns they shall affirm that they have deleted and/or destroyed all confidential information.

## ***B11 Board Policy Development***

The Board shall continually evaluate and, as needed, amend its policies in an orderly manner.

## ***R Board–General Manager Governing Processes***

As the Board's sole official link to the Cooperative's operating organization, the General Manager (GM) is accountable for the organization's performance and for the exercise of authority delegated to him/her by the Board.

***R1 Decisions Binding***

Only decisions of the Board acting as a body are binding on the General Manager.

***R1.1 Not Binding Decisions***

Individual Board members or committees have no binding authority to direct the General Manager. A Board member may request but not require information from the General Manager.

***R1.2 Communications to General Manager***

Board decisions will be identified by formal motions and votes and communicated in writing via the Board minutes.

***R2 Accountability of the General Manager***

As the sole official link to operational organization, the performance and accountability of the organization shall be considered the performance and accountability of the General Manager.

***R2.1 Expectations***

The expected performance of the General Manager is to bring the Cooperative toward achieving Board policies on Ends, while operating within the Board policies on Executive Expectations and Limitations.

***R2.2 Board Communication Role***

The Board and its individual members will refrain from evaluating or instructing, either formally or informally, any staff other than the General Manager. With concurrence of the General Manager, the Board may authorize its individual members to interact with specific staff members for the following narrowly defined purposes:

1. Request copies of Board insurance policies; request copies of Los Alamos Cooperative Market's Personnel Policy Manual; process and maintain certain information regarding the General Manager's employment status; assist in tasks required for new General Manager search.
2. Request reimbursement for out-of-pocket expenses; process and maintain certain information regarding the General Manager's employment status; assist with postage and mailing Board-related materials.
3. Assist with preparations for General Membership Meetings; assist with preparations for Board elections and all other balloting; assist with Board candidate recruitment; assist with Board presence at membership events; assist with editing and publication of Board articles in the newsletter.

***R2.3 Implementation of ENDS Policy***

In the implementation of an Ends policy, within Executive Expectations and Limitations, the General Manager may delegate authority, though he/she remains solely responsible for the Cooperative's performance.

### ***R3 Delegation to the General Manager***

The Board shall instruct the General Manager through written policies. These policies prescribe both the organizational Ends to be achieved and Executive Expectations and Limitations, which describe situations and actions to be avoided, allowing the General Manager to use any reasonable interpretation of these policies.

The Board will respect and support the General Manager's choices that are in line with its policies. The Board may change its policies on Ends and Executive Expectations and Limitations, thereby shifting the boundary between Board and General Manager domains. By doing so, the Board changes the latitude of choice given to the General Manager.

#### ***R3.1 General Manager Authority***

Using a reasonable interpretation of Board policies, the General Manager has the responsibility and authority to establish all further policies, make all decisions, take all actions, establish all practices, and develop all activities necessary to implement Board policies.

#### ***R3.2 Violation of Policy***

No violation or anticipated violation of Board policy should ever be kept from the Board. If the General Manager deems it necessary to violate Board policy, he/she will inform the Board as follows: notify the President immediately verbally, and notify the full Board in writing no later than the next regular Board meeting. Response, either approving or disapproving, does not exempt the General Manager from subsequent Board judgment of the action.

### ***R4 Monitoring General Manager Performance***

The Board will track General Manager's performance by monitoring in such a way as to have assurance of policy compliance. Systematic and rigorous monitoring of the General Manager will solely be against the only expected General Manager's job outputs: organizational accomplishment of Board policies on Ends, and operation within Board policies on Executive Expectations and Limitations.

#### ***R4.1 Monitor Methods***

The Board will monitor by one or more of three methods:

- By Internal report, in which the General Manager discloses compliance information to the Board. (Internal reports may include third party reports contracted by the General Manager as required by the Board.)
- By External report, in which an external, disinterested third party selected by the Board assesses compliance with Board policies.
- By Direct Inspection by the Board, in which a designated Board member assess compliance with the appropriate policy criteria.

#### ***R4.2 Measure Conformance***

There are two general ways to measure conformance with Board policies:

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- Measuring compliance with requirements. These policies are typically financial in nature, and reporting provides a Yes/No answer with summary information.
- Measuring incremental progress towards long-term outcomes. Monitoring these policies requires prior establishment of:
  1. a baseline or history for comparison
  2. a reliable and credible measurement technique
  3. a short-term (12 month) target

### ***R4.3 Standards of Compliance***

In every case, the standard for compliance shall be a reasonable interpretation by the General Manager of the Board policy being monitored.

### ***R4.4 Monitoring Data***

Monitoring is intended to determine the degree to which Board policies are being met. Data that do not do this are not monitoring data.

### ***R4.5 Schedule of Monitoring***

(1) All policies that instruct the General Manager will be monitored at a frequency and by a method chosen by the Board. The Board can monitor any policy at any time by any of the accepted methods, but will ordinarily depend on the following routine schedule:

A. Weekly Dashboard. The Board has established a weekly dashboard report to be produced by the General Manager and distributed to the Board each week. The exact format will be agreed upon by the Board and General Manager, but will include at a minimum:

- Actual Sales
- Budgeted Sales
- Variance from Budget
- Previous Year Sales
- Customer Counts
- Member Shops
- Market Basket
- Outline of Significant Activities by Department

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### B. Annual Schedule of executive limitations monitoring

EXECUTIVE LIMITATIONS MONITORING	
Jan	X5 Asset Protection
Feb	X3 Financial Conditions for Q4 (except X3.12)
Mar	Report on ENDS and Annual Goals (if used)
Apr	X1 Cust Service, X2 Staff Treatment
May	X3 for Q1 (including X3.12)
Jun	X6 Counsel to Board
Jul	X7 Executive Succession
Aug	X3 for Q2 (except X3.12)
Sep	X8 Conflict of Interest
Oct	X9 Volunteering
Nov	X3 for Q3 (except X3.12)
Dec	X10 Data Privacy, X4 Budget

### ***R5 Evaluating the General Manager's Performance***

The Board will view organizational performance as a reflection of the General Manager's performance. Therefore, the General Manager will be evaluated on the implementation of Board-stated policies and compliance with Executive Expectations and Limitations through monitoring reports. The following is the process for that evaluation

#### ***R5.1 General Manager Evaluation***

The General Manager's evaluation will be conducted annually on the anniversary of General Manager's hire date. New hires may be given an interim evaluation at the six-month point. Remuneration decisions occur at the time of hire and at the annual evaluation.

#### ***R5.2 Review and Process***

The Board will review and process the General Manager's completed monitoring reports for Executive Expectations and Limitations and Ends during the year when presented at Board meetings. For the General Manager-evaluation-Board-meeting, The Board Secretary will ensure that a Summary Chart is prepared that lists all the General Manager's monitoring reports for the previous year (or since hire).

#### ***R5.3 Procedure***

In an executive session, the Board will review the Summary Chart, form an evaluation, and draft a letter, which will first be forwarded to the Board attorney and subsequently be provided to the General Manager by a committee chosen by the Board.

### ***R5.4 References***

Attached in the Appendix are the following documents which are made a part of this policy:

- A. Monitoring
- B. Monitoring Reports
- C. *Not used*
- D. Policy Violations

### ***X General Manager Executive Expectations and Limitations***

The General Manager shall neither cause nor allow any action, omission or organizational circumstance that is imprudent, unethical, illegal or contrary to the Bylaws of the Los Alamos Cooperative Market. All activity shall be for the purpose of achieving Board policies on Ends with the expectations and limitations provided in this section. This implies broad, but never independent powers.

#### ***X1 Customer Service and Value***

The General Manager shall provide excellent customer service and value and is expected to:

1. Be aware of current trends in customer service throughout the industry and, where appropriate, incorporate these into store operating practices.
2. Ensure that Co-op products and services maintain high standards for quality, freshness, transparency of origin, and meet the needs of our customer base.
3. Implement customer service training programs for all employees.
4. Maintain a means for all customers and member/owners to provide input and obtain substantive response concerning the service, quality, and value of shopping.
5. Provide customers with a safe and pleasant shopping environment.

#### ***X2 Staff Treatment***

With respect to treatment of staff, the General Manager may not cause or allow conditions that are inhumane, unfair, undignified or illegal. The General Manager shall:

1. Prevent unlawful discrimination among employees.
2. Protect staff from unsafe, unhealthy or illegal conditions.
3. Ensure that all staff employment policies are applied in a consistent and fair manner and provide equal opportunity.
4. Provide appropriate documentation, security, and retention of records in accordance with applicable state and federal regulations.
5. Conduct a survey (e.g. 360 degree feedback) on a regular basis that allows staff to offer feedback on significant aspects of work conditions, supervisory staff and administrative staff.

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The survey should be done so that it allows for comparison on survey-to-survey basis and in such a way as to assure anonymity for those who complete it.

6. Examine the wage structure for Coop employees annually in January. Report annually to the Board on how the wage structure compares to the local job market; report on any planned changes.
7. Ensure that Staff are informed about Board policies.

### ***X3 Financial Conditions***

The General Manager shall operate the Cooperative in a sound and prudent fiscal manner. Actual financial conditions and performance shall not incur fiscal jeopardy or compromise Board policies on Ends. The General Manager shall

1. Ensure that the Cooperative does not incur indebtedness other than trade payable accounts or line of credit use incurred in the ordinary course of doing business.
2. Settle payroll, debts, and taxes in a timely manner.
3. Ensure expenditures meet the Board policies on Ends.
4. Obtain Board approval of any single unbudgeted capital expenditure greater than \$25,000.00.
5. Obtain Board approval before the acquisition, encumbrance, or disposal of real property.
6. Pursue receivables after a reasonable grace period.
7. Present materially accurate summary financial statements to the Board on a monthly, quarterly, and annual basis.
8. Inform the Board about any single financial condition or any financial trend whose continuation would result in fiscal jeopardy or the need to substantially alter budgeting assumptions.
9. Ensure that the Current Ratio (Current Assets/Current Liabilities) is maintained above 1.0 or above limits set in current bank loan covenants.
10. Ensure that the Debt to Equity Ratio (Total Liabilities/Total Equity) does not exceed 2.0 or to exceed limits set in current bank loan covenants.
11. Ensure that the Debt Service Ratio (Cash flow/Loan principal and interest) does not fall below 1.25 or to fall below limits set by bank loan covenants.
12. Inform the Board about the percentage of Patronage Refund needed to minimize the payment of federal and state taxes.

***X4 Budgeting and Financial Planning***

The General Manager shall develop an annual budget and present the budget to the Board for review and acceptance. The annual budget shall be based on a multi-year plan and the plan updated annually and submitted to the Board for review and acceptance. The Budget shall:

1. Reasonably and accurately project revenues and expenses.
2. Separate capital and operational items.
3. Present an understanding of the cash flow throughout the budget period.
4. Disclose planning assumptions.
5. Conservatively projects budgeted expenses to projected income levels
6. Provides for Board needs during the year as set forth in the Governance policy.

***X5 Asset Protection***

The General Manager shall manage the Cooperatives assets to not allow disrepair, excessive risk, untraceable transactions, or conflict of interest to occur in the management of the cooperative's resources. The General Manager shall:

1. Keep insurance coverage of stock, building, furniture, and equipment at or above 90% of the replacement value.
2. Receive, process, or disburse funds under controls sufficient to meet the Board-appointed reviewer's standards.
3. Require more than one individual to have complete authorization over financial transactions.
4. Properly maintain building and equipment to ensure the sustainment of the assets
5. Operate the organization in a way that protects against unnecessary risks, theft, loss or damage to property.
6. Deposit the Cooperative's liquid assets, beyond those needed to meet current liabilities, in institutions that are adequately protected.
7. Manage surplus and reserve cash in short-term secure instruments that offer no risk to principal.
8. Protect against unnecessary losses by diligent risk management, including providing for insurance both for operations and for Board of Directors current and former.

***X6 Communication and Counsel to the Board***

The General Manager shall keep the Board informed and shall:

1. Make the Board aware of relevant trends, legal actions, public events, and internal and external changes that affect the assumptions upon which any Board policy has previously been approved.

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2. Submit timely, accurate, and understandable monitoring data required by Board policy under the Board's Monitoring General Manager Performance (R4 and R5).
3. Supply for the Board's agenda all decisions delegated to the General Manager but required by law, regulation, or contract to be Board approved.
4. Provide information and, when appropriate, make recommendations to the Board regarding issues with policies.
5. Notify the Board within 24 hours of any change in circumstances that is or could be of strategic, significant legal or long-term impact and that might reasonably be of concern to the Board.
6. Advise the Board if, in the General Manager's opinion, the Board is not in compliance with its own policies on Board process and Board-General Manager relations, particularly in the case of Board behavior that is detrimental to the work relationship between the Board and the General Manager.
7. When addressing official business, deal with the Board as a whole except when (a) fulfilling individual requests for information or (b) responding to officers or committees duly charged by the Board.

### ***X6.1 Political Issues***

The General Manager shall bring to the Board for discussion and approval all political issues about which the Cooperative proposes to communicate a position. Include a statement in all such communications that the Board has formally voted to adopt the position. This limitation does not include the following: (1) issues of food as they relate to nutrition, health, and production standards; (2) issues of food as they relate to production, distribution, and consumption; (3) issues related to the Seven Cooperative Principles; or (4) any topic that is informational in nature.

For purposes of this policy, "political issues" include: proposed changes in laws and regulations enforced by any government entity; actions taken by anyone regarding such laws and regulations; any attempt to influence behavior of any government entity; any actions intended to influence public opinion regarding laws and government behavior; opinions about candidates for public office; boycotts; or letter-writing campaigns and other actions intended to influence the behavior of corporations.

### ***X7 Executive Succession***

In order to protect the Board from sudden loss of General Manager services; the General Manager shall develop and maintain a plan for emergency management succession and the General Manager shall have no fewer than two other executives, identified to the Board, sufficiently familiar with Board and General Manager issues and processes to enable either to take over with reasonable proficiency as an interim successor.

### ***X8 Conflict of Interest***

The General Manager shall operate and ensure that the Cooperative is operated in the member's interest and shall avoid any activity that has a conflict of interest or the appearance of a conflict of interest. The General

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Manager shall not cause or allow any practice, activity, decision, or organizational circumstance that is unlawful, imprudent, or in violation of commonly accepted business and professional ethics.

### ***X8.1 Employee Activities***

Employee shall not be engaged in any activity that will result in a private financial gain to the employee at the expense of the Cooperative. The General Manager shall not allow conflict of interest, or appearance of conflict of interest by any employee.

### ***X8.2 Cooperative Best Interests***

The General Manager shall not allow loyalty to an individual (including self) or group (other than Los Alamos Cooperative Market) to prevent the General Manager from clearly acting in the best interest of Los Alamos Cooperative Market as a whole, legally, financially, and ethically.

### ***X9 Spirit of Volunteering***

The General Manager shall encourage an active and engaged volunteer base and utilize volunteer member/owner labor in all aspects in the Cooperative and the community to the extent that it is financially and legally prudent to do so.

### ***X10 Data Privacy Policy***

Los Alamos Cooperative Market maintains records of financial data in order to calculate patronage dividends and comply with accounting and IRS guidelines. A member/owner database is also maintained. Los Alamos Cooperative Market is committed to guarding its member/owners' personal privacy to the highest degree possible, consistent with legitimate business needs and legal requirements.

1. Ensure that the point-of-sale system database is used only for valid internal Cooperative purposes as approved by the General Manager. Report all usage of the point-of-sale system database as it occurs.
2. Ensure that the member/owner database is used only for valid internal Cooperative purposes as approved by the General Manager. Report all usage of member/owner database as it occurs.
3. Ensure the point-of-sale and member/owner database information is not shared with or sold to other organizations.
4. Provide a written privacy policy with the application for membership and upon request, provide information about the uses to which member data may or may not be applied.

### ***E Ends -Growing The Business***

This section provides the strategic vision of the Board and defines the type of organization that the Los Alamos Cooperative Market strives to achieve within the bounds of the Coop's bylaws.

The board in coordination with the General Manager, may develop annual goals to provide specific guidance on implementation of the Ends.

The Ends below were formally adopted on May 15, 2013:

#### **Los Alamos Coop Market exists so that:**

- 1. Its communities have conveniently located, welcoming, accessible places to buy a variety of foods and products including local, healthy, and natural foods.**
- 2. Our community has a thriving marketplace where people want to shop, work, and be;**
- 3. Our member-owners' goal of increased environmental sustainability is achieved;**
- 4. It provides quality employment opportunities in an enjoyable, stimulating, and cooperative environment;**
- 5. Local producers have an expanding opportunity to sell their products.**

### **Appendix A: Monitoring**

- Accountability requires: setting expectations, assigning responsibility, and checking to see if expectations are met.
- Pre-establishing criteria is essential for good monitoring because it saves both staff and Board time, it is fair, and it results in a better judgment. The policy IS the criteria.
- Effective monitoring of criteria is a passive process different from setting criteria. No policy is complete until the Board has said how the policy will be monitored. (How will we know?)
  - If a value is worth stating, it is worth monitoring
  - Can we accept a reasonable interpretation? (If not, further define policy.)
  - What type of report do we want?
  - Who will be responsible for preparing the report?
  - How frequently and when will we monitor this policy?
- Board Members read the monitoring report to determine:
  - Is the performance in compliance with the policy? – Does the data demonstrate reasonable interpretation of policy criteria?
  - Does the policy reflect our values? (Did we write the right policy?)
- The policy being monitored becomes an agenda item if, and only if:
  - Performance is not in compliance with the policy.
  - The Board wants to clarify or rewrite its policy.
  - The report does not appear to be valid.
- Organizational performance is the same as manager's performance
  - Everything the Board expects, it has stated in its policies.
  - Monitoring determines whether the manager has accomplished what the Board wants while avoiding situations the Board doesn't want (limits).
  - No additional evaluation of the manager is necessary.
  - An imprecise answer to the right question is better than a precise answer to the wrong question.

## **Appendix B: Monitoring Reports**

### **Should:**

- Be timely, concise, accurate and understandable.
- Be focused more on outcomes and results than on activities and efforts.
- Be thoughtfully and professionally prepared. Remember monitoring data IS the evaluation of the manager.
- Include the exact words of the policy being monitored.
- Be clearly dated, labeled and separated from other information presented to the Board (so it can be tracked in the minutes).
- Show how the actual situation is a reasonable interpretation of the policy. Explain the manager's interpretation. (Ex: "I interpret "adequate" to mean...").
- Contain data and facts. A statement of compliance is **NOT** adequate and should neither be presented by the manager nor accepted by the Board.
- Contain data that is clearly focused on all the policy points of the policy being monitored, including the broadest policy and all sub points.
- Use data that has been gathered since the last report on same policy. Annual reports should report on results over the year, not the last month. (Suggestion: Managers should develop an annual plan for both achieving and reporting on policies. Keep folders for notes and relevant data throughout the year).
- Be focused and lean, so Board members do not get lost in a flurry of information that does not constitute monitoring. (If other reports are included or excerpted in a monitoring report, explain how the information provides data to assist the Board in determining compliance).
- Provide a conclusion on compliance or non-compliance.
- Provide an explanation and a plan in any and all cases of non-compliance. (The plan could include: suggestions for changing the policy, advice for supplemental monitoring timeline, or strategies for bringing performance into compliance).
- Provide timely information regarding actual or anticipated non-compliance with Executive Expectations and Limitations policies regardless of the monitoring schedule.
- Record Board action on monitoring reports formally in the meeting minutes. Include specific reference to the report and policy being monitored to allow a paper trail to provide legal evidence if needed. (Example: "The Board voted 9-0 to confirm that they had read the Monitoring Report on Policy B-6 Asset Protection prepared by the General Manager dated 6/31/03 and agreed with the General Manager's conclusion of 'In Compliance' for all sections of the Policy.")

***Appendix C. Not Used***

(2)

**Appendix D: Policy Violations**

- Non-compliant monitoring reports are always on the Board’s agenda.
- First, examine policy to determine if it still reflects the Board’s expectations.
- Determine severity, implications and trend of violation.
- Options:
  - Do nothing (minor blips)
  - Agree with management on a realistic timeframe to correct the problem, and monitor to ensure correction
  - Increase monitoring frequency
  - Narrow the range of options by writing a more limiting policy
  - Probation
  - Replace the Manager
  - Resist the temptation to fix the problem or “help” the Manager
  - You’ll never know if you have the right manager
  - You can’t hold the manager accountable for the outcome
  - The manager can get help from anyone she or he feels is appropriate to deliver on the Board’s expectations