

La Montañita Cooperative

BOARD GOVERNANCE POLICY MANUAL

(Revised September 2022)

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Introduction

This Policy Manual describes the policies of the La Montañita Co-op (LMC) Board of Directors (BOD). It is based on a governing model called “*Policy Governance*”, an “operating system” for BODs common to natural food co-ops¹. The Board Policy Manual is subservient to the Co-op's bylaws which are approved by the Co-op's membership in a general election and are legally-binding.

¹ See www.governforimpact.org/ and carvergovernance.com for more information on Policy Governance

Section E: LMC Ends

E1 – Ends Statement

LMC is a thriving cooperatively owned business where people can buy great food, knowing their purchases make a difference. We will:

- Make healthy food and goods accessible.
- Promote environmental sustainability in our practices and products.
- Champion local food systems.
- Create a workplace based on dignity, opportunity, and fair compensation
- Welcome and celebrate our whole community.

E2 – Ends Monitoring

All Ends monitoring reports will contain the following elements:

- 1) General Manager (GM)'s interpretations of the Ends.
- 2) Concrete results that document progress toward achievement of each End.
- 3) Areas that need improvement.
- 4) At least one annual comparison between previous and current reporting periods for each End.
- 5) When action is required, an action plan that includes the specific steps that will be taken, a timeline for achievement, and posting of the results for appropriate public review.

The BOD may specify additional monitoring criteria for a particular End.

Section B: BOD Governance Process

Acting on behalf of our owners, the Board ensures the success of the cooperative by working together effectively, empowering and holding accountable professional management, providing strategic leadership for our cooperative, and perpetuating our democratic organization.

B1 – Our Cooperative Governance Commitment

The BOD will govern in a way that (1) emphasizes future vision, (2) emphasizes initiative and strategic leadership, (3) provides clear distinctions of BOD and GM roles, (4) empowers and holds accountable the GM, and (5) deliberates in many voices but governs in one voice. The BOD must:

- 1) Be a strategic leader by focusing our vision outward and toward the future.
- 2) Ensure effective systems of delegating authority to the GM, holding the use of that power accountable, regular monitoring of organizational and GM performance, and clearly distinguishing between BOD and GM responsibilities.
- 3) Ensure effective BOD governance by engaging in regular monitoring and reporting of BOD performance.
- 4) Maintain BOD discipline, authority, and responsibility.
- 5) Practice the habits of a successful democracy.
- 6) Obey all relevant laws and bylaws.
- 7) Commit to open and transparent governance.
- 8) Maintain a commitment to diversity, equity, and inclusion

B2 – Our Deliberation Process

The BOD will govern in a way consistent with the principles of Sociocracy. The BOD must:

- 1) Conduct Board deliberations in alignment with the practice of Sociocracy Rounds so that every Board member gets the opportunity to speak when shaping a proposal, asking clarifying questions, offering amendments, and seeking consent.
- 2) Model Sociocracy in Board proceedings so that a culture of encouraging participation and seeking understanding is instilled within Co-op Leadership and throughout the Co-op.

B3 – BOD Duties

In order to govern successfully, we will:

- 1) Practice, protect, promote, and perpetuate a healthy democracy for our Cooperative.
- 2) Hire, set compensation for, delegate responsibility to, and hold accountable a GM. Use a strategic process to establish the value of GM compensation, and complete this process in a timely manner.
- 3) Assign responsibility in a way that honors our commitment to empowerment and clear distinction of roles.
- 4) Rigorously monitor operational performance in the areas of Ends and Executive Limitations.
- 5) Regularly evaluate our own Board performance in the areas of Board Process and Board-Management Relationship.
- 6) Perpetuate the Board's leadership capacity using ongoing education and training, a robust recruitment, qualification and nomination process and fair elections.
- 7) Perform other duties as required by the bylaws or because of limitations on GM authority.

B4 – Agenda Planning

We will follow a strategic multi-year work plan and annual agenda that focuses our attention upward and outward.

We will create, and modify as necessary, an annual calendar that includes tasks and events related to our multi-year work plan, membership meetings, Board training schedule, monitoring schedule, and the GM evaluation and compensation decisions as outlined in our Board-Management Relationship policies (R2).

Board meeting agendas will be overseen by the Board President, and may be modified at the meeting by a majority vote of the Board.

B5 – Board Meetings

Board meetings are for the task of accomplishing board specific duties.

- 1) We will use Board meeting time only for work that is the whole Board's responsibility. We will avoid committee issues, operational matters, personal concerns and other topics that are not the highest and best use of our time.
- 2) Meetings will be open to the membership except when executive session is officially called.
- 3) We may occasionally use executive session to deal with confidential matters, as long as the purpose of the session is stated. When possible, announcement of the executive session should be on the published agenda.
- 4) We will seek consensus through unanimous vote, and will follow bylaw section 2.6 process requirement.
- 5) If we must make a decision outside of a regular meeting, that decision must be unanimous and affirmed in writing by all directors. We will include a record of that decision in the minutes of the next regular meeting.

B6 – BOD Code of Conduct

Board Directors 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 Directors. Board Directors are legally responsible for discharging their duties in good faith, with the care that 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. The BOD must:

- 1) Review, sign, and adhere to conflicts of interest, confidentiality, and Board governance policies.
- 2) Act professionally and with honesty.
- 3) Ensure legal and ethical integrity and maintain accountability.
- 4) Demonstrate un-conflicted loyalty to the interests of LMC member-owners.
- 5) Refrain from attempts to exercise individual Board Director authority over the Co-op, its staff, or the Board Direct report of the GM.
- 6) Support the legitimacy and authority of the BOD's decisions, regardless of the Board Director's personal position on any issue.
- 7) Resign from the BOD if employed in a position directly supervised by the GM.
- 8) Clearly segregate staff and BOD responsibilities, if a Board Director is also a paid employee of the LMC.
- 9) Abide by all LMC Bylaws and BOD approved policy documents.

- 10) Discipline any Board Director and/or Officer of the BOD who fails to abide by this code of conduct, in accordance with our Bylaws (Sections: 3.2 and 3.3; 2.4a and 2.4b). A Board Director may be removed from a Board Officer position by a majority vote (5) of the BOD after due written notice has been provided to the Cooperative's membership setting forth the proposed action and the charges upon which it is based. Officers may also choose to voluntarily step down at any time during their one-year term.

B7 – BOD Committee Principles

The BOD will use committees only to help the Board accomplish its job. The BOD should have an annual committee review and re-assign or inactivate committees.

- 1) Committees will reinforce and support Board holism. In particular, committees help the whole Board move forward when they research alternatives and bring back options and information.
- 2) Board committees may not speak or act for the Board except when formally given such authority for specific and time-limited purposes.
- 3) The Board will establish, regularly review and control committee responsibilities in written committee charters. We will carefully state committee expectations and authority to make sure they do not conflict with authority delegated to the GM.

B8 – BOD Governance Investment

The BOD will continually improve its ability to govern by providing resources for training, monitoring, and engagement with member-owners. The BOD will invest in its governance capacity by:

- 1) Ensuring that development of BOD skills, methods, and procedures are sufficient to provide excellent governance and policy systems.
- 2) Training and retraining Board Directors, as needed, to follow and hold themselves accountable to BOD governance and policy systems as laid out in this document.
- 3) Using outreach mechanisms to ensure our ability to listen to member-owner viewpoints and values.
- 4) Incurring governance costs prudently, but not at the risk of jeopardizing the development and maintenance of BOD capabilities.
- 5) Obtaining professional and administrative support when needed.
- 6) Procuring outside monitoring assistance as necessary to exercise confident control over organizational performance. The BOD shall have the sole authority for appointing, compensating, retaining, and overseeing the work of the independent financial auditor of the cooperative.
- 7) Developing the Board's annual budget in a timely way so as to not interfere with the development of the Co-op's annual budget.

Section R: BOD Relationships

R1 – BOD Member-Owner Relationship

The relationship with member-owners is one of the BOD's primary relationship.

- 1) We will engage in a continuous process to educate ourselves on the diverse needs and perspectives of member-owners and strive to be good stewards of member-owner interests and values.
- 2) We will establish and maintain effective, timely and transparent communication between the Board and member-owners, including reporting of Board activities and decisions.

R2 – BOD-General Manager (GM) Relationship

The Board has hired the GM to operate the business. We will be an excellent employer to the GM as our sole employee, cultivating a relationship rooted in equity, respect and mutual support. In delegating authority to the GM, we acknowledge the GM's expertise, and we will work collaboratively and transparently with the GM in addressing any issues as they arise.

- 1) Only officially passed motions of the BOD are binding on the GM.
- 2) Decisions or instructions of individual Board Directors, Officers, or committees of the BOD are not binding on GM except in rare instances when the Board has specifically authorized this power.
- 3) In the case of individual Board Directors or committees requesting information or assistance without BOD authorization, the GM can refuse any requests that may disrupt operations or that require too much staff time or resources.

R3 – Delegation to General Manager

The Board delegates authority to the GM through written Ends and Executive Limitations policies. The GM is authorized to establish operational policies, practices, and plans for the Co-op based on interpretations of LMC Ends and BOD policies that an ordinarily prudent person would make in the best interests of the Co-op as a whole.

R4 – Monitoring, Evaluating and Compensating General Manager Performance

The BOD will systematically and rigorously monitor and evaluate GM's job performance compared to Executive Limitations set forth in BOD policies and this monitoring process will be the foundation of our annual evaluation of the GM.

- 1) The Board will acquire monitoring information by one or more of three methods:
 - a. By internal report, in which General Management discloses policy interpretations and compliance information to the BOD.
 - b. Occasionally by external report, in which an outside third party selected by the BOD assesses compliance with Board policies.
 - c. Rarely by direct BOD inspection, in which a designated Board director or task force assesses compliance with the policy. The BOD may specify and request additional monitoring criteria for a particular Ends or Executive Limitations policy.
- 2) We will accept that the GM is compliant with a policy if the monitoring report includes a reasonable interpretation, including clear metrics and benchmarks, and adequate data that demonstrate

accomplishment of that interpretation. The GM’s interpretation does not need to be an interpretation that is favored by individual directors or by the Board as a whole.

- 3) We will monitor all policies that instruct the General Management. The BOD can monitor any policy at any time by any method listed above, but will ordinarily follow a schedule outlined in the GM Monitoring Schedule (included below) and mutually agreed upon by the BOD and the GM.
- 4) Once a year, the Board will review a summary of the monitoring reports received during the previous 12 months and based on this review, the Board will present an evaluation letter to the GM. New hires may be given an interim evaluation at the six-month point. Remuneration decisions will occur at the time of hire, contract renewal and as specified in the contract.
- 5) The Board will express in writing the Board’s intent to renew or not renew General Management’s contract a minimum 90 days prior to the existing contract termination date.
- 6) We will establish a compensation package that is equitable, competitive in our market, and sustainable for the cooperative.

General Manager Monitoring Schedule

Jan	Financial Conditions 1st Q (L3)
Feb	Communications and Counsel to the BOD (L6), BOD Logistics Support (L7)
Mar	Staff Treatment (L2)
Apr	Financial Conditions 2nd Q (L3)
May	Emergency Management (L8); Membership Engagement (L9)
Jun	Asset Protection (L5), Data Privacy (L10)
Jul	Financial Conditions 3rd Q (L3)
Aug	Budgeting and Financial Planning (L4); Discussion of process for reporting on Ends
Sep	Staff Treatment (L2)
Oct	Ends
Nov	Financial Conditions 4th Q (L3 and CPA Audit), Patronage Refund
Dec	Member-Owner and Customer Treatment (L1 and Member Survey)

Section L: BOD Executive Limitations

While the Ends policies describe *what* the Co-op seeks to accomplish, Executive Limitations policies limit *how* the GM performs the Co-op's general manager job, or more accurately *how* the GM *must not* perform this job as Executive Limitations are written in the negative in accordance with the principles of Policy Governance. The GM *must not* cause or allow any organizational practice, activity, decision, or circumstance that is unlawful, imprudent, or in violation of commonly accepted business and professional ethics, or not in alignment with the Seven Cooperative Principles (Appendix). Specific Executive Limitations are listed below.

L1 – Member-Owner and Customer Treatment

The GM must not be unresponsive to member-owner and customer needs. The GM must not:

- 1) Fail to create a culture that is inviting and inclusive, without discrimination based on race, religion, color, creed, political affiliation, sexual orientation, national origin, gender, age, marital status, physical disability, education, class, or criminal background, or any other status prohibited by applicable law..
- 2) Fail to create a culture of excellent customer and member-owner service, including a system for soliciting and considering member-owner and customer opinion regarding preferences, product requests, complaints, and suggestions.
- 3) Allow an unsafe shopping experience.
- 4) Fail to provide strategies for equitable pricing and membership affordability.

L2 – Staff Treatment

The GM must not treat staff in any way that is discriminatory, unfair, unsafe, or lacking transparency. The GM must not:

- 1) Operate without written personnel policies that:
 - a. Clearly state rules, expectations, and codes of conduct for staff.
 - b. Provide for fair and thorough handling of grievances.
 - c. Are accessible to all staff.
 - d. Inform staff that employment is neither permanent nor guaranteed.
 - e. State anti-discriminatory hiring practices.
 - f. Explain the steps and circumstances leading to suspension or termination.
- 2) Cause or allow personnel policies to be inconsistently applied.
- 3) Provide for inadequate documentation, security, and retention of personnel records and all personnel related decisions.
- 4) Establish compensation and benefits that are internally or externally inequitable, or that fails to consider a widely accepted living wage index.
- 5) Change GM's own compensation and benefits, except as their benefits are consistent with a package for all other employees.
- 6) Fail to establish processes for staff empowerment, engagement, professional development, inclusive management, and upward mobility within the company.
- 7) Fail to measure staff morale annually.
- 8) Fail to provide access to independent, safe, and confidential HR support to staff.
- 9) Fail to foster a positive working environment that is free of intolerance and harassment.

L3 – Financial Conditions

With respect to the actual, ongoing financial conditions and activities of LMC, the GM must not allow the cooperative to be unprepared for future opportunities or have undue exposure to fiscal jeopardy. The GM must not:

- 1) Allow financial record keeping systems to be inadequate or out of conformity with Generally Accepted Accounting Principles (GAAP).
- 2) Allow insufficient annual income defined as >1% net income, > 0.5% operating income, and > 1.5% EBITDA.
- 3) Fail to provide adequate quarterly financial information to the BOD and Finance Committee, with the additional requirement for monthly reporting when quarterly income fails to comply with income levels defined in the previous point. Monthly reporting will continue until compliance is achieved for two consecutive quarters.
- 4) Incur any debt other than trade payables or other reasonable and customary liabilities incurred in the ordinary course of doing business.
- 5) Allow late payment of payroll, debts, loans or other financial obligation or use restricted funds inappropriately.
- 6) Allow tax payments or other government-ordered payments or filings to be overdue or inaccurately filed.
- 7) Fail to obtain BOD approval for single unbudgeted capital expenditures greater than \$25K or for acquisition, encumbrance, or disposal of real property over \$ 1M or fail to report expiring property lease terms to the BOD 18-months prior to the expiration date.
- 8) Fail to inform the BOD about financial conditions, market condition changes, or financial trends whose continuation would result in fiscal jeopardy, operating loss, or the need to substantially alter budgeting assumptions.

L4 – Budgeting and Financial Planning

The GM must not operate without annual budgets and plans that show progress toward our stated goals in the Ends policy, while avoiding fiscal jeopardy. The GM must not:

- 1) Create plans or budgets that:
 - a. Risk incurring those situations or conditions described as unacceptable in the Board policy “Financial Conditions (L3).”
 - b. Omit credible projection of revenues and expenses, member-owner investment and return, separation of capital and operational items, cash flow, and disclosure of planning assumptions.
 - c. Are not guided by best practices in business systems and operations, and aiming for excellence.
 - d. Have not been tested for feasibility.
- 2) Provide less for Board activities during the year than is set forth in the board budget.

L5 – Asset Protection

The GM must not allow assets to be unprotected, unreasonably risked, or inadequately maintained. The GM must not:

- 1) Allow equipment and facilities to be inadequately insured, or otherwise unable to be replaced if damaged or destroyed, including coverage for any losses incurred due to business interruption.
- 2) Allow unnecessary exposure to liability or lack of insurance protection from claims of liability.
- 3) Allow deposits or investments to be unreasonably risked.
- 4) Allow inadequate security of premises and property.

- 5) Allow purchasing that is uncontrolled or subject to conflicts of interest.
- 6) Allow lack of due diligence in contracts.
- 7) Allow damage to the Co-op's public image.

L6 – Communications and Counsel to the BOD

The GM must not cause or allow the BOD to be uninformed or unsupported in its work. The GM must not:

- 1) Submit monitoring reports that are untimely or inaccurate, or that lack operational definitions and verifiable data directly related to each section of the policy.
- 2) Report in an untimely manner any actual or anticipated noncompliance with any Board policy, along with a plan for reaching compliance and a proposed schedule regarding follow-up reporting.
- 3) Allow the Board to be unaware of relevant legal actions, media coverage, material industry trends, public events of the Cooperative, or internal and external changes.
- 4) Withhold an opinion if GM believes the Board is not in compliance with its own policies, particularly in the case of Board behavior that is detrimental to the work relationship between the Board and the GM.
- 5) Withhold from the Board relevant business information including for example (external) industry trends or (internal) changes in staff morale. or about key partners including NCG, including (but not limited to): reports about industry trends, operational audits, risk assessment and joint liability, program participation, and member agreements.
- 6) Fail to supply for the Board's agenda all decisions delegated to the GM yet required by law, regulation, or contract to be Board-approved.

L7 – BOD Logistics Support

The GM must not allow the BOD to have inadequate logistical support. The GM must not:

- 1) Provide the Board with insufficient administration to support Board record keeping, communication and governance activities, including but not limited to Membership Meetings.
- 2) Allow the Board to be without a workable mechanism for official Board, officer, or committee communications.
- 3) Allow Board members to be without an updated copy of the Policy Manual and LMC Bylaws.
- 4) Provide inadequate information and notice to member-owners concerning Board actions, meetings, activities and events.
- 5) Allow insufficient archiving of Board documents.
- 6) Fail to make available confidential and independent HR support to the BOD.

L8 – Emergency Management

The GM must not fail to protect LMC from sudden loss of GM services by maintaining at least one other qualified person, identified to the BOD and sufficiently familiar with GM issues and processes, who could act as an interim successor in the event of an unexpected leave of absence by GM.

L9 – Member Engagement

The Cooperative should encourage an engaged membership. The GM must not fail to encourage member engagement including but not limited to utilizing volunteer member-owner labor in aspects of the cooperative in the community to the extent that it is financially and legally prudent to do so.

L10 – Data Privacy Policy

The LMC committed to guarding its member-owners and customer personal privacy to the highest degree possible, consistent with legitimate business needs and legal requirements. The GM must not:

- 1) Fail to ensure that all data, intellectual property, or files are protected from loss, theft, or significant damage.
- 2) Fail to protect member-owners' and customers' personal information from improper use.
- 3) Fail to provide the BOD with a report listing all database compromises.
- 4) Fail to ensure the point-of-sale and member-owner database information is not shared with or sold to other parties.
- 5) Fail to provide a written privacy policy with the application for membership, and upon request, provide information about the uses to which member-owner data may or may not be applied.

Appendix. Our Mission and the Seven Cooperative Principles

Our mission is to provide to our member-owners exemplary customer service, environmentally sound products, and the highest quality local and organic food at the fairest possible price for all stakeholders. As a cooperative, we strive to uphold these Seven Cooperative Principles in all that we do:

- 1) Voluntary and Open Membership
 - a. Cooperatives are voluntary organizations, open to all persons able to use their services and willing to accept the responsibilities of membership, without gender, social, racial, political or religious discrimination.
- 2) Democratic Member Control
 - a. Cooperatives are democratic organizations controlled by their members, who actively participate in setting their policies and making decisions. Men and women serving as elected representatives are accountable to the membership.
- 3) Member Economic Participation
 - a. Members contribute equitably to, and democratically control, the capital of their cooperative. At least part of that capital is usually the common property of the cooperative. Members usually receive limited compensation, if any, on capital subscribed as a condition of membership. Members allocate surpluses for any or all of the following purposes: developing their cooperative, possibly by setting up reserves, part of which at least would be indivisible; benefiting members in proportion to their transactions with the cooperative; and supporting other activities approved by the membership.
- 4) Autonomy and Independence
 - a. Cooperatives are autonomous, self-help organizations controlled by their members. If they enter into agreements with other organizations, including governments, or raise capital from external sources, they do so on terms that ensure democratic control by their members and maintain their cooperative autonomy.
- 5) Education, Training, and Information
 - a. Cooperatives provide education and training for their members, elected representatives, managers, and employees so they can contribute effectively to the development of their cooperatives. They inform the general public - particularly young people and opinion leaders - about the nature and benefits of cooperation.
- 6) Cooperation among Cooperatives
 - a. Cooperatives serve their members most effectively and strengthen the cooperative movement by working together through local, national, regional and international structures.
- 7) Concern for Community
 - a. Cooperatives work for the sustainable development of their communities through policies approved by their members.