

**BisMan Community Food Cooperative
Board of Directors Meeting
Cooperative Community Room
711 E. Sweet Ave.
Bismarck, N.D.
Monday, Nov. 6, 2017**

Board Members Present: President Glen Philbrick, Treasurer Kevin Martin, Dina Baird, Emily Brown, Paul Brown, Erin Huntimer, Ellen Knudsen, Tracy Potter, Beth Schatz Kaylor, Dale Wetzel.

Also present: General Manager Carmen Hoffner; cooperative employees Rita O'Neill, Eloi Cyril and Casey Bettenhausen; member Melody Lane.

The meeting began at 6:04 p.m.

Wetzel volunteered to take minutes of the meeting.

Kevin Martin moved that the agenda be approved. Potter seconded. All members present voted yes.

Potter moved that the minutes from the Oct. 16 meeting be approved. Wetzel seconded. All members present voted yes.

Hoffner went through the general manager's report. She said the cooperative added 32 equity shareholders in October. The cooperative has more than 3,200 members. Hoffner said the cooperative is adding about one new member each day. She said recent stories in The Bismarck Tribune and local television had prompted several people to come in and inquire about joining. The stories were primarily about the cooperative's financial difficulties, but the visitors were mostly interested in asking about the cooperative.

Hoffner said some visitors had not been aware of the cooperative, or that non-members could shop at the store. Hoffner: "That is still a message we need to convey to our public, that everyone is welcome." In October, new members received a \$25 gift card as an inducement.

Sales were down about \$54,000 in October, \$268,132 in sales versus the budgeted sales amount of \$322,173. The cooperative has had \$1.2 million in sales since the beginning of the budget year on July 1. Hoffner said she believed sales would be increasing at a greater rate, but said she was "not too concerned yet."

The cooperative's cost of goods sold was less than expected, and labor costs were under the amount budgeted. There has been a concerted effort to trim labor expense. "Every week we've been slowly plugging away at the schedule, cutting hours here and there," Hoffner said. She said the reductions have not impacted customer service. They have resulted from lower-than-expected sales, and Hoffner said the cooperative's staff has been briefed on the situation and the reasons for it.

The cooperative has hired a new employee in the delicatessen department. He has 21 years' experience in the grocery business and held several management positions at CashWise.

Wetzel asked about the procedures used for cutting hours. Hoffner said employees were told to go home early, before their shifts ended, and schedules have been tweaked to reduce hours. There has been some analysis of how much business is done during times of the day. For example, the café had been opening at 7 a.m. instead of 8 a.m., but there were few sales during that hour, so the earlier opening was discontinued.

Knudsen asked why a delicatessen employee was hired, and other cooperative employees with longer tenure have had their hours reduced. Hoffner said the delicatessen employee had been hired several weeks ago in anticipation of sales increases that have not yet materialized.

Hoffner said donations for a new dishwasher have collected about \$4,000, and the fund is gathering a few hundred dollars each month. Half of the contributions will be going to a local charity.

Hoffner said the cooperative was working toward laying in a stock of small gifts, "stocking stuffers," such as alpaca hats, for holiday giving. She said a promotion was beginning Nov. 7 that would reward someone who spent at least \$100 in the store with a \$10 gift card. More Facebook postings and interactive presentations about store operations are planned. Details are being worked out for a Thanksgiving promotion for gift cards.

Hoffner said she had finished developing a spreadsheet showing the cooperative's sales, cost of goods, and labor hours for each department. This information is used to show which departments are making and losing money. She said the information will be used to allocate labor in the future.

Hoffner said the store's "grab and go area" has been increased. There has been some discussion of buying a \$9,000 cooler to offer more "grab and go" options, but that idea has been put aside for more emphasis on serving hot food during the winter months. "I would rather invest in a hot food bar before getting another cooler," she said. "At this time of year, people are looking for something warm."

Potter asked if sales were down because fewer people were coming into the store, or whether the store's existing patrons were buying less. Hoffner said she believed it was because fewer people were coming into the store. She said sales information showed a decline at about the time the unflattering stories appeared in the newspaper and television. She had expected an increase in sales at that time; instead, weekly sales were about \$60,000, instead of the \$75,000 expected.

Potter said the cooperative lacks information about gains and losses in its inventory that would be useful. He said inventory should be tracked on a daily, weekly and monthly basis. Philbrick said inventory data has been a challenge since the cooperative opened. BisMan is working with a cooperative in St. Cloud on this issue. Cooperative employees need more training on the store's inventory control system.

Hoffner said employees are getting better at making sure the cooperative is receiving the goods that the invoices say we are getting, at the correct price. One error that was detected was a charge of \$400 per case for two cases of pears, instead of \$40. Hoffner said some invoicing mistakes have been in the store's favor.

In response to an inquiry from Potter, Hoffner said grocery payroll includes dairy, frozen foods and the front end, and bakery is part of the deli/café payroll.

Hoffner discussed the financial report, and the cooperative's efforts to reduce its payment delinquencies with suppliers. She said as of Nov. 6, the cooperative was \$12,000 in the hole. Before Michael Valente, the interim general manager, left, the cooperative was making progress in getting caught up in payments, but the sales decline has made that more difficult. "It has been a struggle," Hoffner said. "It has been a tough couple of weeks with sales as low as they are."

Hoffner said member loans to the cooperative will be coming due in October 2018. She said some members who made loans could be approached about extending the terms. She said money needs to be budgeted to begin retiring the debt. Philbrick said in June 2017, the amount of loans outstanding was more than \$675,000. Martin said loan terms were "all over the place," from zero percent interest up to 3 percent, with a time period ranging from four years to 10 years. Philbrick said a filing with the state securities commissioner is necessary by Dec. 31 to procure additional loans.

Wetzel volunteered to organize the paperwork on the member loans. Hoffner said the paperwork was in a "random bag in the office" that she discovered when cleaning the office.

Hoffner said she was on a call with the cooperative's lenders last week. She said the cooperative has been paying only interest on its loans, and that beginning Jan. 1, the lenders require principal payments as well as interest payments. She said the loans may need to be renegotiated.

Hoffner said Kupper Chevrolet has offered to buy a cooperative membership for any employee who wants one. The dealership has 275 employees. A meet-and-greet will be scheduled in mid-November for Kupper employees to visit the store.

Hoffner suggested holding an open house at the store once a month, with coffee and cookies, for the membership and general public to visit and ask questions about the business. "I can just pick a day or two and run with it," she said. Another goal, she said, is showing more documentaries in the community room. She said store employees or cooperative board members could choose a documentary and lead a discussion afterwards.

Wetzel asked if any documentary needed to be food-related. He said he knew of an interesting documentary about education reform, focused on a San Diego charter school, called "Most Likely to Succeed." He said the documentary has been shown recently on Prairie Public television. Hoffner said board members could choose their own documentaries.

Hoffner excused herself from the meeting to pick up her son from the YMCA, and said she would return.

Philbrick said in June, the board became aware of an unauthorized raise taken by a former cooperative general manager without the board's approval. The former manager was fired. Philbrick said the unauthorized raise was reported to the police. He said they resulted in improper payments of about \$2,500. Philbrick said he did not believe the police have completed their investigation.

Wetzel suggested filing a civil case against the former general manager in small claims court to recover the money. Claims of up to \$15,000 may be brought in small claims court.

Potter wondered whether a cooperative, or any other organization, would be allowed to sue someone in small claims court without using a lawyer.

Baird suggested dropping the matter. She said the cooperative has already had recent unfavorable publicity, and said possible news coverage of a complaint against a former general manager would "amount to another headache" that would not be worth the time or potential money recovery. Knudsen agreed, saying "it would be bad press that the co-op is suing someone."

Wetzel said that since the co-op owes thousands of dollars to suppliers, he believed there was an obligation to try to recover the money. Philbrick said he did not believe the co-op would be criticized for trying to recover money it believed had been stolen.

Potter said if the former general manager is prosecuted, a judge is likely to order restitution. He said there was no hurry to file a claim in small claims court, if the cooperative is allowed to do so. He suggested waiting until any prosecution of the matter is resolved.

Baird suggested consulting Bismarck attorney Derrick Braaten about the matter. Braaten has done gratis legal work for the cooperative. She said she would contact Braaten. She requested copies of any documentation that was given to the police, and any description of the allegations against the former general manager and what the circumstances were. Wetzel asked that any material be added to the board's Dropbox account so that members could read it.

Martin said he would be sending board members invitations to access the board's Dropbox account, where cooperative documentation is stored. He said the account "needs some organizational help," and it was difficult to locate things. Philbrick said there is other material, such as minutes of executive board sessions, which needs to be added, and some material is missing.

Paul Brown discussed the possible sale of a cooperative truck that was purchased for \$6,500 at about the time the store opened. He said a potential buyer took it to a mechanic shop to have it checked, and the mechanic said the truck needed about \$5,000 worth of work. The potential buyer offered \$1,500 for the truck, which has about 112,000 miles on it.

Paul Brown said the truck would fetch a much higher price if it is listed on BisMan Online, an internet classified ads service. He said the truck's refrigeration unit alone was worth \$1,500.

Schatz Kaylor moved that the board authorize Hoffner to sell the truck for up to \$6,500. Potter seconded. All board members present voted yes.

Philbrick discussed a grant to the cooperative from the Agricultural Products Utilization Commission, which is a state board. He said there have been three rounds of grants, and the cooperative has no documentation for its last grant request. Philbrick said the cooperative needed to make a report to APUC on the last grant in September 2016. He had to "write the report blind," he said, and it was rejected because it lacked needed information.

Philbrick said APUC subsequently changed its reporting requirements. He said the report must link any expenditure of APUC money to a check or document. He said Sherry Leno, a part-time program specialist with APUC, and Rose Stoller, executive director of the North Dakota Consensus Council, will be working with the board on the report.

Philbrick said the report is due "as soon as possible," and said the grant is worth \$27,000 to the cooperative. Knudsen and Emily Brown agreed to work on completing the report.

Carmen Hoffner returned to the meeting. She was briefed on the board's decision to authorize her to sell the truck. Hoffner said she would like some time to locate the truck's title, and after it is found, the truck will be listed for sale. Wetzel volunteered to get a duplicate title for the truck if necessary. Philbrick said a new battery may need to be installed before the truck is listed for sale, so a prospective buyer could be assured of being able to start it. Knudsen said she had a battery that might work.

Hoffner described efforts to reduce labor expense at the store, saying that the cutbacks should be done gradually. She said deli hours can be adjusted seasonally, and if the store wants to open at 7 a.m. for the coffee crowd, that should be promoted. She said in the summertime, there is late traffic for smoothies and juices.

Hoffner said fish smoking is cutting down on waste, and the smoked fish is proving a hit with customers. She said she removed several hundred packages of seasonings in the meat department when she noticed the seasonings contained monosodium glutamate and propylene glycol. She said the seasonings can be sold. A copy of the cooperative's food policy is on the co-op's website and can be reviewed periodically.

Board members discussed the importance of information disclosure about the food sold in the store. The website has a growers' gallery that describes how some of the farmers who supply the store run their operations.

Hoffner said Friday, Nov. 10, is a payroll day, but it is also a bank holiday. She said the cooperative could not afford to deposit employees' wages on Thursday, Nov. 9, so they will be deposited Monday, Nov. 13. She said employees will be given the opportunity to request a salary advance on Thursday if they needed one to tide them over the Veterans' Day holiday weekend.

Hoffner said a clearance section was established in the store in June. She said it has been popular with customers and saved thousands of dollars; goods that normally would be thrown away or given to employees are being sold at a discount.

The store locks have been rekeyed, and the back door can only be unlocked with a key. Coincidentally, Hoffner said a security system sales person dropped by and provided a quote on security options for the store – cameras, alarms, etc.

In response to a question from Knudsen, Hoffner said the store does not have a safe. Knudsen said a safe would be a worthwhile investment, and said a business the size of the cooperative should have a safe. Potter said the safe should be bolted to the floor.

The cooperative has about \$46,000 in unpaid member equity, and Hoffner said promotions and inducements have helped to reduce that number to about \$35,000. An October promotion offered \$25 gift cards for members who paid for their \$200 equity share in full. She said a similar promotion could be done in January.

Mention of the equity deficit led to a discussion about whether members who have not paid the full \$200 for their equity share should qualify for the store discounts that members receive. Schatz Kaylor suggested setting a Dec. 31 deadline for members to pay their full equity share, and thus continue receiving member discounts. Wetzel said the Dec. 31 deadline provided plenty of notice for payment. Knudsen said members who did not meet the deadline would simply not qualify for discounts; "it's not like we're revoking their membership."

Board members discussed a policy of offering discounts only to members who have fully paid for their \$200 equity share, and to those who are current in buying their equity share on an installment plan. There was discussion about whether the cooperative should continue offering an installment plan. Hoffner said she did not believe many members are still on an installment plan.

Wetzel moved that, beginning Jan. 1, the cooperative offer member discounts and specials only to members who have paid the entire \$200 for their equity share. Schatz Kaylor seconded.

Potter said members who have joined on an installment plan and are current on their payments should not lose the right to discounts and specials if they have not paid the full \$200 by Dec. 31.

Emily Brown said ending any installment plan could alienate prospective members. She said when she moved to Bismarck and joined the cooperative, she had been willing to pay \$50 up front to join, but she may not have been willing to pay \$200. Other board members said new members might have the option of setting up a periodic debit plan.

Rita O'Neill said every cashier needs to know exactly what to tell the customers about any new policy affecting customers who have paid for some, but not all, of their \$200 equity share. Knudsen suggested preparing a written copy of the policy to give to customers. Schatz Kaylor said she would draft a handout.

Wetzel moved that only members who have paid for their \$200 equity share in full will be eligible for member discounts and specials after Dec. 31, 2017. He agreed to an amendment saying that members who have joined on an installment plan, and are current with the plan's scheduled payments, would continue being eligible for specials and discounts. Baird seconded. All board members present voted yes.

Board members then discussed whether payment plans should continue for prospective cooperative members, and whether prospective members should be eligible for discounts and specials before they have invested the full \$200 in an equity share.

Potter said members who were joining on the installment plan should qualify for discounts and specials as long as they were current on their payments. He said the store "needs as many shoppers as we can, and we need them to feel good about it."

Baird and Wetzel said prospective members should be offered installment plans, but should not qualify for specials and discounts until they have paid for their full equity share. Emily Brown said she was concerned that installment-plan members could be alienated if they are denied discounts, and that the cooperative risked losing money in the longer term. Potter said the cooperative still makes a profit on discounted sales, and that offering discounts to installment-plan members would generate goodwill.

Wetzel said that offering discounts to installment-plan members was unfair to members who had paid the full \$200 for their share of equity.

Schatz Kaylor suggested delaying a decision on whether installment-plan members should qualify for discounts until the board knows how many people a new policy would affect, and whether it was possible for installment-plan members to sign up for automatic debit payments toward their equity.

Schatz Kaylor said she wanted to know how many people are on a payment plan, the number of installment-plan members who do are not current on their payments, and options for direct deposit of equity payments.

Hoffner said the cooperative's credit-card reader and scale are being repaired, and she hopes they will be fixed and back before Thanksgiving. She said the building's west side has a "pigeon problem" that may be attributable to the location of the smoker.

Huntimer said she needed to leave the meeting because she had an hour's drive to get back home, and that she needed to make another long drive the next day. She said she would be open to having board meetings during the day on Mondays, and that she preferred Thursdays. Wednesday meetings, she said, could be made to work. "I am very much in favor of daytime meetings."

Hoffner said she called a representative of United Natural Foods Inc., which she said distributes goods to the vast majority of cooperatives. She said the representative would schedule an appointment later to visit the store. Hoffner said the company may offer a large quantity of free goods as an inducement.

Hoffner said she had called the building landlord, Jerry Doan, whom she said had not gotten on well with previous general managers. Philbrick said Doan was not treated well by "every manager until now," and he said the board had some relationship repair to do. Hoffner said she had personally invited Doan to visit the store.

Board members discussed whether to join the Chamber of Commerce and the Bismarck Downtowners on a barter basis, where the organizations would be offered memberships or gift cards in exchange for membership in the organizations. Hoffner said she would inquire.

Hoffner said a member had noticed contradictory provisions in the bylaws that govern the removal of board members. Potter said any director may be removed for cause by the members with a majority vote. The contradiction is in the percentage of board members who must agree to remove another board member. One provision says a two-thirds vote of the board is needed, another says a three-fourths vote is needed. Hoffner said she was raising the issue to make sure it is brought up for amendment at the next annual membership meeting.

Martin distributed the results of the board election. Schatz Kaylor asked how many members used paper ballots and how many voted online. Of the 300-plus ballots cast, only about 40 or 50 were paper ballots; the rest voted online. Two people voted at the annual meeting.

The results were (top 8 vote-getters are elected):

1. Beth Schatz Kaylor, 262 (3-year term, ending in 2020)
2. Ellen Knudsen, 236 (3-year term, ending in 2020)
3. Emily Brown, 220 (3-year term, ending in 2020)
4. Dina Baird, 212 (2-year term, ending in 2019)
5. Tracy Potter, 197 (2-year term, ending in 2019)
6. Erin Huntimer, 195 (2-year term, ending in 2019)
7. Paul Brown, 194 (1-year term, ending in 2018)
8. Dale Wetzels, 177 (1-year term, ending in 2018)
9. Glen Philbrick, 170
10. Amanda Gessner, 164

The bylaws were approved, 304-7.

Total number of ballots cast: 321

Number of ballots accepted: 311

Number of ballots disqualified: 10. Four were duplicates, six were invalid member numbers. Including all 10 ballots would not have affected the election results.

Schatz Kaylor said she had heard comments that it was difficult to vote online. She said she believed it was an easy process, but others “had issues with it, or were not clear about what to do. I heard that from multiple people who seemed fairly tech-savvy.” She was not certain about what the issues were.

Potter moved to accept the election results. Paul Brown seconded. All members present voted yes.

Philbrick opened the floor to nominations for board officers. Emily Brown nominated Kevin Martin to be president. Schatz Kaylor seconded. Potter moved that a unanimous ballot be cast for Kevin Martin. All board members present voted yes.

Philbrick said the past 14 to 16 months have been “hell” to be a board member. “You’re in my shoes now,” he said to Martin.

Philbrick advised that any statements issued by the board to the membership should be approved by the board.

Philbrick: “Don’t assume your only duty is to attend meetings. There is a lot more to this.” “Whatever your duty is, make sure you have a backup. Whoever is going to be secretary, make sure you have a backup.” “Please be supportive of each other, because it’s been a very difficult year.”

Potter thanked Philbrick for his service, and board members applauded him.

Wetzel moved that Schatz Kaylor be nominated for vice president. Baird seconded. Philbrick moved to cast a unanimous ballot for Schatz Kaylor. All board members present voted yes.

Baird moved that Wetzel be nominated for secretary. Emily Brown seconded. All board members voted yes.

Wetzel moved that Baird be nominated for treasurer. Knudsen seconded. All board members voted yes.

Martin said an email will be circulated listing board committees. Martin said the “two big ones” were Planning and Finance, and Marketing. Baird said she wanted to be on the Finance committee, and Schatz Kaylor said she is serving on Marketing. A list of committees will be circulated, and decisions made on staffing. Martin: “We will figure out who is serving on what.”

Schatz Kaylor said she favored continuing having two board meetings each month to help new board members become more familiar with the cooperative’s operation. Board members agreed.

The next board meeting was scheduled for 6 p.m. Wednesday, Nov. 15. The board approved a motion to thank the outgoing members for their years of service and for keeping the cooperative going during tumultuous times.

Paul Brown moved that the meeting adjourn. Wetzel seconded. The meeting adjourned at 9:10 p.m.

Minutes prepared by Dale Wetzel.