


Board Meeting Minutes
Tuesday, March 26, 2019; 5:30-8:30 pm

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Attended by:

Board Members: Liz, Dave, Vishal, Jenny, Naoki

CM: Rachel, Sofie, Sonrisa, Ashley, Finnley, Gwenn

Member-Owners: Eleanor (running for Board), Brian (running for Board), Will (running for Board), Rod (running for Member Engagement Committee)

Guests:

Facilitation: Jenny Leis **Minutes:** Gayle **Vibes/Celebration:** Naoki, Jenny **Clean-up:** Liz, all **Scribe:** Sofie

COMMITMENTS:

	COMMIT MADE	DIRECTOR(S)	DUE DATE	COMMITMENT
1	11/27/18	Naoki	4/19	Naoki will connect with Jade about reasonable boundaries and consequences around the issue of MO email communications (specifically, the number of).
2	2/26/19	Jay	4/19	Jay will refer to minutes to make all edits to committee merge proposal and update policy register.
3	2/26/19	Chris	4/19	Chris will make edits to 2.4.5, send draft to board, and bring item to next meeting.
4	3/26/19	Sofie	4/19	Sofie will put the 2.1 proposed changes into a google doc along with her feedback.
5	7/24/18	Naoki	5/19	Naoki will bring the 2.3 policy proposal back in in October with amended language.
6	9/25/18	Vishal, Jenny	5/19	Vishal and Jenny will do a policy reflection on 2.2 in the next 3 months to see if anything needs to be changed next time this comes up.
7	1/22/19	Jay	5/19	Jay will update 4.4 to correctly define the Secretary and Treasurer roles and bring it back to the board in May.
8	3/26/19	Sonrisa	5/19	Sonrisa will bring addendum to 2.3 for 4Q18 back in May to add data from email from Gwenn and data clarification of 2.3.2.2.
9	3/26/19	Sonrisa	5/19	Sonrisa will submit plan for compliance for 2.3.1 in time for May packet.

10	3/26/19	Jay	5/19	Jay will add after net income “, including everything but dividends and taxes” to 2.3
11	3/26/19	Rachel	5/19	Rachel will make sure interpretation and data are consistent with each other when the 2.3 report comes back.
12	3/26/19	Vishal	5/19	Vishal will update 2.1 and bring it back in May.

DECISIONS:

Decision: Minutes for January and February are pending revision. Need to approve Jan, Feb, and March next month.

Decision: Board approves waiting until April for 2.8 report.

Decision: Board rejects 2.3 report as submitted.

Decision: Board will change Policy 2.3.1 as per the commitment below for Jay.

NEW COMMITMENTS:

Sonrisa will bring addendum to 2.3 for 4Q18 back in May to add data from email from Gwenn and data clarification of 2.3.2.2.

Sonrisa will submit plan for compliance for 2.3.1 in time for May packet.

Jay will add after net income “, including everything but dividends and taxes” to 2.3

Rachel will make sure interpretation and data are consistent with each other when the 2.3 report comes back.

Sofie will put the 2.1 proposed changes into a google doc along with her feedback.

Vishal will update 2.1 and bring it back in May.

OPEN FORUM:

- N/A

AGENDA REVISIONS:

- #6 executive session will happen at end of meeting.

MINUTES APPROVAL:

Decision: Minutes for January and February are pending revision. Need to approve Jan, Feb, and March next month.

AGENDA ITEMS:

1. Policy 2.8 Report Extension Request

Sponsor: CM Link

Purpose: decide

- Not completed yet. Would like to present at April board meeting.

Decision: Board approves waiting until April for 2.8 report.

2. Policy 2.3 Report

Sponsor: CM Link

Purpose: decide

- Gwenn came to the meeting to answer questions from email. The questions and her responses are pasted below.
- QUESTION: In our last 2.3 in Nov 2018, it was reported in 2.3.1; our net income Q3 YTD was 2.0% of sales (\$84,905); today we have net income Q4 YTD is .004% (228.11). Did the store really do that poorly in the last quarter?
 - Q3 had a significant increase in operating income because the purchased dollar amount of inventory goods was very low, and the monthly sales income was similar to previous months in 2018. Those sales cleared out a large portion of packaged grocery and non-foods inventory during the months of July, August and September. So, the co-op spent less money on inventory goods during those months in Q3. In addition, the cooperative received two tax refunds for the respective years of 2016 and 2017, which is due to a decreased income within those years.
 - In Q4, expenditures for inventory goods **increased** and the co-op continued to experience a **decline** in sales (compared to actual sales in 2017 and the sales goals for 2018). **The co-op spent more money on saleable goods than what was sold during Q4.** The months of October, November and December typically show an increase of 20% in sales because of the consumer's holiday purchasing habits. The co-op didn't meet the sales goals those months and underperformed despite a comparison to the same months in 2017 (The opening of Natural Grocers in late 2017 correlates with a decline in sales in 2017 during the same months, but not as low as 2018). The comparisons for sales performance ideally should be in the range of 54% for Q4 – instead it was 25% of anticipated sales goals.
 - *The CM FYI for January 2019 has a table of comparative sales performance for 2018 to 2017 in the Financials section; this table gives details of the month to month sales performance for the cooperative.
- QUESTION: In 2.3.2 we are told daily cash is \$15, 263, this hasn't changed since the CM raised the starting wage this year and gave many raises, is it still accurate? (please note, I have no issue with raises etc, just want the numbers to be accurate.)
 - I'm not able to answer that question without knowing whether the previous FM had made an adjustment for the increase in wages. The \$15,263 is the total Days of Cash needs for 2018 only. There is an assumption that the adjusted labor budget is linked to the larger dynamic budgets spreadsheet, and so the DoC continues to adjust as changes are made – but I cannot confirm that.
 - Another way to look at DoC and Wages would be better illustrated by the fundamental lack of business management by the Collective Managers – an issue which was confirmed by the financial manager for NCG, David Waismann. Continued increases in expenses are not sustainable with the decreased dollars in income.
- QUESTION: Under 2.3.2.2 the current ratio went up from 4.6 to 7.01. It's based on the current assets being \$1,998,792 a jump from \$1,240,605 in Nov. I love that we have almost \$750,000 more than a few months ago, just wonder where it came from?
 - Current ratio reflects the co-op's ability to pay debts – Like a Cash Balance, the dollar amount can change quickly depending on when the adjustment has been made.

- The jump in dollar amounts between Q3 and Q4 can be attributed to an increase in inventory (COS) dollars in Q4, compared to a significant reduction in the purchase of inventory goods and the static sales through Q3 – but it still falls short.
- *This makes the case for an audit to take place in 2019, for the years of 2017 and 2018. Until that audit is done the question regarding an increase in assets will not be completely answered.
- QUESTION: And lastly, in 2.3.3.1 we are told our total equity is \$1,713,825 down from \$1,764,634 in Nov. Is this \$51,000 LTP spending or something else?
 - Partly the reduction is due to LTP expenses and the lack of income generated during the same period to cover those expenses (I don't have a breakdown of LTP expenses against the Jueffel's Inheritance. However, the co-op has not been making a positive income for more than 1 year. This, with increased expenses, and consistently falling short of goals to sustain the business may have contributed to the decreased equity).
 - ***Known Shrink:** one consideration is for a loss of \$1635 in bottle deposit returns (primarily due to theft of Garry's Milk products). Also, there is some mystery around the fraudulent credit/debit terminal hack that occurred in 2018 – A situation I was not informed of until just before my departure. In February, I was told that the terminal services agency awarded a settlement - but it wasn't for the complete amount lost. It is also my understanding that the responsibility to inform the finance team as well as the Board of Directors falls to the former Development Manager Kathryn Kucera. This might be considered to be a fiscal jeopardy for the cooperative and should have been reported as such at the time of occurrence. Finally, the BOD should be aware that CM with administrative roles have made decisions regarding overpayment of wages, and staff loans that are not in the cooperative's best financial interests.
 - CLARIFICATION FROM RACHEL re the terminal hacking incident: The terminal hacking was not to our terminals, but it affected us. We were awarded a full settlement.
- Any other questions about this report? No.
- Did any board members come UNprepared to act? No.
- Do any board members find operational interpretation UNreasonable? No.
- Did any board members find this to be INadequate data? Yes: Jenny, Dave. Asked for information about decision not to include LTP expenses in calculating net income.
 - There is an email chain with Wegner where we were trying to get a clear answer to this question. (Are LTP expenses, specifically consultants, included in net income?) If referring to expansion, answer is "It depends." More about expenses? Items related to expansion: Hiring consultant to do feasibility study, this is an expense. Hiring contractor to do the work: Not part of net.
 - In other words: Paying consultants for feasibility is expense, paying consultants for "we have the project and are working to create it" is not. Thus, all of what we're doing in LTP so far should legally be included?
 - FLAG for policy reflection.
- The only issue with interpretation is #1.
- Is there INadequate data to determine compliance?
 - Appreciated added context from Gwenn. More comfortable with the data now with that added.
 - Gwenn was able to explain some of the increase but not all of it. I would like to get a good understanding of why ratio increased by 50%. Need the full story.
 - Difficult to say we'd be able to do that in the next 2 weeks; it is new territory. Starting with a new financial service soon. Six weeks is a more reasonable estimate. It's next due in May anyway. (But that's for Q1; this is about 4Q18.)
- Besides #1, does anyone find that data does not demonstrate compliance? No.
 - There is a plan to get into compliance.

Decision: Board rejects 2.3 report as submitted.

Sonrisa will bring addendum to 2.3 for 4Q18 back in May to add data from email from Gwenn and data clarification of 2.3.2.2.

Sonrisa will submit plan for compliance for 2.3.1 in time for May packet.

3. Financial Team Transition Planning

Sponsor: CM Link

Purpose: discuss

- Finance succession plan update from Ashley:
- After Kathryn left, Ashley became NCG representative. In expectation of Gwenn leaving, co-op was not sure how to hire someone at our starting wage, especially when there's no one here who was in the job for more than a year.
- NCG suggested hiring a contractor from Retail Financial Services (RFS). We decided to heed this advice and not try to hire an FM now. What we really need is more like a CFO, which we can't hire at our starting wage. So we will go with RFS.
 - When will this start? Doing paperwork signing; needed to check in with Naoki since he's fiscally responsible. So it could start tomorrow now that he's signed. We have already started on the technical part of it; getting set up. They will generate monthly and periodic reports. They will make sure everything we're doing is legal. Available for bigger picture financial consulting, training, etc, for additional fee. Can Skype into board meetings if needed (also additional).
 - It will be cheaper and will lower our labor percentage of sales. (Will move into expense budget.)

4. 2.3 Policy Reflection

Sponsor: all

Purpose: discuss/decide

- Might want to reword part 1.
 - Maybe it's not a policy issue but just a data issue? Present data in a different way?
 - Issue here is that net income in report doesn't include LTP when it could be included. Board wants it to be included. Could either reject every subsequent report by saying interpretation is inadequate, or rewrite to be more clear what data what we're looking for. We didn't understand why LTP was not included
 - There are a few things: taxes (what counts as income on taxes) and how CM looks at it. Including LTP expenses in budget and still having positive income is very difficult: Operating expenses trying to break even, using set aside money for planning.
 - Board doesn't actually say it has to be a positive net income; it just says there has to be "adequate" income. This could be negative if it is consciously being spent on planning as long as it's explained in interpretation.
 - Suggestion: Add after net income “, including everything but dividends and taxes.” Don't need/want to call out LTP specifically.
 - What is rationale used to change budgeted net income number? I have seen it changed from report to report. Data is inconsistent or inadequate. Does not match interpretation.

Decision: Board will change Policy 2.3.1 as per the commitment below for Jay.

Jay will add after net income “, including everything but dividends and taxes” to 2.3

Rachel will make sure interpretation and data are consistent with each other when the 2.3 report comes back.

ANNOUNCEMENTS:

- Earth Day is Wed April 24: J, Jenny, and Liz signed up for shifts. Sofie will be on hand to assist. Come hang out and give away plant starts! Let Sofie know.

5. Policy 2.1 Rewrite

Sponsor: Vishal

Purpose: discuss

- Wanting a more clear ask from CM regarding 2.1.
- Thank you for leading this huge effort! We should not rush ourselves; it might take 2 or 3 meetings to get a policy updated. A board is a slow-moving body. We need to make sure the policy is right.
- Vishal spoke to Jade about this. Existing policy is pretty good. But it just doesn't ask for much data, so we don't find out some information until later. This seems best way to ask CM for information and make CM accountable.
- 2.1.1:
 - Survey question about whether people would recommend People's had very high rating! Yay!
 - There are pieces that are good to add in, but some parts would be really hard to define/interpret. I agree with everything that's said there, but it's really CM's place to define. First bullet point seems more operational and interpretational. How would you measure this? Seems awkward.
 - Customer satisfaction is relevant to our job, but not sure how wording the policy this way is helpful.
 - Aren't we already getting this information? Yes, but want to specifically make sure it continues as part of the report.
 - This may be a gap. Might be fueled by a particular incident with a particular person. I feel like if the consultant said the policy was fine, it's not clear why adding all this is needed.
 - Words like unfriendly, undignified could be removed. Just keep highest level words.
 - Don't need to say second bullet point.
- 2.1.2:
 - The specific incident probably did influence how we did this.
- Could combine 2.1.3 and 2.1.5.
- 2.1.4: Board and CM have spent a lot of time on processes for grievances, and there have been numerous things going on that we do or do not know about. It has taken control of our meetings sometimes. Reporting is key to transparency. I'm in support of 2.1.4.
- Facilitator: Do board members actually work with the people who write the reports to make sure it's what's expected?
 - Maybe we could put this in a Google doc and use comments to work through it.
- If we don't add these things to the policy, can we somehow include them in operational interpretation?

Sofie will put the 2.1 proposed changes into a google doc along with her feedback.

Vishal will update 2.1 and bring it back in May.

6. Proposed Executive Session regarding member concern

Sponsor: all

Purpose: discuss

- (No minutes are taken of Executive Session.)

MEETING EVALUATION

Celebrate!

- All the board candidates are here!
- Competence and commitment of board members
- There was enough time for each item. Great agenda!
- Lots of CM presence.
- Thank you Jenny Leis for stepping in at the last minute and doing such a great job!

Opportunity for change:

-

NEXT MEETING: Tuesday, April 23, 2019, 5:30-8:30 pm

Next meeting agenda brainstorm:

- Ends report?

BIKE RACK/FUTURE MEETING TOPICS:

- Revisit policy 2.7.1 Compensation and Benefits
- Accountability loop between CM and BOD– how is it actualized? – Refer to policy 3.4 Monitoring CM Performance
- Revisit whether or not to change Patronage Refund to Patronage Dividend in the bylaws
- Creating a policy for when new directors can vote
- 5-10 year planning on patronage trends and opportunities
- Discussion of how to communicate the Meeting Guidelines other than just having them
- The “staggering” clause of Article 4.3
- Further developing the “CM nominates/Ownership elects” proposal
- Look into 80% insurance issue within 3 months (2.5.1.1)
- Submit a more developed Share Cost policy to the agenda committee (4/23/13)