

Open Harvest Cooperative

Board of Directors Meeting Minutes

Wednesday, August 5 2015

6:00 – 8:00PM

Two Pillars Church, 1430 South Street

Present **Board Directors:** Brandé Payne (Vice Chair), Megan Jackson (Secretary), Sarah Bauman, Ross Brockley, John Christensen, Sarah Disbrow, Ellen Dubas, Mary Hansen, Bob Hutkins, Steven McFadden, Molly Phemister, Nick Svoboda. **Staff Members:** Kelsi Swanson (General Manager), Lori Allison, Colleen Nygren. **Member Owners:** Tanika Cooper, Paula Shafer (notetaker).

Excused Absences **Board Directors:** Carla McCullough, Barbara DiBernard, Kat Shiffler.

Unexcused Absences

6:01 pm **Welcome, Introductions, Announcements:** The Board Vice Chair called the meeting to order, welcomed board members, staff, and member owners. Copies of the Cooperative Grocer were circulated to attendees.

6:03 pm **Consensus items: Approval of minutes and agenda:** The Vice Chair presented the draft July minutes and the August agenda for approval.

Consensus items: The board approved the July meeting minutes and the August agenda with no changes.

6:03 PM **Reserved Member Comments:** None

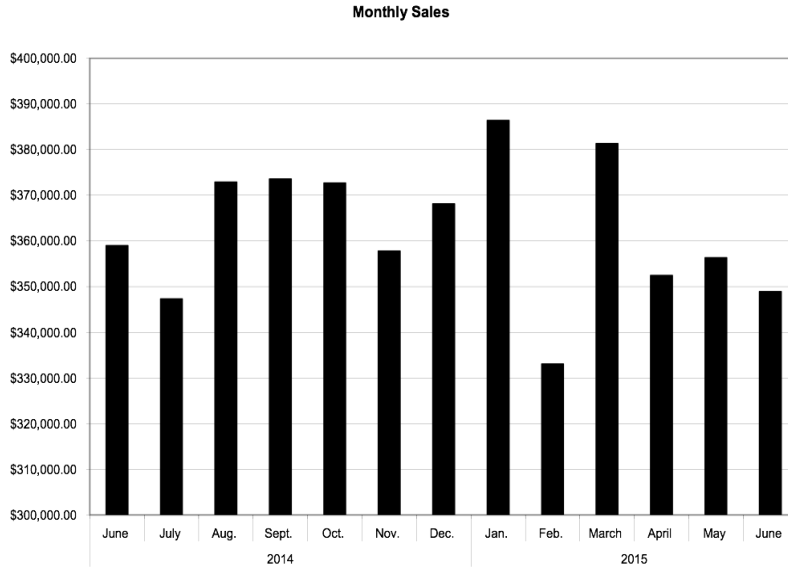
6:03 PM **GM Monthly Report:** The GM discussed the highlights of her monthly report, which was electronically distributed prior to the meeting. The report included charts for the first time; the GM asked for feedback on the new format from the board, which was positive.

SALES

June 2015 Sales: \$348,907

Original Budget: \$386,666 (4th qtr. budget of \$1,160,000/3)

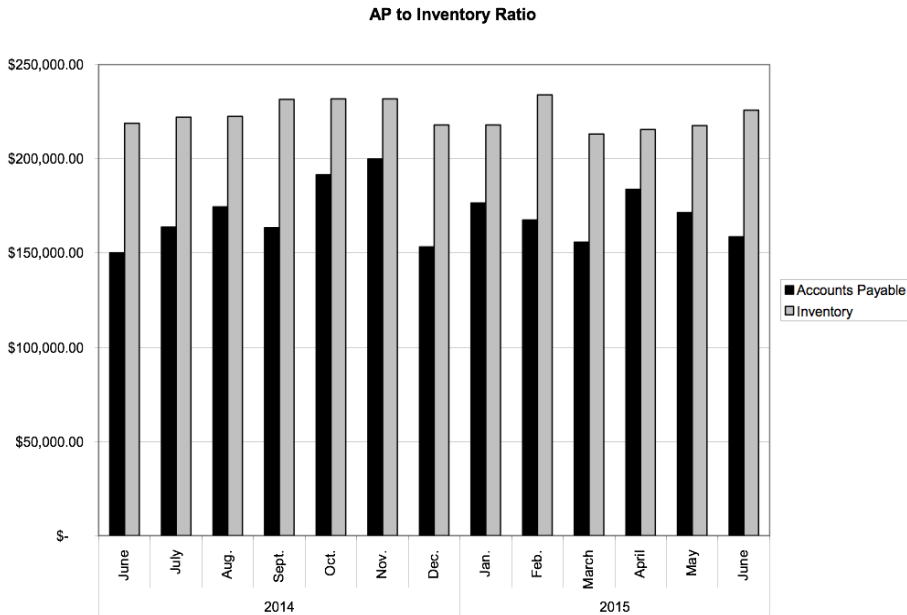
June 2014 Sales: \$358,990



AP TO INVENTORY RATIO

Accounts Payable as of June 30, 2015 was \$158,615 and the last inventory was \$225,792. This is a ratio of .70.

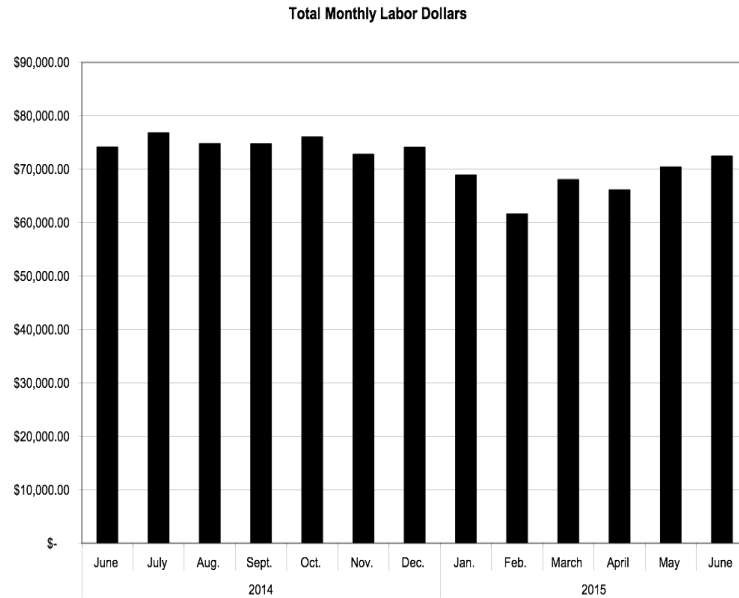
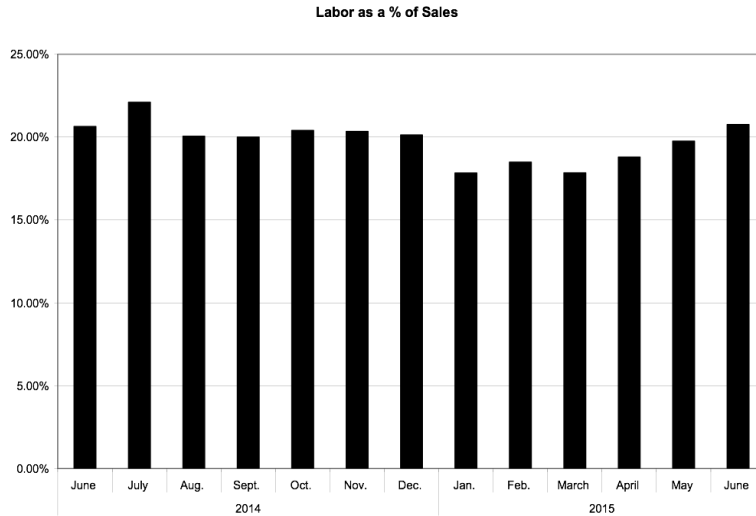
Date	6/14	7/14	8/14	9/14	10/14	11/14	12/14	1/15	2/15	3/15	4/15	5/15
Ratio	.68	.74	.78	.71	.83	.86	.70	.81	.72	.73	.85	.79



(You want a maximum of .75 or .80 for an AP to Inventory Ratio. More than one means you owe more than the wholesale value of the inventory on your floor.)

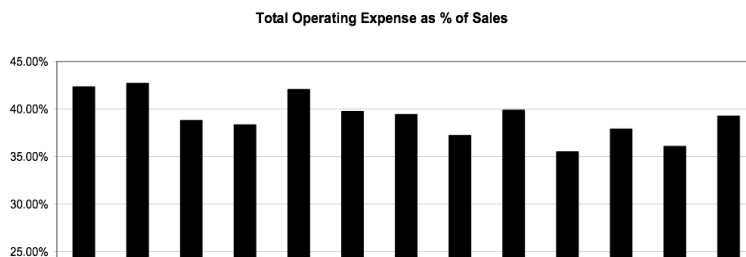
WAGES AND SALARIES

Wages and Salaries for June 2015 were 20.76% of store sales, or \$72,419.
 Wages and Salaries budgeted for the 4th quarter were 18.75% of store sales, or \$64,548.
 Wages and Salaries for June 2014 were 20.64% of store sales, or \$74,103.



TOTAL OPERATING EXPENSE

Total Operating Expenses for June 2015 were 39.24% of store sales, or \$136,912.
 Total Operating Expenses budgeted for the 4th quarter were 36.92%, or \$128,816.
 Total Operating Expenses for June 2014 were 42.39% of store sales, or \$151,932.



6:15 PM **Finance 101:** The store's finance manager introduced herself describing her role at the store. She discussed both the store's Profit and Loss Statement with Previous Year Comparison for the period July 2014 through June 2015, and the Balance Sheet with Previous Year Comparison as of June 30, 2015. Various components of the two financial reports were discussed and clarified.

One board member asked for a clarification of the reasoning behind the early retirement of the member owner loans two years ago. The loans with the highest interest rate were paid off early, prior to the store's sales slump. That debt was due earlier this year and would have been paid off by this point in time. Debt had no positive impact on the store's finances; thus, Open Harvest saved money.

One board member asked the finance manager for her assessment of the store financially. The store is maintaining its financial position marginally; i.e. paying its expenses and payroll. But the store's financial position is trending negatively.

Another board member asked whether the waste expense is high. Waste is not necessarily bad: low waste means that there is less food on the shelf than demand resulting potentially in lower sales.

6:51 PM **Monitor L1 (*Financial Condition and Activities*):** The GM discussed the highlights of her L1 report, which was electronically distributed prior to the meeting. The GM reported that the store is out of compliance in two policies: L1.2 (Liquidity) and L1.12 (NIFO).

6:52 PM **Finance Committee (meeting report):** The committee met on July 31 and discussed the following topics:

1. Topics that the finance manager should emphasize at the Finance 101 discussion that was held earlier in this meeting.
2. A quarterly review of financial reports.
3. Challenges in responding to decreasing sales with cost cuts. At present, the store's expenses are at a minimum; therefore, a further erosion of sales could not be offset by reduction in expenses.
4. An analysis of variables in profit and loss that are affecting quarterly NIFO.
5. The cost cutting measures that have been implemented are affecting daily operations of the store.

The committee chair thanked the GM for her hard work over the past year.

7:01 PM **Annual Meeting Committee (approve charter, meeting report):** The committee did not meet in the past month.

7:01 PM **Policy Committee (meeting report):** The committee chair reported that policy L1.17.5 was revised to include Days Cash On Hand (DCOH) with 1 year history in the GM report.

The Vice Chair requested consensus on the changes to policies.

Consensus items: The board approved the addition of policy L1.17.5.

The committee is working on additions and changes to several policies: safety policy, welcoming policy, and GM goals. The committee postponed discussion of these policies until the next meeting.

7:05 PM **Election Committee (updated procedures for 2016):** The only change to the existing election procedure is to the dates for the 2016 election. Therefore, the new procedure will be submitted for approval at formation of that election committee.

7:07 PM **40th Anniversary (meeting report):** The Committee did not meet in July, but work on various committee projects continue. The next committee meeting is scheduled for August 17.

7:07 PM **Board Operations Committee (meeting report):** The operations committee met by phone with its advisor to discuss a bylaws change in the size of the board.

7:08 PM **Revise Bylaws (Board Size):** The board discussed two options for the bylaws changes:

1. The board could be reduced to 9 members from the current range of 9-15 members, by the end of the current fiscal year, or June 30, 2016. The new bylaw language would state that the board would produce and implement a plan for the change.
2. The board could be reduced to 9 from the current range of 9-15, by the end of fiscal year 2018. The board could implement this earlier, if it wanted.

Commentary included:

1. Six board members' terms end next year. One has already stated that she will not run for re-election. No other has made a decision about election.
2. Currently, the 15 board members have three year terms and the election cycle is 6-3-6. That means that 6 stand for election one year, 3 the next year, 6 the year after. An option for implementing the change to a 9 member board is by changing the election process. Going forward three seats will be open for each election. Otherwise, some board members' election terms would need to be reduced to two years.
3. After the board reduction is implemented, the bylaws would change to drop the clause concerning the plan to reduce.
4. The board could accomplish more work with fewer people. In addition, the board would be setting an example for the store and its labor reductions.
5. If the board reduces its size, the workload will be higher; it would require a higher commitment by the people running for the board.
6. One possibility for spreading the workload would be to staff committees with member owners and board emeritus members, in addition to board members.

The Vice Chair asked for Consensus on reducing the board to 9 by end of Fiscal Year 2016. The board approved the bylaws change with 3 members standing aside. The new proposed bylaws language in the first paragraph of Section 4.1 "Election of Officers" will read: The Board of Directors of this Cooperative shall consist of not fewer than nine (9) Member Owners. Members of the Board of Directors shall be elected for staggered three (3) year terms, one third (approximately) standing for election each year. During the 2015-16 fiscal year, the board shall develop and implement a plan to transition from an existing range of 9-15 directors to a board of nine. Board terms shall begin at the next Board of Directors meeting following certification of the election.

The new proposed bylaws language will be presented to Member Owners prior to the 2015 Annual Meeting. Member Owners will vote on the proposed bylaws changes at the 2015 Annual Meeting.

7:33 PM

Ends Policy Discussion: The policy committee conducted a brainstorming session in order to begin the work to produce new Ends statement. The brainstorming was based on material that was distributed electronically prior to meeting. The ideas that are desired in an effective Ends statement are:

- Pioneer
- Hub
- Food
- Local control
- Local Economy
- Community
- Lifestyle
- Wholeness
- Ownership of food system
- Healthy
- Address the current challenges
- Nurture co-op principles

The brainstorming session will continue, as the first step towards an eventual re-writing of the board Ends policy.

7:50 pm

Guest Members' Comments: None.

8:01 pm

Adjourn