

**Open Harvest Cooperative
Board of Directors Meeting Minutes
Wednesday, January 6, 2016
6:00 – 8:00 PM
Two Pillars Church, 1430 South Street**

- Present** **Board Directors:** Brandé Payne (Board Chair), Megan Jackson (Vice Chair), Mary Hansen (Secretary), Ross Brockley, John Christensen, Barbara DiBernard, Sarah Disbrow, Ellen Dubas, Bob Hutkins, Carla McCullough, Kat Shiffler, Nick Svoboda. **Staff Members:** Amy Tabor (Interim General Manager), Margot Conrad, Brian Furby, Nicole Saville. **Member Owners:** Paula Shafer (notetaker), Skylar Falter, Matt Pirog, Carrie Fegley. **Other:** Paula Gilbertson, NCG Development Advisor.
- Informed**
Absence
Uninformed
Absence **Board Directors:** none
Board Directors: Molly Phemister
- 6:00 pm **Welcome, Introductions, Announcements:** The board chair called the meeting to order, welcomed board members, staff, member owners and Ms. Gilbertson.
- 6:01 pm **Approval of Minutes and Agenda:** The board chair presented the draft December board meeting minutes, the draft December executive session meeting minutes, and the January agenda for approval.
Consensus items: The board approved the December board meeting minutes, the December executive session meeting minutes, and the January agenda with no changes.
- 6:02 PM **Reserved Member Comments:** There were none.
- 6:02 pm **Member Equity Redemption Request:** The board chair presented an equity redemption request from member number 12633 in the amount of \$25.
Consensus item: The board approved the equity redemption request.
- 6:03 pm **Paula Gilbertson, NCG Development Advisor (introduction):** Paula Gilbertson introduced herself to the meeting attendees by describing her current role with NCG, her background and skills, and the work she will perform with Open Harvest. This included:
- Current role with the National Cooperative Grocers (NCG):
 - Advises and supports member co-ops as needed
 - Assists member co-ops by analyzing issues and developing plans to adapt to the changing competitive environment
 - Works for up to one year with the board and management team of individual member co-ops

- o Facilitates additional resources to provide specialized expertise to member co-op staff when needed.
- Background
 - o Extensive experience working with or for co-ops in various roles, including GM and operations manager
- Work with Open Harvest will be provided at no additional fee from NCG as services are included in the membership dues for the organization.

Ms. Gilbertson will:

- o Assist or answer questions as requested by any board member or staff
- o Help Open Harvest become financially stronger and better compete in the local community
- o Encourage and inform Open Harvest by providing comparison data from similar co-ops
- o Assist by recommending actions while remaining open to discussing alternative options

Ms. Gilbertson then conducted a Q & A session with the board:

- What specific duties will you perform? The advisor will be a backstop for the interim GM. Since Open Harvest is struggling financially, the advisor will work more intensely with the interim GM, which will include two on-site visits per month as well as weekly phone check-ins. The amount of time per visit will vary depending on the need, but each visit will be one to one and a half working days. One of the on-site visits will be to attend the board meeting. She will be available to the interim GM, staff and board whenever needed and will also be working on Open Harvest issues off-site.
- Have you worked with co-op stores in this situation? The advisor has worked with co-op stores that have cash flow issues as well as a change in the GM.
- What demands will you ask of the interim GM? The advisor will work with her to make sure she is fully capable of handling the co-op's operational duties.
- What other NCG resources are available to Open Harvest. NCG has a variety of subject matter experts available to draw upon to help with Open Harvest issues, including but not limited to marketing, IT and inventory.

6:24 pm

Policy Governance Training

- **Board Intention Discussion (speaking in one voice during interim management):** The board chair reminded the board members to follow the M3 policies with the interim GM as they did with the prior GM. Since the interim GM will also be performing her duties as the Brand Manager, the board will minimize her policy reporting. The chair also reminded the board to act as member owners when in the store, e.g., any feedback for the store management team should be provided through the suggestion box. The board should not direct or disrupt staff

in performing their duties. Also, the board was reminded that the proceedings of any executive session are always confidential.

- **Decision Tree for Acting on Internal Monitoring Reports:** The chair distributed a decision tree to the board that described how the board proceeds when a policy report is non-compliant.

The advisor suggested and the board agreed that it will track its action items during the meeting and summarize all action items at the end of the meeting.

6:33 PM

Interim GM Monthly Report: The interim GM discussed the highlights of the monthly report, which was distributed prior to the meeting. This report was written by the prior GM and reviewed with the interim GM; all future reports will be written by the interim GM.

SALES

November 2015 Sales: \$371,333

Original Budget: \$359,679 (2nd qtr. budget of \$1,079,038/3)

November 2014 Sales: \$357,780

AP TO INVENTORY RATIO

Accounts Payable as of November 30, 2015 was \$202,170 and the last inventory was \$229,041. This is a ratio of .88.

A board member asked why the value for AP to Inventory Ratio is higher this month than at any time in the past year.

Action item: The interim GM will investigate the reason for the high AP to Inventory ratio and report the results at the next finance committee meeting.

Date	11/14	12/14	1/15	2/15	3/15	4/15	5/15	6/15	7/15	8/15	9/15	10/15
Ratio	.86	.70	.81	.72	.73	.85	.79	.70	.61	.79	.76	.78

(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 November 2015 were 19.63% of store sales, or \$72,899 (now includes monthly contract labor expense that has previously not been reflected in the

monthly labor reports)

Wages and Salaries budgeted for the 2nd quarter was 19.2% of store sales, or \$71,296

Wages and Salaries originally reported for November 2014 were 20.34% of store sales, or \$72,760

Wages and Salaries for November 2014 were 21.18% of store sales, or \$75,760 with adjustment to include average monthly contract labor to better compare to 2015.

TOTAL OPERATING EXPENSE

Total Operating Expense for November 2015 were 36.94% of store sales, or \$137,165

Total Operating Expense budgeted for the 2nd quarter was 37.7%, or \$140,252

Total Operating Expense for November 2014 were 39.73% of store sales, or \$142,161

TOTAL STORE SALES PER LABOR HOUR (SPLH)

November 2015 Total Store SPLH was \$66.53

November 2014 Total Store SPLH was \$57

12/1	1/1	2/1	3/1	4/1	5/1	6/1	7/1	8/1	9/1	10/1
4	5	5	5	5	5	5	5	5	5	5
\$60	\$69	\$68	\$68	\$64	\$66	\$60	\$61	\$66	\$63	\$59

****DAYS CASH ON HAND (DCOH)**

November 2015 DCOH: 6.06

November 2014 DCOH: 10.11

12/1	1/15	2/15	3/15	4/15	5/15	6/15	7/15	8/15	9/15	10/1
4										5
9.8	8.15	8.28	8.11	8.37	9.56	8.59	7.33	7.32	7.15	6.09

MEMBERSHIP NUMBERS - November 2015

- Renewals - 97
- New Members - 23
- Memberships Abandoned - 0
- Member Equity Redeemed - 1
- Total Member Count – 2,825

SUMMARY

- Sales for December are trending down a little over 3% for the month compared to 2014. It started out strong, but these past few weeks have been slower. For the quarter, we are trending 1.2% down vs. last year.
- I did revise and re-send the 2015/2016 budget to the Finance Committee. The

revisions were a combination of improvements suggested by CE Pugh, NCG Chief Operating Office, and from knowing more about sales trending and other accounting adjustments that have happened since the original budget was written in the spring of 2015. I am confident that our finance manager, interim GM and finance committee have been involved with and informed of the adjustments and will have no problems using it as a working budget in my absence.

- The Strategic Planning Committee has been dissolved for the time being. If the Board or the future GM decides to re-form the committee the Board Chair has the list of the original committee members.
- The board chair and the interim GM have been connected with resources and have been given information about any work already done to obtain a Liquor License for the Co-op. If they choose to pursue this goal they have a good start on it.
- Until a new GM is in place the co-op will not be accepting new working member volunteers. We will keep and maintain the volunteers we have (approximately 20) but it will be up to the new GM to take on and train new ones.
- These monthly GM reports will not contain any graphs for the time being. The interim or the future GM may add them back in, but for the sake of time and training it is not feasible currently.
- Although more time to train would always be nice, I feel confident that the GM search committee made a good decision to place Amy Tabor as interim GM. Amy has the skill set and the tools needed to do the job and I think she will do a fine job.
- Until further notice, there will not be food served to board members before the monthly board meetings. It is once again a matter of time and resources and needed to simplify processes as much as possible in this transition period. It will be up to the new GM to start this up again if they choose to.
- It has been my pleasure to work for you all and serve as your GM these past 5 years. Thank you for all of your dedication and hard work, and I wish you the best of luck in finding and securing the next leader of the Co-op to take it where it needs to go into the future.
- The interim GM and NCG advisor will provide financial statements on the 20th of each month, rather than quarterly, in order to provide more timely information.
- The “fresh” departments (meat, deli, bakery, etc.) are now doing inventory on a monthly basis in order to have more accurate and up-to-date department margins.
- The interim GM and NCG advisor continue to assess issues in the store and to look for opportunities to improve cash position.
- While the current focus is on assessing issues, the advisor is working with the interim GM to communicate changes. The primary role of an interim GM is to “do no harm.”
- The opening of a new Fresh Thyme grocer in Lincoln has been delayed until “Spring.” This gives Open Harvest some temporary breathing room. In response to this competition, the marketing department has a “31 Reasons to Shop at Your Co-op” with a different item on sale each day during the month of January.

- 6:48 PM **Monitor L9 (Emergency General Manager Succession):** The Emergency GM Succession Plan is collectively: the Food Service Manager (Christophe Bossaert), the Finance Manager (Co Nygren), and the Front End Manager (Lori Allison). All three have been trained to handle portions of the GM responsibility if needed. The interim GM asserted compliance.
Consensus item: The board approved the L9 report.
 Question: Are all of the signatory changes necessary with a change of GM complete?
 Changes are still in progress.
- 6:49 PM **Board Operations Committee:** The committee did not meet in person, but held discussions through email or when meeting for other reasons. The focus during December was the transition of the board leadership team. The committee will meet as needed.
- 6:50 PM **Annual Meeting Committee (final 2015 committee report):** At the annual meeting in November, 60 members voted, and 103 people including children were in attendance. The annual meeting expense was \$1,732.88, which was over the initial budget of \$1,500, but below the revised budget of \$1,900. The committee dissolved until needed for the next annual meeting.
- 6:52 pm **Finance Committee (committee report in conjunction with Paula Gilbertson's financial discussion):**
 Financial items from the past month as well as several changes in the tracking and reporting were discussed:
 - The finance manager's costs are now included in the labor category. Since the finance manager is a contract employee, prior reports reflected the cost elsewhere.
 - Waste expense has been absorbed into the margins for each department.
 - Credit card fees have started to increase, up to 1.2% from 1.0% of sales. A suggestion was made that board members talk to member owners about the contribution credit card use makes to store's expenses. Ms. Gilbertson commented that credit card use has become common and suggested more focus on increasing sales.
 - The current budget does not include a GM salary.
 - The co-op renegotiated the bank loan, extending it by 3 years. This allowed some improvement to cash flow.
 The next committee meeting will be the week of January 25th.

 The co-op's main supplier provides a favorable contract to NCG co-op members because the participating members share an accounts payable risk. The NCG Risk Committee maintains a joint liability fund that assumes responsibility for defaulting accounts payable by member co-ops to the supplier. The committee monitors the health of

member co-ops and sets the amount that each co-op must maintain on deposit in the fund. The committee raised the amount on deposit required for Open Harvest from 8 to 25% of the co-op's average 21-day accounts payable, which must be paid within 12 months. The deposit amount is reevaluated annually, but Open Harvest can request an earlier reevaluation should its cash flow improve.

7:10 PM **Election Committee (recruiting candidates):** The committee did not meet in December as no activity is required at this point. Announcement of the election and the number of open seats (2) appeared in the Dirt online. Nick Svoboda assumed the chair of the committee. Board members were asked to recruit members to run for election. Applications are due February 20.

7:12 PM **Policy Committee (distribute copies of 2016 calendar):** The chair requested volunteers to join the committee, since it has only one member. Two people volunteered for the committee: Ellen Dubas and Bob Hutkins. A correction to the previously distributed board calendar was distributed. The calendar will need to be modified to reflect the temporary changes in policy reporting that will be implemented during the interim GM's term. This will be completed prior to the February board meeting.

7:15 pm **GM Search Committee (process update):** The ad copy for the job posting was drafted and is being distributed to multiple sources, many of which are low or no cost sources. The current plan is for the ad to run in the print Journal Star for 2 weeks and 30 days in its online version. The position also will be advertised in Omaha.

While awaiting responses to the posting, the committee will write a job description and a screening matrix for candidates. The committee will continue to market the open position. The board members were encouraged to communicate the position in their respective networks, such as LinkedIn, other food associations, the Nebraska Sustainable Agriculture Society, etc. The committee is open to suggestions from the board at large.

A print ad will be placed in the quarterly Cooperative Grocer if necessary.

7:22 PM **Strategy Planning Committee (dissolved):** This committee was dissolved.

7:23 pm **Liquor License Task Force (approve charter):** A task force charter was distributed electronically prior to the meeting. This task force chair is Sarah Disbrow; Ross Brockley and Brande' Payne volunteered to join the task force as well. The task force was asked to communicate with staff to ensure that the store is ready when or if the license is obtained.

Consensus item: The chair requested consensus for the formation of the task force. The board approved formation of the task force.

7:27 pm **Board Committee Reorganization:** The Election and Policy committees are formed and operating. The Finance Committee will be chaired by Megan Jackson, but the

composition of the committee will remain the same.

With the new smaller board, new action items and activities will be tasked to standing committees rather than forming additional committees.

The Membership Structures committee has completed its work on changing the bylaws, but it continues to work on member engagement. The board will discuss further ongoing need for the committee.

7:31 pm

Opportunity for informal discussion about store operations: The board conducted an informal discussion amongst all meeting attendees on possible improvements with Open Harvest.

Action Item: The Election Committee asked board members to recruit members to run for election. Applications are due February 20.

Action Item: Prior to the February board meeting, the Policy Committee will modify the board calendar to reflect the temporary changes in policy reporting that will be implemented during the interim GM's term.

Action Item: The GM Search Committee will write a job description and a screening matrix for GM candidates. The committee will continue to market the position. The board members were encouraged to communicate about the open position in their respective networks.

Action Item: The Membership Structures Committee will compose a letter to the membership about the open GM position and the current financial status of the co-op. The letter will be reviewed by the NCG advisor before being mailed to the member owners.

7:55 pm

Guest Members' Comments: None.

8:00 pm

Adjourn