

**Open Harvest Cooperative: Board of Directors Meeting Minutes**  
**Wednesday, February 3, 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. **Staff Members:** Amy Tabor (Interim General Manager), Nicole Saville, Brian Furby. **Member Owners:** Paula Shafer (note taker). **Other:** Paula Gilbertson (NCG Development Advisor)
- Informed**                    **Board Directors:**
- Absence**
- Uninformed**                **Board Directors:** Molly Phemister, Kat Shiffler, Nick Svoboda
- Absence**
- 6:03 pm                    **Welcome, Introductions, Announcements:** The board chair called the meeting to order, welcomed board members, staff and member owners. The chair presented an advertisement announcing the opening of another grocery store selling organic and natural food in Lincoln.
- 6:05 pm                    **Approval of January minutes and February agenda:** The chair presented the draft January board meeting minutes and the February agenda for approval. One error was noted:
- The list of attendees for the January minutes failed to include the staff member Carrie Fegley.
- Consensus items:** The board approved the January meeting minutes with the noted change and the February agenda with no changes.
- 6:10 pm                    **Reserved Member Comments:** None.
- 6:07 pm                    **Review and approve revised Board Calendar (updated for IGM reporting):** The chair discussed a letter from CDS Consulting Co-op Consultant Marilyn Scholl recommending a policy monitoring reporting schedule for the IGM that was distributed electronically prior to the meeting. The schedule likely will be revised over the next few months of the IGM’s tenure; therefore, approval of a revised board calendar was not sought. The chair requested feedback with respect to the recommended schedule, stating that a subset of policies will be reviewed each month with the goal of keeping the board informed at a high level during the IGM’s tenure.
- 6:20 pm                    **IGM Monthly Report:** The IGM and NGC advisor discussed the monthly report that followed the recommended monitoring schedule. The report was written by the advisor and distributed electronically prior to the meeting.

**Monitoring Report: Global Ends, L Global, L1, L2, L3, L4 (if there are changes), and L7:**

**Global Ends:**

- **Be a trusted source of responsibly selected and sustainably raised local, organic, and non GMO foods:** The co-op is focused on local vendors during February with the “we love our local vendors” campaign. The board was asked to participate and “share the love” by filling out a valentine to one or more of the co-op’s local vendors that will be mailed to the vendors. In addition to sending valentines from shoppers, an appreciation coupon was sent to over 130 local vendors encouraging them to shop at the store during February.
- **Afford patrons the opportunity to make informed choices:** The IGM coordinated the 31 Days of Open Harvest campaign to inform shoppers and member owners of how the co-op makes a difference in their lives and the lives of others by telling the Open Harvest story and educating consumers on a variety of issues and topics. During February, the co-op will highlight staff product picks throughout the store.
- **Promote ecological, social, and economic justice and health through good nutrition:** No new specific actions were taken during January beyond items within the 31 Days campaign.
- **Grow member ownership and patronage:** The IGM and NCG advisor supported the board in writing the letter to member owners and took responsibility for final production and mailing. The letter was mailed 2/3/16.

**L Global Legal and ethical business practices:** In compliance on all known legal and ethical practices.

	Sales	Margin	Labor	Net income	Cash	Days Cash
Budget/goal	1,098,582	37.65%	17.75%	17,676	n/a	15 or more
Actual Q2 14	1,098,582	36.43%	20.28%	(36,192)	102,720	15.8
Actual Q2 15	1,079,173	36.14%	19.86%	(12,312)	36,133	5.39
% Chg. PY	(1.77%)	(.29%)	.42%	65.98%	(65%)	(67%)

**L1 Financial conditions – with respect to the actual, ongoing financial conditions and activities, the General Manager must cause or allow the cooperative to honor board policies on Ends, to avoid fiscal jeopardy, to be prepared for future opportunities, and to maintain key operational indicators at or above average for our industry:** Above is a summary of financial information from 12/31/15 for the second quarter (2Q, 2015). The NCG advisor is working to create a more robust and up-to-date summary of financial information so that the board has more information with additional trends and a detailed action plan. This should be in place for the March board meeting. The 2Q 2015 financial statements were completed by 1/19/16 and reviewed at the 1/28/16 Finance Committee meeting.

**L1.1 Allow operations to generate inadequate net income (negative for 3 consecutive**

**quarters):** Not in compliance. Net income was negative at (\$12,312). Payroll reductions will occur by 1/31/16 with the elimination of the Office Manager position. All other expense items will be closely reviewed. The department specific margin goals were affirmed by all department managers at a training on 1/19/16. With monthly fresh department inventories starting on 1/31/16, the co-op should begin to see margin improvements and be able to respond to inadequate actions in a more timely fashion. Margin goal was 37.65% and achieved margin came in at 36.14%—a little more than 1% lower than budgeted. Labor ran high at 19.86% but has begun to improve from last quarter which was 20.28% on 9/30/15. Sales averaged \$83,013 per week which were down \$1,500 per week or 1.77% from the same period last year. As of 12/31/2015, ordinary net income was a negative (\$26,917). Net income with other income was a negative (\$12,312). If the margin goal had been achieved, the co-op would have been much closer to cash neutral. The NCG advisor will be looking deeper into a few expense categories, such as occupancy, as they are high as a percent of sales. Perhaps some adjustments can be made. The third quarter (Q3, 2016) sales goal was adjusted to be 5% lower than the prior year due to the upcoming opening of Fresh Thyme. The weekly goal is \$80,423 with labor at 19.20% and a margin of 37.65%.

**L1.2. Allow liquidity to be insufficient:** Liquidity is problematic due to ongoing cash drain. The NCG advisor is confident that improved accountability will improve the co-op's ability to have and build a reserve. Purchasing budgets will be implemented to assist in improving cash flow.

**L1.4. Allow late payment on obligations:** No late payments were incurred.

**L1.5. Incur new debt beyond trade payables:** No new debt was incurred in the regular course of business. The bank loan was refinanced as seen in the shift on the 12/31/15 balance sheet. Long term debt remains at \$38,735,76.

**L1.7 Allow tax payments or filings to be overdue or inadequate:** All tax payments and filings were on time.

**L1.12 Allow store expenses to exceed net income from operations:** Not in compliance. The revised Q3, 2016 budget attempts to address this overage.

**L2 Planning and budgeting:** Skill building and training: All senior management team members participated in a two-hour Coco GAP training and review of the Q2 financial statements on 1/19/16. The training covered margin goals versus actuals in depth and affirmed the available resources to achieve the goals. Sales and labor goals were reviewed and set for Q3. The store management team is working on updated budget and reporting tools. The spreadsheet created by CE Pugh will be used as a guide for adjustments to Q2 actuals. An updated budget will be sent to the board for the March meeting.

**L3 Asset protection:** The NCG advisor requested to report in more detail at the March board meeting after time to review and get outside opinion in a few areas.

**L4. Member rights:** No exceptions.

**L6 Staff treatment and wages:** After completing a thorough review, the NCG advisor proposed to present an in-depth report in April. Additional time is needed to develop plans to implement a thawing of the wage freeze starting no later than 6/30/16.

6:50 pm **L7 Communication to the board:** In compliance. With the presentation of the Q2 financial statements, adequate information has been provided to the board. The board is in compliance with its own policies.

6:55 pm **Paula Gilbertson, NCG Development Advisor (updates and questions):** The NCG advisor asked whether the information reported in the monthly financial report met the board's expectations. Various suggestions were:

- Include trends of data over the past year in addition to year on year comparisons.
- Include graphs and charts to display the trends.
- Include Sales Per Labor Hour (SPLH).

The board also had a discussion lead by the NCG advisor regarding options for not only the board, but all member owners to help the co-op. If any member owners want to provide assistance to the co-op, they are encouraged to do so. Some options include but are not limited to: buy and give gift cards, purchase memberships as gifts for others, actively try to buy items at the store you may buy elsewhere, tell others about Open Harvest and run for the board. If someone would like to provide additional assistance to the store, they could contact the IGM for additional options and information.

7:06 pm **Board Operations Committee:** The board chair reported that the CDS Consulting Co-op consultant Marilyn Scholl suggested that the board restructure its committees to include only three standing committees: board operations, membership structures and board development. She suggested that the board eliminate the policy and finance committees and deal with those issues at regular board meetings. These changes would probably mean lengthening the monthly board meetings, while lowering the number of committee meetings held outside of board meetings. The entire board would need a better understanding of financial matters now handled by the Finance Committee. Development Advisor Gilbertson asked who was board treasurer and was informed that the board has no treasurer officer; that function has been performed by the chair of the Finance Committee. Gilbertson noted that the treasurer is typically responsible for training other board members on finance. No changes on policy structure were requested at this time, but will be reviewed again at a later time.

7:15 pm **Finance Committee:** The committee met and reviewed the Q2 financial statements. SPLH goals have been established for departments that are similar to other co-ops. The store's inventory continues to be tallied quarterly, while the fresh inventory is now tallied monthly. The co-op is also reorganizing accounts payable in order to extend payment schedules. Delaying payments as long as possible will improve cash flow. The store's management team will also explore using its credit cards to delay payments to improve cash flow. They will also explore using a credit card's rewards programs to maximize benefits. The committee will continue to meet monthly until the board's structural changes are implemented.

- 7:21 pm **Election Committee:** The committee is continuing its outreach to potential board members. Applications are due February 20.
- 7:22 pm **Policy Committee:** This committee did not meet but plans to meet quarterly until the structural changes are implemented.
- 7:22 pm **Membership Structures Committee:** This committee wrote a letter to member owners describing the co-op's competitive and financial challenges, describing its cooperative strengths and community contributions, and asking support to improve the co-op's sales. The letter was reviewed, finalized and mailed on 2/3/16.
- 7:24 pm **GM Search Committee:** The committee has received numerous applications for the GM position and continues to accept applications. The committee has developed screening matrices to use in selecting applicants to interview. Selected applicants will be interviewed by phone. Finalists will be interviewed in-person per protocol developed by the committee. Copies of the job advertisement were distributed to the board. A board member reported distributing copies at the annual Nebraska Sustainable Agriculture Society conference; the ad will also be published in their upcoming email newsletter. A draft of the GM job description was emailed to the board prior to the meeting. The chair presented the draft job description for the GM position for approval.  
**Consensus item:** The board approved the draft GM job description.
- 7:36 pm **Liquor License Task Force:** The task force met with the mayor's chief of staff to get his advice on acquiring a liquor license. He discussed several approaches to getting a license. The board discussed aspects of those approaches. The task force will assess those options further and pursue selected actions. The task force may consult an attorney if needed.
- January Meeting Minutes (discrepancy):** The board secretary noted a discrepancy between the amount of expenses reported for the 40<sup>th</sup> Anniversary Celebration in the January board meeting minutes and the amount reported in the second quarter financial report. The IGM will investigate and report back to the board.
- Action Item:** Board members are to email suggestions and comments for restructuring the board committees to the chair.
- Action Item:** The board secretary will obtain the correct amount for the 40<sup>th</sup> Anniversary Celebration expenses from the IGM and report at the March board meeting.
- 8:01 pm **Guest Members' Comments:** None.
- 8:01 pm **Adjourn**