

**Open Harvest Cooperative
Board of Directors Meeting Minutes
Wednesday, March 2, 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, Ellen Dubas, Bob Hutkins, Carla McCullough, Molly Phemister, Nick Svoboda. **Staff Members:** Amy Tabor (Interim General Manager), Brian Furby, Nicole Saville. **Member Owners:** Skylar Falter, John Monroe, Matt Pirog, Paula Shafer (note taker). **Other:** Paula Gilbertson, NCG Development Advisor.

Informed **Board Directors:** Sarah Disbrow.

Absence:

Uninformed **Board Directors:** None.

Absence:

6:01 pm **Welcome, Introductions, Announcements:** The board chair called the meeting to order and welcomed board members, staff and member owners. The chair announced that Kat Shiffler resigned from the board.

6:02 pm **Approval of minutes and agenda:** The chair presented the draft February board meeting minutes and the March agenda for approval with the addition of a member equity redemption request.

Consensus item: The board approved the February meeting minutes and the March agenda with the addition of the member equity redemption request.

6:03 pm **Reserved Member Owner Comments:** None.

6:03 pm **Member Equity Redemption:** The chair requested approval of a redemption of \$240 to member owner number 8195.

Consensus item: The board approved redemption of \$240 to member owner number 8195.

Action Item: The co-op will send member owner 8195 a check in the amount of \$240.

6:04 pm **Board Education:** The chair asked the directors to comment on a video that she had emailed and requested that they review prior to the meeting. The video presented the key aspects of forming a positive relationship between a co-op's board and its GM. Feedback included:

- The video needed more detailed examples.
- The information in the video was relevant to Open Harvest.
- The board needs to develop specific agreements with the new GM to clarify the

roles and responsibilities between itself and the GM.

- The board needs to clarify the communication conventions that it expects from the GM.
- There was an emphasis in the video on trust between the GM and the board, which must be built in both directions.
- The video stressed the importance of healthy interpersonal relationships between the board and the GM.
- The board needs to be mindful of the boundaries between the board and the GM.
- The board needs to be mindful of GM accomplishments as well as areas for improvement and to give feedback on accomplishments as well as criticism when warranted.
- The GM reports should include a compliance plan in circumstances when the GM is not compliant with a policy.
- The board needs to archive past documentation in a manner that is easily accessible by the board.

6:22 pm

The IGM Monthly Report: The IGM discussed the report that was distributed electronically prior to the meeting. Some inaccuracies in the financial figures in the monitoring reports were identified by board members. Following the meeting, the IGM corrected and submitted revised monitoring reports which are reported in these meeting minutes. Complete descriptions of the policies, when missing, were added by the board secretary.

Additional information reported by the IGM included:

- The final member owner loans will be paid this month.
- Two board members loaned the store a total of \$2,000.
- The co-op is receiving comments/feedback from the Member Owner Letter Feedback Forms.
- The newsletter will contain articles on the election and the CSA fair which are occurring in the upcoming months. The IGM requested help from the board in setting up and tearing down the Two Pillars Church auditorium for the CSA Fair.
- Staff morale seems to have improved as people see that the sales goals are being met.

Action Item: The IGM will send an email reminder to the board of the need for help with the CSA Fair.

A board member asked whether the opening of another competitor store, Fresh Thyme, has affected Open Harvest. IGM reported that sales have exceeded the weekly sales goal since Fresh Thyme opened. One board member pointed out that Fresh Thyme's approach is to use loss leaders: items on sale are priced below cost and all other items

are priced higher than other grocery stores. The co-op's Q4 budget was planned with this competitor's opening in mind and was lowered by 5 % from the prior year. The departments' labor budgets were adjusted accordingly. The department managers are mindful of their adjusted budgets when scheduling and/or hiring new staff. The creative new specials and coupons will continue in the future months to compete. A board member asked when the co-op will be able to set aside money to replenish the reserve fund. Money will not be set aside until the Cash On Hand (COH) is 15 days.

Monitor E: Global Ends:

- **Be a trusted source of responsibly selected and sustainably raised local, organic, and non GMO foods:** The "We love our local vendors" promotion was highly successful with over 250 valentines completed by shoppers and mailed to the vendors. The vendors appreciated it, and the co-op plans to repeat this event next year.
- **Affording patrons the opportunity to make informed choices:** In February, the Wellness staff started transition to the sales floor in order to have a more prominent presence and to better service customers.
- **Promote ecological, social, and economic justice and health through good nutrition:**
 - The co-op held its annual Seed Swap at the end of January.
 - This year the co-op will sponsor the Urban Homestead Series and will provide the cooking classes stipends to purchase ingredients in exchange for recognition on promotional materials and a small registration discount for Open Harvest member owners. Classes start March 25th.
 - Open Harvest's 3rd annual CSA Fair will take place at Two Pillars Church on March 19th from 1 – 3 pm.
- **Grow member ownership and patronage:** The staff supported the board in writing the update letter to member owners and took responsibility for final production and mailing.

Monitor L: Global Executive Restraint: The General Manager must not cause or allow any practice, activity, decision, or organizational circumstance that is unlawful, imprudent, or in violation of commonly accepted business and professional ethics and practices, or in violation of Cooperative Principles. The co-op is following all known legal and ethical practices.

Monitor L1: Financial Conditions and Activities (specifically L1.1, L1.2, L1.4, L1.5, L1.7 and L1.12): 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:

	Sales	Margin	Labor	SPLH	Net income	Cash	Days Cash
Budget/goal	348,499	37.65%	19.20%	n/a	17,676	n/a	15 or more
Actual Jan 15	386,390	32.40%	20.03%	\$68.60	(13,485)	104,322	8.15
Actual Jan 16	353,440.	n/a	21.02%	\$63.66	n/a	77,021	6.83
% Chg. PY	(8.53%)	n/a	0.99%	(4.94%)	n/a	(26.20%)	(16%)

6:38 pm

The table above is a summary of information from January 1 – 31st, 2016. The IGM, NCG development advisor and department managers are working to create a more robust and up-to-date summary of financial information so that the board has more than just information from the prior month but additional trends and a detailed action plan. The January monthly statement was completed by February 18th. This was the first use of the new monthly fresh inventory (cheese, meat & seafood, deli, and produce).

- L1.1 Allow operations to generate inadequate net income (negative for 3 consecutive quarters):** Net income has not been positive for three consecutive quarters. Labor for January was 21.02%, slightly higher than last year, and missing the labor goal of 19.20% by 01.68%. Sales in January averaged \$81,569 per week, which exceeded the weekly sales goal by \$1,146 per week. Looking towards Q4, the sales goal will be adjusted to be 5% lower than the prior year due to the opening of Fresh Thyme. Beginning April 1st, the co-op's weekly sales goal will be \$77,000.
- L1.2.Allow liquidity to be insufficient:** Liquidity is problematic with cash drain having gone on for so long, but the IGM is confident that improved accountability will allow the co-op to rebuild its reserve fund. In February, the co-op implemented weekly purchasing budgets in all departments to help managers better track purchases and control inventory.
- 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.
- 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:** The IGM will look into this further and address this overage as the Q4 budget is revised.

Monitor L2: Planning and Financial Budgeting: The General Manager must not operate without annual budgets and plans that address intentional and improved Ends accomplishment along with avoidance of fiscal jeopardy: All department assistants and coordinators will participate in a two-hour margin training on Wednesday, March 2, similar to the one that the department managers completed last month. Emily (the new Produce Manager), Jesse, Matt, Madison, Lee, Nancy and Joel will be in attendance. Department managers continue to monitor key basic indicators of sales, margin and labor at department and store levels. Dan Hein, Meat and Seafood Retail Specialist from NCG, is in the process of conducting a meat assessment for the co-op and will do an in-store visit March 22 – 24th. The IGM will send an updated Q4 budget to the board by April 6 for the April board meeting.

Action Item: The IGM will send an updated Q4 budget to the board by April 6 for the April board meeting.

Monitor L4: Member Owner Rights and Responsibilities: The General Manager must not allow member owners to be uninformed or misinformed of their rights and responsibilities: No exceptions.

Monitor L7: Communication to the Board: The General Manager must not allow the board to be uninformed or unsupported in its work: All reports for the March board meeting were submitted in a timely manner, though revisions were made to this report after the meeting occurred.

Receipt of Monitoring Reports: The chair requested consensus that the board received the monitoring reports for E, L, L1, L2, L4 and L7.

Consensus item: The board accepted receipt of the monitoring reports for E, L, L1, L2, L4 and L7.

6:50 pm

Monitor L3: Asset Protection: The General Manager must not allow assets to be unprotected, unreasonably risked, or inadequately maintained. The GM must not:

- **L3.1. Allow equipment and facilities to be inadequately insured, or otherwise unable to be replaced if damaged or destroyed, including coverage for any losses incurred due to business interruption.** Open Harvest has commercial insurance with LeMars Insurance Company. The business personal property limit is \$1.5 million, with \$100,000 in product spoilage. General liability limit is \$1 million each occurrence and \$2 million aggregate. In July 2015, the co-op conducted an inventory of fixtures and equipment, estimating a replacement cost of \$1.35 million, including leasehold improvements. The co-op also carries insurance with Donegal Insurance Group that covers loss of business income and extra expense from direct damage for a 12-month period following the date of loss. The IGM asserts compliance.

- **L3.2. Allow unnecessary exposure to liability or lack of insurance protection from claims of liability.** Open Harvest currently carries general liability limit for \$1 million each occurrence, worker's compensation coverage of \$500,000 each occurrence, and commercial automobile coverage of \$1 million through LeMars Insurance Company. The IGM asserts compliance.
- **L3.4. Allow deposits or investments to be unreasonably risked.** Open Harvest currently has funds in West Gate Bank and Union Bank, both of which are protected by FDIC. The FDIC deposit insurance limit is \$250,000. All accounts will be managed to be within the insured limits. The IGM asserts compliance.
- **L3.5. Allow inadequate security of premises and property.** Open Harvest has security policies and procedures in place and staff are trained in these policies and procedures. These procedures include security cameras, regularly changing front and back door locks, limited key access to certain staff, regularly changed safe combinations, regular cash drops from registers into locked safe, and shoplifting and burglary procedures. These policies continued to be monitored and updated by the IGM. The store also has an ADT security alarm. The IGM asserts compliance.
- **L3.6. Allow data, intellectual property, or files to be unprotected from loss, theft or significant damage, including improper usage of members' and customers' personal information.** Staff use computer logins and have restricted access to server files and the POS. The IT Manager conducts nightly server backups and takes home an encrypted hard drive every night. Member owner data exports from the POS are deleted after they have been used, for example, when pulled for mailing purposes. Online member owner transactions are handled through Paypal. No customer payment information of any kind is stored anywhere in the store. The IGM asserts compliance.

6:44 pm

Monitor L8: Board Logistical Support: The General Manager must not allow the board to have inadequate logistical support. The GM must not:

- **L8.1. Provide the Board with insufficient staff administration to support governance activities and Board communication.** The IGM, Brand Manager, IT Manager and other staff members work directly with the board throughout the year and provide administrative support which helps govern activities and board communication. For example, staff support carried out on a regular basis includes posting board meeting minutes to the website and posting hard copies of the minutes and agenda on the store bulletin board. Staff assist with the board election, the annual member owner meeting, sending renewal letters to

member owners and producing any other letters to the member owners from the board. The IGM asserts compliance.

- **L8.2. Allow the Board to be without a workable mechanism for official Board, officer or committee communications.** The use of personal e-mail and in-person communication at monthly meetings are the workable mechanisms for board, officer and committee communications. The IT manager maintains the board@openharvest.coop email address for official communication between the board and the public. The board also communicates with the member owners at the annual member owner meeting, postings on the store community board, through direct mail pieces, and articles in the newsletter. The IGM asserts compliance.
- **L8.3. Allow directors to be without an updated copy of the Policy Register and the Bylaws.** All directors receive updated copies of the Policy Register annually or as the documents are edited or revised. New directors receive a copy of the Policy Register and Bylaws upon joining the board in June. The most recent versions of the Policy Register and Bylaws are also available to board members in their Google Docs shared files. The IGM asserts compliance.
- **L8.4. Provide inadequate information and notice to members concerning Board actions, meetings, activities and events.** Adequate information and notice is given to member owners concerning board actions, meetings, activities and events through email, on the community board, at the annual member owner meeting, on the website, in monthly meeting minutes, and in articles in the newsletter. The IGM asserts compliance.
- **L8.5. Allow insufficient support for archiving of Board documents.** The co-op archives minutes, Bylaws, Articles of Incorporation, and previous newsletters on the website. It also keeps hard copies and electronic copies of board documents in the store. Some are kept in the fire-proof file cabinet in the Finance Manager's office. Electronic versions of documents are on the co-op server that is backed up to off-site secure systems. The IGM asserts compliance.

Approval of Monitoring Reports: The chair requested consensus that the board approve the monitoring reports for L3 and L8 as compliant.

Consensus item: The board approved the monitoring reports for L3 and L8 as compliant.

6:54 pm

Paula Gilbertson, NCG Development Advisor (Updates and Questions): The NCG Development Advisor appreciated that the board is willing to be flexible and hold the next meeting on April 13. She reported that the staff appear to be more engaged; the department managers and staff are working together to ensure success. Three NCG specialists will be helping the store over the next few months in the meat and seafood, prepared food and grocery departments. The specialists will evaluate the departments and assist with resets. A board member asked whether sales will improve because of the evaluations. The advisor said that is possible if additional products are added; but there may be other issues that need to be addressed and corrected. A board member asked whether the prior reset of the bulk products will change again. The advisor answered that bulk foods seem to be dying industry-wide as most customers do not cook anymore; the only product that sells well in bulk in other stores is candy. A board member asked if the financial issues are limiting creativity. The advisor said that some changes that are needed or desired cannot be made because the cash outlay is too large, but creative ideas that require small outlays are being implemented.

7:07 pm

Board Operations Committee: GM Job Description/Summary, Board Retreat Dates, Board-Management Relationship: the Ms Review Planning, Board Meeting Length:

The committee met via conference call with Marilyn Scholl, the CDS Consulting Co-op Consultant. She suggested that the board change its GM job description to a job summary. The GM must comply with the policies; therefore, the policies are the job description. A job summary would need only state that the GM must meet the policies.

The chair reminded board members to participate in the doodle poll that she had emailed in order to select the date of the board retreat. The chair will notify the board by email with the date selected.

Action item: Board members will participate in the doodle poll to select the date of the board retreat.

The chair requested that the board members read the M policies in order to discuss them at the April board meeting. A self-evaluation survey regarding the M policies may be sent to board members, but that has yet to be determined. If the committee goes in that direction, board members will receive an email alert. If not, the policies just will be discussed at the next meeting.

Action item: The entire board will review the Ms and complete the survey by the next board meeting, if a survey is created and sent.

With the smaller board, the chair recommended that board meetings be lengthened by half an hour in order to build in additional education for board members, time for relationship building with the new GM, and adding the finance committee work into the general board meetings.

The chair asked for feedback on lengthening the board meeting to 2.5 hours. A board member asked if the extra time would always be necessary. The extra time would be determined by the agenda; however, board members must expect to be at the meeting from 6:00 to 8:30 pm.

7:14 pm

Finance Committee: The committee met and discussed revising its role and responsibilities with the reduced board. The committee suggested that it meet quarterly to review the quarterly financial report and that the monthly financial report be discussed at the board meeting. This would allow the entire board to be aware of all of the financial issues. The committee would not disband and could meet more often if additional oversight was deemed necessary. The committee supports the longer board meeting time to incorporate financial reporting and board financial education. The committee recommended that the board establish a topics calendar for education. Marilyn Scholl is someone who could conduct financial training for the board.

The chair requested approval of the changes recommended by the Finance Committee.
Consensus item: The board approved the Finance Committee's recommendation.

The committee will meet next at the end of April to review the the third quarter report, which will be presented at the May board meeting. The board was reminded to be familiar with the financial reports and related terminology by that time.

Action: The chair will request that the Finance Manager, Co Nygren, attend the May meeting to present the quarterly report and to educate the board as needed.

7:27 pm

Election Committee: Approve Slate of Candidates: The board will have two open seats in the next election; four candidates have applied to run: BJ Birkel, Aaron French, Bob Hutkins and John Monroe.

The chair requested approval of the slate of candidates.

Consensus Item: The board approved the slate of candidates.

The voting is scheduled for April 17-30, and the Meet and Greet is tentatively scheduled for April 10. The Meet and Greet will return to the Meadowlark because turnout last year at Two Pillars was low. Meadowlark's location makes it easier for staff and member owners to attend. The next newsletter will have an article describing the

election and the candidates. The staff has a goal of getting 330 votes this year, a 10% increase over last year's goal.

Action Item: The Election Committee agreed to write the article for the newsletter by March 20.

7:33 pm

Membership Structures Committee: The committee did not meet because it had no tasks. Marilyn Scholl suggested that the committee not be dissolved but meet as needed. The committee offered to compile the information in the Feedback Forms that were included in the Member Owner Letter.

Action Item: The Membership Structures Committee will contact the IGM to arrange to compile the Member Owner Feedback Forms.

7:36 pm

GM Search Committee: The committee has received about 40 resumes, which were compared against a matrix of initial screening criteria previously developed for this purpose. Initial phone interviews were completed with selected candidates; additional candidates may yet be interviewed. The committee is now reviewing the subset of candidates who have completed phone interviews to select candidates to be invited to second-round interviews. From those interviews, the finalists will be selected and invited to the final round of interviewing.

Action Item: The committee will work with Paula Gilbertson to review and interview additional applicants and to develop a set of questions for second interviews, which will be more in-depth and contain more detail than those used in the initial interviews.

A board member asked if the committee plans to discuss the co-op's financial situation with applicants. The committee noted that the store's financial status is public knowledge. The advertisement for the position made clear that the position requires someone who can guide the co-op to regain its footing in the face of continued competition. Some candidates who interviewed had researched information available on the website and were clearly aware of the co-op's situation. A board member commented that an applicant who displayed initiative to research the co-op would be a candidate of interest.

7:42 pm

Liquor License Task Force: The task force was in communication with the mayor's chief-of-staff who informally circulated the text of Open Harvest's request for an exception to the liquor license zoning ordinance. Those who reviewed the text were doubtful that an exception would be granted. At issue is that the store needs a separate entrance that is at least 100 feet between the property line of the store and that of any residences, park or library. An exception could constitute 'spot zoning' and

open the city to lawsuits since it has denied licenses to other businesses citing this ordinance. The task force met with an attorney familiar with zoning issues and will retain her to look into the matter. She will recommend whether to pursue the license.

7:53 pm

Guest Member Owners' Comments: A guest staff member commented that the staff morale has improved with sales goals being met, but some do feel underappreciated. There is little recognition of the hard work that is being done. The staff member suggested that the staff be asked for feedback on the new GM when he or she is evaluated.

A board member commented that when he started on the board seven years ago, the Finance Committee Chair tried to get the board to recognize that the co-op was operating at a loss. He noted that if the board had responded then, the co-op's situation would not be as dire as it is now.

8:00 pm

Adjourn