

**Open Harvest Cooperative
Board of Directors Meeting Minutes
Wednesday, April 13, 2016
6:03 – 7:21 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, Molly Phemister, Nick Svoboda. **Staff Members:** Amy Tabor (Interim General Manager), Brian Furby, Nicole Saville. **Member Owners:** Skylar Falter, Matt Pirog, Paula Shafer (note taker).

Informed **Board Directors:** None.

Absence:

Uninformed **Board Directors:** None.

Absence:

6:03 pm **Welcome, Introductions, Announcements:** The board chair called the meeting to order and welcomed board members, staff and member owners. The chair announced the addition of the GM Search Committee report to the agenda.

6:04 pm **Approval of Minutes and Agenda:** The chair presented the draft March board meeting minutes and the April agenda with the addition of the GM Search Committee report for approval.
Consensus items: The board approved the March meeting minutes and the April agenda with the addition of the GM Search Committee report.

6:06 pm **Reserved Member Comments:** None.

6:06 pm **Interim General Manager (IGM) Monthly Report:**

Monitor E - Global Ends:

- **Be a trusted source of responsibly selected and sustainably raised local, organic, and non GMO foods:** The Grocery and Produce Managers plan to work on a new local vendor packet that will be available on the co-op's website for those interested in selling products at Open Harvest. The new packet will be available by early 2017, in time for the next growing season.

- **Afford patrons the opportunity to make informed choices:** On April 1, the co-op rolled out revisions to the case discount benefit for member owners and business account holders. The current policy gives member owners a 15 percent discount and non-member owners a 10 percent discount over the regular price. Stacking discounts will no longer be allowed. Historically, the gray areas of the old discount caused confusion and uncertainty in the

financial outcome in certain departments. To date, the transition has been quite smooth with a lot of understanding from member owners and businesses.

- **Promote ecological, social, and economic justice and health through good nutrition:** The co-op co-hosted the third annual CSA Fair with the Old Cheney Road Farmers Market on March 19 at Two Pillars Church. More than 90 people attended, purchasing over 20 CSA shares directly from 12 different participating farms. Of these 12 farms, 3 were first-time CSA Fair participants. This is the last external event for the remainder of the year as the co-op is prioritizing in-store promotions until the financial situation stabilizes.
- **Grow member ownership and patronage:** In March, the co-op revamped member owner specials, now known as Owner Deals, starting with grocery and produce, and including all departments by the end of April. This was a direct result of revising the case discount for member owners and business accounts. Owner Deals are now more exciting and very visible in the store, online, and in the e-newsletter.

Monitor L - Global Executive Constraint: 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 the Cooperative Principles: The co-op is in compliance on all known legal and ethical practices.

Monitor L1 - Financial Condition and Activities: 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	Cash	Days Cash
Budget/goal	\$348,499	37.65%	19.20%	n/a	n/a	15 or more
Feb 2015	\$333,045	n/a	18.49%	\$68.39	\$91,875	8.15
Feb 2016	\$339,126	n/a	18.05%	\$69.22	\$67,084	6.2
% Chg. PY	1.8%	n/a	(.44%)	1.2%	(26.9%)	(23%)

The co-op did not meet its sales goal for February by \$9,373, although sales were up 1.8% compared to last year. The co-op exceeded its labor goal (less than 19.2%) at 18.05%. The department managers continue to monitor labor and expenses to keep them in line with sales.

The remaining member loans (\$12,600) were retired in March. One member owner returned the loan payment as a gift, allowing for the purchase of a new tortilla press that was needed at the deli counter.

L1.1 Allow operations to generate inadequate net income (negative for 3 consecutive quarters): Third quarter (3Q) financial statements and the fourth quarter (4Q) budget will be available after April 18th and will be discussed with NCG Advisor Paula Gilbertson and the Finance Committee on Tuesday, April 26th. The goal for the 4Q budget is to achieve a zero net income.

L1.2 Allow liquidity to be insufficient: Preliminary inventory numbers are promising, a direct result from the purchasing budgets that were implemented for all departments. For 4Q, new purchasing budgets will be set to reflect the new sales goals. Department managers will continue to monitor these budgets and train staff with buyer responsibilities to be mindful of purchases.

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.

L.1.12 Allow co-op expenses to exceed net income from operations: Department managers are closely monitoring expenses and only spending what is absolutely needed.

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: A preliminary 4Q budget was discussed with managers in the March 22 Manager Huddle. Due to the opening of a new competitor and the co-op entering the slower summer season, a five percent decrease in overall sales from 3Q to 4Q is budgeted. The weekly sales goal will be \$77,000, the labor goal will be 20.3 percent, and the margin goal will remain at 37.7 percent, which includes an estimated salary for the new GM. The co-op is targeting a neutral net income (0%) and planning to monitor sales, margin and labor to be cash neutral at the end of the quarter.

The IT Manager and Grocery Manager started “Priced to Compete,” a five-week training through National Co-op Grocers (NCG) in April. Meredith Provance from NCG will be conducting a Prepared Foods Assessment on April 25 and 26 with a grocery reset tentatively scheduled for May or June. The Meat and Seafood Coordinator will be attending the NCG Meat Summit – a one-day intensive training in Madison, WI at the end of April.

Monitor L3 – Asset Protection: The General Manager must not allow assets to be unprotected, unreasonably risked, or inadequately maintained: No update this month.

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 April board meetings were submitted accurately and in a timely manner.

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.

Additional information reported by the IGM:

The co-op is planning several promotions:

Owner appreciation day on April 19

Earth Day promotions, April 20-22, will include:

- a free tote bag
- double green stamps
- free water refills

One-week sale on Common Good egg & 20 percent off Clean Environment products
May will include:

- Double punch burrito day
- Kayak giveaway
- Coupon in the Lincoln Marathon packet

The co-op has set a goal of 330 votes cast in the upcoming election.

The Field Day brand promotion was a success with an increase in sales from \$1,500 to \$7,000. Field Day is an NCG private label for member co-ops only. This brand augments or replaces other brands.

6:22 pm

Monitor L5 - Engagement of Member Owners and Customers: The General Manager must not be unresponsive to customer needs. The General Manager must not:

L5.1 Operate without a system for soliciting and considering customer opinion regarding preferences, product requests, complaints or suggestions.

The IGM interprets this to mean that the co-op will operate with systems in place to field customer comments and suggestions.

The co-op has a suggestion box located at the customer service desk that is regularly used by customers who are interested in submitting comments and suggestions. The IGM checks the box daily and responds to the comment or delegates it to the appropriate department manager. If the customer has requested a response, he or she is contacted, otherwise the comment is handled to the best of the staff ability. All comments are retained for future reference and actions are logged.

Customers also communicate with the co-op via Facebook, email, face-to-face, and snail mail. All of these comments are handled with the same professionalism.

In February, the board and management solicited comments and suggestions directly from member owners through a letter. The responses are currently being tabulated and responses will be provided, if so requested.

The IGM asserts compliance.

L5.2 Allow an unsafe or unwelcoming shopping experience for customers.

The IGM interprets this to mean that the co-op will be safe and welcoming for customers.

The co-op has regular health and OSHA inspections. A safety committee meets quarterly to review safety issues and the staff safety officer ensures that the overall shopping experience is safe for customers and the workspace is safe for staff members. The safety officer conducts a monthly safety walk and holds staff safety trainings on a regular basis in order to prepare them to deal with any safety issues that could arise during a shift.

The prepared food department staff clearly labels all possible food allergens on product signs. All staff members have relevant permits.

To increase customer awareness and to improve the "welcome feel" of Open Harvest, all print advertisements and the closing frame of the current television commercial include the phrase "community owned, where everyone can shop." The staff has been trained to provide excellent customer service to all patrons.

The IGM asserts compliance.

L.5.3 Fail to provide information and education for customers, or to conduct an annual membership drive.

The IGM interprets this to mean the co-op must provide information and education to customers and to conduct an annual membership drive.

The co-op is partnering for the third year with Community Crops to provide the Urban Homestead class series. This year Open Harvest is a sponsor, supporting UHS through promotion and providing a small stipend for cooking classes. In return, co-op member owners receive \$5 off their registration. Class topics range from Karen Cooking to How to Raise Chickens, and everything in between.

Open Harvest hosts various events throughout the year, such as the CSA Fair and Dig Deeper Farm Tour, which provide valuable knowledge and contribute to the education of our customers and community.

The co-op has tools and resources available to customers while they shop in the store. One of the biggest tools is the knowledgeable staff that shares cooking tips, product information and other ideas to customers regularly. The staff also shares information on cooking, sustainable agriculture and other topics through social media platforms and the weekly e-newsletter.

The quarterly printed newsletter provides insight to customers on what is going on in the store, special events and articles highlighting certain topics.

The co-op conducts an annual membership drive every October.

The IGM asserts compliance.

L5.4 Fail to display publically the seven Cooperative Principles, and the definition of a cooperative.

The IGM interprets this to mean the seven Cooperative Principles and the definition of a cooperative will be displayed publically.

The seven Cooperative Principles and the definition of a cooperative are displayed at the front of the store and in many of the promotional materials and annual reports that the public reads and has access to. For example, last year's annual report included the seven Cooperative Principles on pages 3 and 4.

The IGM asserts compliance.

L5.5 Allow the Cooperative's integrity or public image to be compromised.

The IGM interprets this to mean the cooperative's integrity and public image will not be compromised.

The co-op operates with specific policies in place that protect its integrity and public

image. The management team works to ensure these policies are being followed and are regularly reviewed by the management team. An example is the internal Facebook policy that includes specific guidance on who and what can be posted on social media. Also, any media requests the co-op receives are directed to the Brand Manager who is knowledgeable about the co-op's history, store operations, community events and policies. If it's applicable to send the media request to another department manager, it is done so at the discretion of the Brand Manager. Additionally, all promotional materials are created according to a brand guide, so that the fonts, design and tone of the messages being conveyed are consistent with the public image.

The IGM asserts compliance.

A director asked about the volume of customer comments. The IGM estimated that the co-op receives an average of five comments per week, most of which are product requests. Those are sent to the appropriate department manager. Managers access information about selling patterns at other co-ops that is included in the decision about whether to carry the product. If the requestor wants a response, he or she will be contacted.

The IGM was questioned about the reason for discontinued products. She responded that products are discontinued for various reasons, such as the distributor no longer supplies the product. A director noted that the member owner feedback forms included several comments about product discontinuation.

Approval of L5 Monitoring Report: The chair requested board approval of the monitoring report for L5 as compliant.

Consensus items: The board approved the monitoring report for L5 as compliant.

6:34 pm

IGM Presentation and Discussion of Monitoring Report for L6 submitted by NCG Development Advisor Paula Gilbertson:

Monitor L6 – Staff Treatment and Compensation: The General Manager must not treat staff in any way that is unfair, unsafe, or unclear.

Interpretation: The GM must establish and maintain adequate systems, policies, and procedures so that all staff are informed, educated, treated with respect and care befitting the organizational ends, the state and federal labor laws, and be communicated with in a manner that keeps them informed.

The GM must not:

L6.1. Operate without publically stated written personnel policies that are included in an overall employee handbook, which also includes the equal opportunity and anti-discrimination policies and written job descriptions.

Interpretation: At a minimum, Open Harvest must maintain an employee handbook with policies and job descriptions and include the co-op's compliance with

employment laws.

Accordingly, the GM must not:

L6.1.1. Fail to clearly state and publish rules for staff.

Interpretation: All staff policies must be clear and accessible to the staff in a manner befitting their role.

L6.1.2. Provide for unfair or less than thorough handling of grievances in a way that does not include the Board as a participant in the grievance process.

Interpretation: The GM must create, establish and maintain a fair, operationally-based grievance process.

L6.1.3. Be inaccessible to all staff.

Interpretation: The GM must be available to staff regularly and provide avenues for feedback of the employee handbook when revising.

L6.1.4. Fail to inform staff that employment is neither permanent nor guaranteed.

Interpretation: The GM must communicate to all staff the employment conditions.

L6.2. Cause or allow personnel policies to be inconsistently applied.

Interpretation: Personnel policies must be applied to all employees in a fair and consistent manner.

L6.3. Provide for inadequate documentation, security and retention of personnel records and all personnel related decisions.

Interpretation: The GM shall be responsible to maintain a secure, consistent documentation system for personnel records and provide adequate training to all managers on these processes.

L6.4. Establish compensation and benefits that are inequitable.

Interpretation: The GM must provide consistent benefits and compensation.

L6.5. Change the GM's own compensation and benefits, except as his or her benefits are consistent with a package for all other employees.

Interpretation: The GM must allow for no changes to the GM's compensation or benefits that are outside of the benefits and compensation of all employees.

L6.6. Operate without plans for developing an employee retirement program when the co-op is in a financial position to enact such a program.

Interpretation: The GM must provide a retirement program, once economically possible.

The handbook with all of the above policies and procedures is maintained by the GM with the participation of the management team. It is reviewed at least yearly for compliance. At orientation, all new employees are given a copy and are asked to sign an acknowledgement of receipt. These receipts are kept in each employee's file. The current version is dated as reviewed on June, 2014. Several policies are in conflict with or inadequate to meet the the intent of this policy.

I report noncompliance.

Background and Plan for Compliance: The staff have endured a wage freeze since July, 2015 with no clear plan as to when or how to effect a thaw. Management made no clear plan as to how or when this thaw might happen. It is my plan that beginning in May 2016 and continuing into the first two quarters of 2016-17, the management will complete a livable wage review and create a plan to implement a new wage scale to address the current cost of living in Lincoln. This time is needed to adequately draft, review, communicate and implement these changes.

Additionally, during this time period, the employee handbook needs to be completely revised with the input and involvement of the staff and board. Prior to implementation, the handbook is in need of a legal review to insure that all legal obligations are met.

The current job descriptions, wage scale, benefits package, organizational chart and procedures for employee records need updating and revising. This is a fairly large process that will take the first six months of the 2016-17 fiscal year to complete, review and enact. Going forward, the wage scale will be reviewed each spring during the fourth quarter as part of the budgeting and business planning process for the coming year.

After implementation of the revised polices, I propose that the co-op complete a third party staff survey to measure staff satisfaction with the organization, the policies, compensation and benefits, and the performance of their supervisors. This survey should be completed prior to the budgeting process for the following year in order to make adjustments as needed going forward.

Submitted by Paula Gilbertson, NCG Development Advisor

Action Item: The Advisor and new GM will update the board on implementation and progress with the L6 compliance plan.

6:45 pm

Monitor M1-M4: Board Management Relationship: The board chair asked for discussion of whether directors feel that they are compliant with the policies.

Some policies and suggestions that were discussed:

- The board evaluates the GM performance only and does not interfere with the management of other co-op employees.
- The board should and does allow the GM reasonable interpretations of the policies.
- No policy changes are retroactive.
- Suggestion: The board needs to consider performing a yearly staff survey.
- Suggestion: The board needs agenda time for open, non-binding discussion with each other and the management.

Action item: Review the M policies with the new GM. Encourage him or her to feel comfortable in providing feedback to the board regarding board requests that seem unnecessary or inappropriate.

Action item: Discuss how to approach a staff survey to be used in the GM performance evaluation with CDS Consulting Co-op Consultant Marilyn Scholl.

6:55 pm

Board Operations Committee: Board Retreat Date, Orientation for New Board Members, Action Items:

The board retreat will be held at on August 6, 2016, location TBD.

The orientation for newly elected board members will be held in May after the election is complete, date TBD.

The board chair will be more diligent at noting action items and reviewing progress at future meetings.

Action Item: Hold a discussion at the board retreat regarding Board emeritus members' participation in board committees, task forces, etc.

7:00 pm

Election Committee: Election Update and Open House: The election will be held April 17 through April 30. The Meet and Greet Candidate Forum will be held Sunday, April 17^t from 1:30 to 2:30 pm at Meadowlark Coffee. There are four candidates vying for two open seats.

Action item: The IGM will assign a staff member to participate in counting votes with the election committee.

7:05 pm

Membership Structures Committee: Member Owner Feedback Forms: The feedback forms included in the letter sent to member owners have been entered into a spreadsheet.

The committee will categorize and summarize the data into a report for next

month's board meeting. The IGM received three letters from member owners which she will forward the committee for inclusion in the report.

Action Item: The Membership Structures Committee will present a report on the member owner feedback forms at the May board meeting.

7:10 pm

Liquor License Task Force: The lawyer retained to assist with obtaining a liquor license believes that past efforts to obtain an exception to the current zoning requirements will not be successful. She recommended exploring the option of a zoning change from the current B3 to B2. The B2 zone is usually applied to suburban areas and requires an area of at least 5 acres. With B2, the distance requirement from the store entrance to adjacent residences is shorter, which is the barrier with B3. Agreement to a zoning change would be needed from nearby residents and businesses.

Action item: The Task Force will meet with the attorney and the planning commission to discuss possible options, if any, regarding rezoning Open Harvest's location.

GM Search Committee Report: The GM Search Committee reported that the field was narrowed to two finalists. Those candidates were interviewed by the board and met with both managers and staff. The board will convene into executive session following this meeting to discuss the candidates and hopefully make a hiring decision. An announcement will be made to staff and members once a candidate has been selected and officially accepted the position.

7:17 pm

Finance Discussion: The Q3 financial report is in preparation. The IGM, NCG Advisor and the Finance Committee will meet on April 26 to review the report in order to facilitate the financial discussion with the full board at the May meeting.

7:20 pm

Guest Members' Comments: A board member noted that the May board meeting will be the last meeting for those board members who are leaving the board.

7:21 pm

Adjourn to executive session.

Action Item List					
Action Item	Description	Assigned To	Date Opened	Date Due	Date Completed
4/16-1	Update the board on implementation and progress with the L6 compliance plan.	NCG Advisor & GM	4/13/16		
4/16-2	Review the M policies with the new GM. Encourage him or her to feel comfortable in providing feedback to the board regarding board requests that seem unnecessary or inappropriate.	Board Operations Committee	4/13/16		
4/16-3	Discuss how to approach a staff survey to be used in the GM performance evaluation with CDS Consulting Co-op Consultant Marilyn Scholl.	Board Operations Committee	4/13/16		
4/16-4	Hold a discussion at the board retreat regarding Board emeritus members' participation in board committees, task forces, etc.	Board Chair	4/13/16	8/6/16	
4/16-5	Assign a staff member to participate in counting votes with the election committee.	IGM	4/13/16	4/30/16	4/14/16
4/16-6	Present a report on the member owner feedback forms at the May board meeting.	Membership Structures Committee	4/13/16	5/4/16	
4/16-7	Meet with the attorney and the planning commission to discuss possible options, if any, regarding rezoning Open Harvest's location.	Liquor License Task Force	4/13/16		