

**Open Harvest Cooperative  
Board of Directors Meeting Minutes  
Wednesday, June 1, 2016  
6:03 – 8:00 PM  
Two Pillars Church, 1430 South Street**

**Present**                                **Board Directors:** Brandé Payne (Board Chair), Mary Hansen (Secretary), BJ Birkel, John Christensen, Barbara DiBernard, Ellen Dubas, Bob Hutkins. **Staff Members:** Amy Tabor (General Manager). **Member Owners:** Skylar Falter, Matt Pirog, Paula Shafer (note taker). **National Co+op Grocers (NCG) Advisor:** Paula Gilbertson.

**Informed Absence**  
**Board Directors:** Ross Brockley

**Uninformed Absence**  
**Board Directors:** Megan Jackson

6:03 pm                                **Welcome, Introductions and Announcements:** The board chair called the meeting to order and welcomed all attendees.

6:03 pm                                **Install New Board Members: Bob Hutkins and BJ Birkel:** The board chair installed the two board members elected in April.

6:05 pm                                **Approval of May Minutes and June Agenda:** The chair presented the draft May minutes and the June agenda for approval. An update to the minutes was noted.

**Consensus item:** The board approved the updated May minutes and the June agenda.

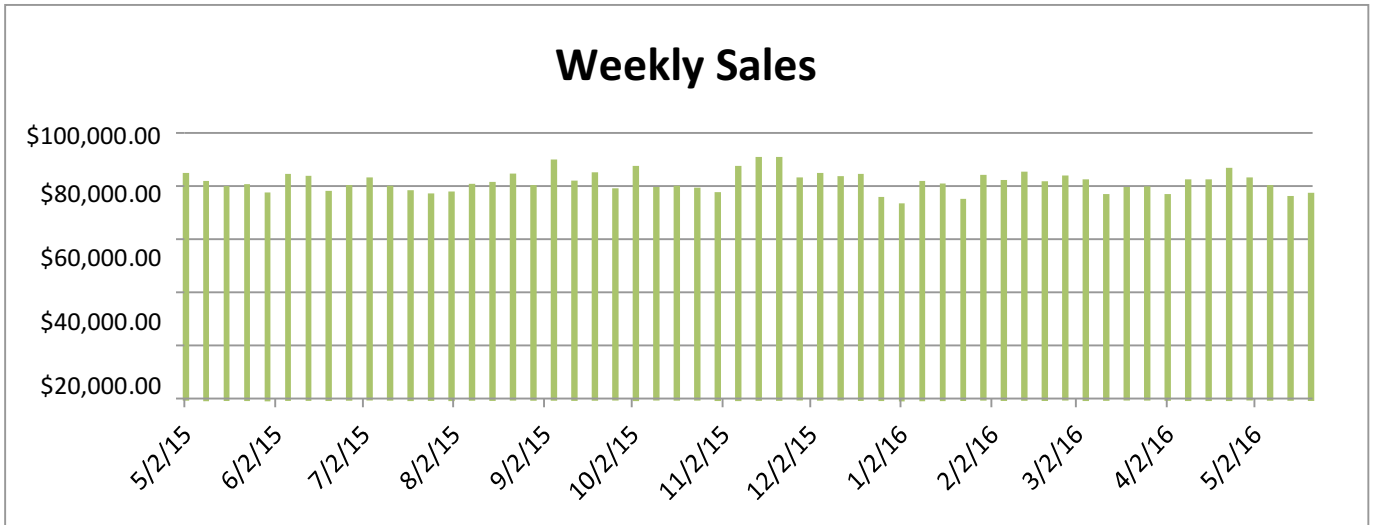
6:10 pm                                **Reserved Member-Owner Comments:** There were no reserved member-owner comments.

6:15 pm                                **GM Monthly Report: Financial Updates, General Updates:** The GM discussed her monthly report which was available electronically to the board prior to the meeting:

**FINANCIAL SUMMARY (April 1–30)**

April sales came in at \$353,921, exceeding the budget goal of \$330,217 by \$23,703 or 7 percent. This represented a slight increase from last year. Labor for the month was \$65,965, or 18.6 percent of sales, which was well within the labor goal of 20.8 percent. Management was able to keep total operating expenses below the goal of \$130,951 (37 percent of sales) at \$127,050. Retiring the member loans in March reduced cash on hand, which is reflected in the low days-cash-on-hand figure.

	<b>Sales</b>	<b>Labor</b>	<b>Expense</b>	<b>Days Cash</b>
<b>Budget/goal</b>	<b>\$330,217</b>	<b>20.8%</b>	<b>\$130,951</b>	<b>15 or more</b>
April 2015	\$352,460	18.8%	\$133,556	14.39
April 2016	\$353,921	18.6%	\$127,050	4.74
<b>% Chg. PY</b>	<b>(.04%)</b>	<b>(.2%)</b>	<b>(4.9%)</b>	<b>(9.65)</b>



### SALES PER LABOR HOUR (SPLH)

Date	4/15	5/15	6/15	7/15	8/15	9/15	10/15	11/15	12/15	1/16	2/16	3/16	4/16
SPLH	\$64	\$66	\$60	\$61	\$66	\$63	\$59	\$67	\$62	\$62	\$69	\$63	\$65

#### MANAGER STRATEGIC PLANNING

The managers will attend an all-day strategic planning session on June 2 facilitated by the NCG advisor. Management will be working on the 2016-17 budget, the big vision for the Co-op, and setting goals and developing action plans to achieve them.

#### 2016-2017 BUDGET ASSUMPTIONS

The budget will be written around the goals and priorities set in the strategic planning session. At this time, the following key indicators for next year's budget are assumed to be:

Sales: \$4,380,000 (5 percent increase over fiscal year 2015-16)

Margin: 37 percent

Labor (percent of sales): 20 percent

Net Income: 1-2 percent

Member Owners: 3000

These assumptions are subject to change.

#### MEMBERSHIP

Total active member owners: 2833

New member owners: 27

Renewals: 91

Abandoned equity: \$4,790 in second quarter (Oct.-Dec., 2015)

#### PERSONNEL

New employees include Skylar Mosby (part-time Marketing Assistant) and Melissa French- Sloan (part-time Baker). Joe Armstrong was promoted to Prepared Foods

Coordinator. The Co-op is currently hiring part-time positions in Grocery and the Prepared Foods Departments.

The GM attended Consumer Cooperative Management Intensive (CCMI), a two-day leadership training conference, in Seattle, WA on May 9-11, for new GMs and co-op staff on the GM track. Participants are required to complete a project and present it to one another at the final meeting in Chapel Hill, NC at the end of August. The GM chose to focus on the Open Harvest strategic plan and budget for 2016-17 fiscal year. Thus, in addition to the NCG advisor's guidance, the GM will receive additional support from her small-group members and the NCG development advisor team leader. On May 17 - 19, the GM attended the NCG Central Corridor meeting in Minneapolis, MN, which was a great opportunity to meet and network with co-ops of all sizes in the region.

A staff, board and volunteer bowling party is planned for Tuesday, August 16 at 8:00 pm. The location is to be determined. In order to reserve enough lanes, attendees are asked to sign up for the party at the beginning of August. Family and friends are welcome but will have to pay for themselves.

#### OPERATIONS

In late April, NCG's retail specialist Meredith Provence conducted a Prepared Foods Assessment of the bakery, deli and cheese departments. The GM received that report in early May. She and Food Service Manager Christophe Bossaert are creating a timeline to implement those recommendations.

Dan Hein, meat specialist from NCG, helped with a Meat and Seafood Department reset on Wednesday, May 25. The reset improved merchandising, incorporated new product, and provided meat-cutting training for the Meat and Seafood Coordinator.

A center store reset is scheduled for the nights of June 27 - 29. Billy Woodruff, NCG Center Store Retail Specialist, is working with Open Harvest to improve product flow and selection, add new products, move the dried fruit off the table and into the bulk area, gain an endcap, and improve the overall shopping experience. The Co-op expects a result of a 5-10 percent boost in grocery and bulk sales.

#### MAY PROMOTIONS

In May, the Co-op was busy with a double punch burrito day, a Tauntaun soup special, the Garden Center Sale, the Mother's Day and Woodstock Wagon giveaways, and numerous flash sales in produce and grocery. Open Harvest donated five percent of net sales to Community Crops on the Give to Lincoln Day. A meat sale promoted the newly reset Meat and Seafood department.

#### JUNE PROMOTIONS

During June, the Co-op is planning a Kayak Giveaway, introducing Grow with the Flow, a new local cut flower vender, holding a "Root Beer Floats with the GM" event, continuing weekly flash produce sales, and introducing a new product by giving away single-serve chocolate milk from Prairieland Dairy.

#### GM-BOARD DISCUSSION

The GM was asked about the goals of the CCMI training. She responded that the CCMI training focused on leadership and action planning and provided the opportunity to network with other GMs who can share successful methods in similar co-ops. The GM and NCG advisor were asked about the living wage premise for the proposed wage thaw for next fiscal year. NCG has developed a model that is based on the Massachusetts Institute of Technology (MIT) living wage model which factors in the cost of various living factors for a region. In order to provide a living wage for employees, the Co-op will must meet sales goals for the coming fiscal year. A meeting with employees is planned to communicate the relationship between sales and wage goals.

#### **GM Monitoring Report: L7—Communications to the Board:**

The GM discussed the L7 monitoring report which was available electronically to the board prior to the meeting.

**The GM must not allow the board to be uninformed or unsupported in its work. To that end,  
the GM must not:**

**L7.1. Submit monitoring reports that are untimely or inaccurate, or that lack operational definitions and verifiable data directly related to each section of the policy.**

The GM interprets this to mean that accurate and timely monitoring reports must be submitted with operational definitions and verifiable data directly related to each section of the policy.

The GM submits all monitoring reports according to the board calendar, no later than one week prior to the monthly board meeting, unless approved by the board chair. All financial data is provided by the finance manager and reviewed beforehand. All reports are edited for grammatical and numerical errors. Operational definitions are provided as needed.

The GM asserts compliance.

**L7.2. Report in an untimely manner any actual or anticipated noncompliance with any board policy, along with a plan for reaching compliance and a proposed schedule regarding follow-up reporting.**

The GM interprets this to mean that any actual or anticipated noncompliance should be reported in a timely manner and include a plan for reaching compliance and a proposed schedule regarding follow-up reporting.

Any policy where the GM asserts noncompliance will include a detailed action plan for reaching compliance with a proposed schedule for follow-up reporting. For example, at the May board meeting the GM asserted noncompliance in L1 sub-policies: L1.1 Allow operations to generate an inadequate net income, and L1.17 Allow the board to be

uninformed about the following figures in the monthly General Manager report. To address noncompliance in L1.1, the GM plans to present a detailed business plan and balanced budget for the 2016-17 fiscal year at the July board meeting. To address noncompliance in L1.17, the GM included the figures that were missing in the IGM reports in this month's GM report and will continue to do so each month per policy.

The GM asserts compliance.

**L7.3. Allow the board to be unaware of relevant legal actions, media coverage, trends, public events of the Cooperative, or internal and external changes.**

The GM interprets this to mean that the board should be aware of all relevant legal actions, media coverage, trends, public events of the Cooperative, or internal and external changes.

The board is notified of all public events through the same means as customers and member owners: via e-newsletter, social media, the website, and in-store signage. Additionally, they are kept informed of Co-op operations, trends and changes through weekly staff memos and the monthly GM report. Any other legal action, internal or external changes, trends, or media coverage regarding the Co-op of which the board needs to be aware of that is not delivered through the above-mentioned means, will be communicated directly in a timely manner through e-mail.

The GM asserts compliance.

**L7.4. Withhold her/his opinion if the GM believes the board is not in compliance with its own policies on governance and management relations, particularly in the case of board behavior that is detrimental to the work relationship between the board and the GM.**

The GM interprets this to mean that she will not withhold her opinion if she believes that the board is not in compliance with its own policies on governance and management relations.

The GM will promptly notify the board chair if she believes that any board member is behaving in a manner that is detrimental to the work relationship between the board and the GM, thereby risking board policy compliance regarding governance and management relations.

The GM asserts compliance.

**L7.5. Deal with the board in a way that favors or privileges certain directors over others, except when responding to officers or committees duly charged by the board.**

The GM interprets this to mean that communication with the board should happen in a way that does not favor or privilege certain directors over others, except when responding to officers or committees duly charged by the board.

The GM will communicate with the board members equitably, except when responding to officers or committees duly charged by the board. For example, communicating with the board chair in preparation for the monthly board meetings, working with the finance committee to monitor finances or the annual meeting committee to plan and promote the annual meeting.

The GM asserts compliance.

**L7.6. Fail to supply for the board's consent agenda all decisions delegated to the GM yet required by law, regulation, or contract to be board approved.**

The GM interprets this to mean that she must notify the board of all actions delegated to her but required by law, regulation, or contract to be board approved.

The GM will notify the board of all actions delegated to her but required by law, regulation, contract that must be board approved.

The GM asserts compliance.

**Approval of L7 Monitoring Report:** The chair asked for approval of the GM's L7 monitoring report.

**Consensus item:** The board approved the GM's L7 monitoring report.

6:30 pm

**Paula Gilbertson, NCG Development Advisor: Update and Questions:**

**Update from the advisor:**

The NCG advisor reviewed that she has been actively working with the board since the resignation of the prior GM. Her role has been to mentor and assist the Interim GM and to assist the board with the hiring of a new GM. She also has been helping the Co-op with the transition to the GM. With the hiring of the new GM now complete, the advisor's involvement with the board will decrease. She will no longer attend board meetings on a monthly basis. She will continue to be available as needed via phone, email and onsite as she continues to support the Co-op and the new GM.

**Questions to the advisor:**

Have the goals the advisor set for Open Harvest been met? She answered that the Co-op now has a capable GM in place. The new GM and the entire management team has risen successfully to the challenge of managing labor costs and has been receptive to NCG suggestions. Going forward, she would like to see the Co-op achieve increased sales with the goal of being cash positive.

When financially possible, what types of renovations or improvements would the advisor suggest? She identified several needed improvements: new fixtures in grocery, new bins for bulk items, replacement of the antiquated cheese case, an up-to-date point of sale (POS) system, a larger and more pleasant seating area, and a modernized and more functional kitchen. Such improvements would necessitate that the Co-op incur debt. NCG perhaps could loan the Co-op funds for those type of renovations.

Is Open Harvest yet eligible to reduce its deposit with the Joint Liability Fund (JLF)? The Co-op's JLF deposit with NCG was increased in January due to its financial condition. Open Harvest can petition the NCG Risk Committee to reduce its deposit, but while the its financial position has improved, the advisor opined that the Co-op likely has not demonstrated improvement long enough to warrant a reduction. The board and management can assess this in the future and request a review when appropriate.

**Question to the GM:**

Does GM feel comfortable as the NCG advisor decreases her support? The GM answered that she has developed a network of other co-op GMs who are supporting her. She has been implementing various suggestions from NCG and will consider those of other GMs. She will continue vigorous oversight of the financial position. The advisor added that the Co-op has a good management team and thinks the GM will continue to hold them accountable for their respective departments' financial success. The primary goal of NCG is to move Open Harvest toward continued financial improvement. The advisor will continue to monitor and assist the GM as needed.

6:57 pm

**Board Calendar: Discuss and Approve 2016-2017 Board Calendar:** The board chair overviewed the 2016-17 board calendar which was available electronically to the board prior to the meeting.

For efficiency, the required monitoring reports were minimized when the IGM was in place. With her transition to GM, the full calendar schedule of monitoring reports is now appropriate. This calendar contains two board retreats as the board is transitioning to a different timing for the annual retreat. In subsequent years, the calendar will contain only one retreat, which will be in late winter or early spring.

**Question to the chair:**

One of the September calendar events is to determine patronage rebates. Does the board expect to give rebates this year? The chair explained that the bylaws state that the board will determine whether to distribute patronage rebates. That decision is based on several factors, primarily being the Co-op's financial condition, and does not imply that there will be rebates to member owners.

**Approval of Board Calendar:** The chair requested approval of the 2016-2017 board calendar.

**Consensus item:** The board approved the 2016-2017 board calendar.

7:00 pm

**Board Budget: Discuss and Approve 2016-2017 Board Budget:** The board chair overviewed the 2016-17 board budget, which was available electronically to the board prior to the meeting.

For the past several years, the board has exceeded the budget for the annual meeting by a few hundred dollars. Thus the proposed meeting budget was increased to \$2,000 compared to \$1,500 last year, plus \$500 meeting printing costs. The budget for

additional attorney fees was eliminated as no attorney fees are expected for the coming year. The annual budget for the board is \$13,588:

- CDS Consulting Co-op: \$ 6,850
- Directors liability insurance: \$ 3,438
- Annual meeting expenses: \$ 2,500
- Printing of annual report: \$ 200
- Board retreat expenses: \$ 600

**Approval of Board Budget:** The chair requested approval of the 2016-2017 board budget.

**Consensus item:** The board approved the 2016-2017 board budget.

7:07 pm

**Board Operations Committee: Contact Information, Monthly Communication, Board Orientation, Retreat Update, Member Owner Engagement:**

The board chair overviewed the board contact list which was available electronically to the board prior to the meeting.

The operations committee has changed its monthly communication process in order to reduce the number of emails sent to each board member. There will be one email to provide access to the shared electronic repository for the documents used for each meeting. Each board member is responsible for reviewing the documents prior to each meeting to ensure familiarity with the documents and information to be discussed at the meeting.

The chair met with the newly elected board member for orientation. The re-elected board member was provided the option to participate but opted out as he has been on the board for many years and is comfortable with his level of knowledge about board basics.

Several possible locations were discussed for the August board retreat. The board room at the Mahoney State Park Lodge was determined to be the best option for the needs of the board retreat.

**Approval of Board Retreat Location:** The chair requested approval of the Mahoney State Park Lodge board room as the location of the August board retreat.

**Consensus item:** The board approved the Mahoney State Park Lodge board room as the location of the August board retreat.

The Operations Committee held its monthly conference call with the CDS Consultant Marilyn Scholl and discussed plans for board finance training and member owner engagement.

7:15 pm

**Liquor License Task Force:** The board chair overviewed the progress of the task force. For various reasons, the pursuit of a liquor license is deemed infeasible while the Co-op



is situated in its current location. The task force is disbanded and the engagement of the attorney is discontinued.

7:21 pm **Finance Committee:** The board chair reported that the finance committee will meet this month to discuss revisions to the GM’s monthly L1 monitoring report.

7:21 pm **Finance Education and Discussion: Co Nygren, Finance Manager: Financial Statements 101:** The Co-op’s finance manager explained various financial terms to the board using last quarter’s balance sheet and profit and loss statement to illustrate the concepts. Various ratios and other data were explained as well. The finance committee will use this information to evaluate whether changes to the L1 policy would be beneficial to the board in its role of financial governance of the Co-op.

7:50 pm **Review Action Items:**  
**Completed Action Items:**

- 4/16--2
- 4/16--7
- 5/16--1
- 5/16--3
- 5/16--4

**New Action item:** Review the bylaws to evaluate if any changes are needed. One suggestion was made to change the requirement for a full audit to every five years.

7:55 pm **Guest Members' Comments:** None.

8:00 pm **Adjourn**

Action Item	Description	Assigned To	Date Opened	Date Due
4/16—1	Update the board on implementation and progress with the L6 compliance plan.	NCG Advisor & GM	4/13/16	Pending
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	Pending
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
5/16—2	Update the board on progress with L1 compliance plans.	GM	5/4/16	7/6/16
6/16—1	Review the bylaws to evaluate if any changes are needed.	Bob Hutkins, Ellen Dubas	6/1/16	7/6/16