

**Open Harvest Cooperative
Board of Directors Meeting Minutes
Wednesday, July 6, 2016
6:03—6:07; 6:57—7:52 PM
Two Pillars Church, 1430 South Street**

Present: **Board Directors:** Brandé Payne (Board Chair), Megan Jackson (Vice Chair), Mary Hansen (Secretary), BJ Birkel, Ross Brockley, Barbara DiBernard, Ellen Dubas, Bob Hutkins. **Staff Members:** Amy Tabor (General Manager), Brian Furby.

Informed

Absence: **Board Directors:** John Christensen.

Uninformed

Absence: **Board Directors:** None.

6:05 pm **Welcome, Introductions and Announcements:** The board chair called the meeting to order and welcomed all attendees.

6:05 pm **Approval of June Minutes and July Agenda:** The chair presented the draft June meeting minutes and the draft July agenda for approval. The chair announced the addition of the approval of the revised 2016-17 board budget to the agenda.

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

6:06 pm **Reserved Member-Owner Comments:** There were no reserved member-owner comments.

6:06 pm **Member-Owner Equity Redemption Request:** The chair requested approval of an equity redemption of \$265 to member-owner number 7285.

Consensus item: The board approved redemption of \$265 to member-owner number 72855.

6:07 pm **Adjourn to Executive Session Meeting:** The regular board meeting adjourned to executive session to discuss confidential aspects of the 2016-17 business plan.

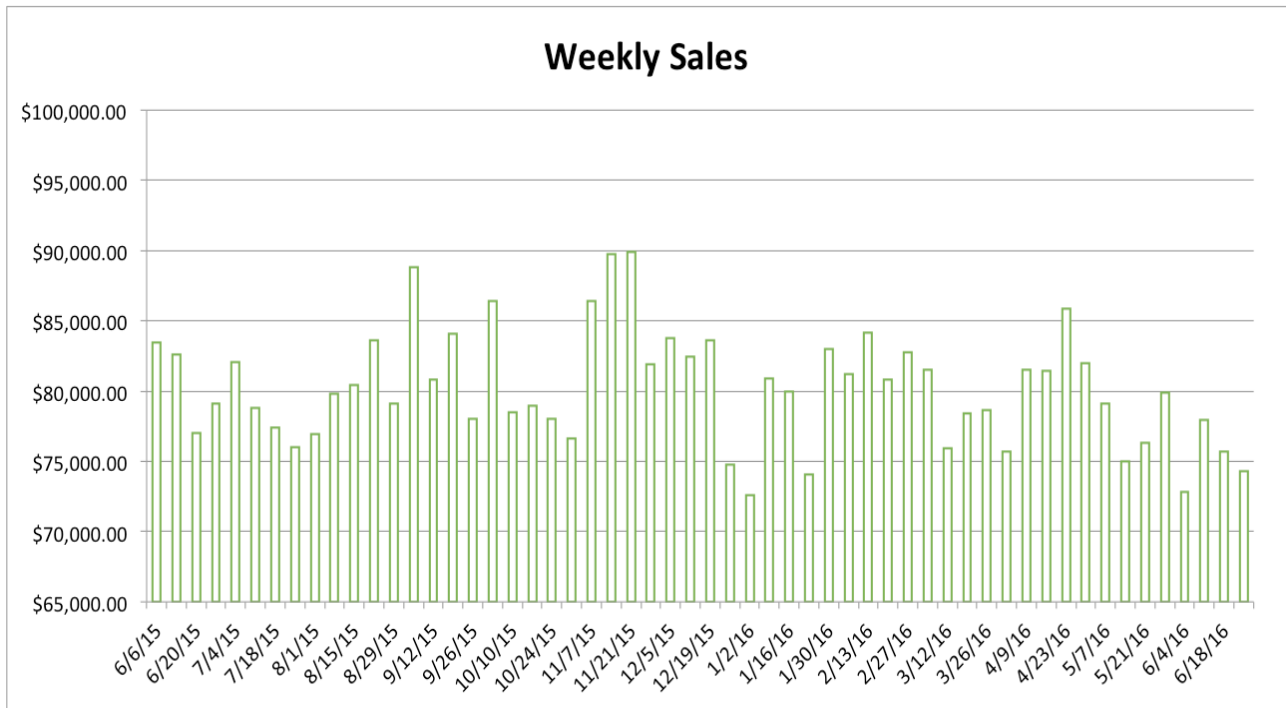
6:57 pm **Re-convene to Regular Board Meeting:** The regular board meeting re-convened.

6:57 pm **General Manager (GM) Monthly Report:** The GM discussed her monthly report which was available electronically to the board prior to the meeting:

FINANCIAL SUMMARY FOR MAY

May sales came in at \$341,056, exceeding the budget goal of \$330,217 by \$10,839 or 3.2 percent, which was just slightly below May 2015 sales. Labor for the month was \$67,653 or 19.8 percent of sales. This fell well within the labor goal of 20.8 percent. Total operating expenses came in just above the goal of 37 percent of total sales at \$127,805 or 37.5 percent.

	Sales	Labor	Expenses	Days Cash
Budget/goal	\$330,217	20.8%	37%	15 or more
May 2015	\$356,320	19.8%	36.1%	9.56
May 2016	\$341,056	19.8%	37.5%	4
% Chg. PY	(4.2%)	0%	1.4%	(5.56)



*This chart shows the weekly sales June 2015 thru the week ending June 25, 2016.

SALES PER LABOR HOUR (SPLH)

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

AP TO INVENTORY RATIO

Accounts Payable as of May 31 was \$134,347 and the last inventory was \$187,893. This is a ratio of .72.

Date	5/15	6/15	7/15	8/15	9/15	10/15	11/15	12/15	1/16	2/16	3/16	4/16	5/16
Ratio	.79	.70	.61	.79	.76	.78	.88	.59	.76	.81	.83	.73	.72

MEMBERSHIP

May 2016	
Active member owners	2862
New member owners	26
Renewals	95
Total equity	\$3025

PERSONNEL

New employees include Courtney Nore (Grocery), Joshua Neumayer (Food Service) and Andrew Martin (Food Service). Rollin Metzger (Grocery) and Mel Beelek (Food Service) are two returning employees. The Co-op is currently hiring part-time positions in Produce and a full-time Cheese Coordinator. The GM will be on vacation July 23 – 30.

There is an all-staff meeting planned for Tuesday, August 9 to present this year's business plan, budget and wage thaw. Due to the all-staff meeting, the staff party has been moved to September. The date, time and location are yet to be determined. All staff, board members and volunteers are invited. Family and friends are welcome.

OPERATIONS

At the end of June, the Co-op completed a center store reset that included the Grocery and Wellness Departments. Several outside helpers travel to Lincoln to assist in the three-day reset: Paula and Billy came from NCG, Vic from UNFI, Sheryl from Bloomingfoods Co-op, and Brandon from Prestige. After careful consideration, the Co-op will discontinue vitamin cards currently offered to member-owners. As of July 1, 2016, vitamin cards will no longer be issued. Member-owners have until September 1, 2016 to return in their cards for a \$3 coupon. All cards will be honored no matter how many stamps have been collected. Staff was notified of this change on June 23, 2016, and member-owners were notified via e-newsletter on June 28, 2016.

JUNE PROMOTIONS

June promotions included Prairieland Calf Tour (chocolate milk debut!), Father's Day grilling giveaway, Honest Tea Kayak giveaway, flash sales, Double Punch Burrito Day, and root beer floats with the new GM.

UPCOMING PROMOTIONS

Upcoming promotions include the 41st Open Harvest Birthday Party on July 3, 2016 with Mexican chocolate cupcake debut, prize wheel, and birthday flash sales; Wellness Wednesday on July 13, 2016 with 10 percent off supplements, body care and gifts; Owner Appreciation Day on August 16, 2016 with member-owners saving 10 percent off their entire shopping trip (excluding special orders).

7::03 pm

GM Policy Monitoring Report: L—Global Executive Constraint: The GM discussed the L monitoring report which was available electronically to the board prior to the meeting.

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 Co-operative Principles.

The GM interprets this to mean that she 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 Co-operative Principles.

Since taking on the Interim GM responsibilities in late December 2015, the GM has had numerous opportunities to maintain professional business practices in terms of managing key indicators and assessing operational systems. The Management Team relies on accurate weekly sales and labor reports to keep tabs on the key indicator goals for each department (the GM provided a written example). Implementing a monthly fresh inventory is a solid business practice that was recommended by several consultants from National Co+op Grocers (NCG) as a tool to better manage inventory and margin. Open Harvest has called upon the professional expertise of several NCG retail specialists. Over the course of the past six months, NCG has conducted assessments in the produce, food service, and meat and seafood departments. For each assessment, managers received a report that highlighted department strengths and opportunities for growth and development. They continue to receive support from these retail specialists via phone check-ins and email whenever necessary.

Upon the acceptance of the GM position, the GM immediately enrolled in the Consumer Cooperative Management Intensive (CCMI), a five-month webinar course offered by NCG and CDS Consulting, specifically developed for new GMs or co-op employees on track to become a GM. This course emphasizes topics on Co-op Structure & Governance, Leadership, Teambuilding, Finance, Strategic Planning, Marketing, and Managing Performance. Not only does it rely on the expertise of those employed by NCG and CDS Consulting, but the organizers also provide a solid lineup of experts that come from outside the co-op world.

The GM asserts compliance.

Approval of L—Global Executive Constraint Policy Monitoring Report: The chair asked for approval of the L policy monitoring report.

Consensus item: The board approved the L-Global Executive Constraint policy monitoring report.

7:07 pm

GM Policy Monitoring Report: L2—Planning and Financial Budgeting: The GM discussed the L2 monitoring report which was available electronically to the board prior to the meeting.

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.

The GM must not:

L2.1. Create plans or budgets that:

L2.1.1. Risk incurring those situations or conditions described as unacceptable in the board policy L1—Financial Condition and Activities.

The GM interprets this to mean that she must create a plan or budget that avoids situations or conditions described as unacceptable in board policy L1 – Financial Condition and Activities.

As the GM finalized work on next year’s budget, she reviewed board policy L1 to make certain that it aligned with expected financial conditions that specifically pertain to the budget. The budget for the fiscal year 2016-17 contains a positive net income (L1.1) and positive net income from operations (L1.12) for each quarter. The GM also has planned for sufficient liquidity (L1.2) by prioritizing capital expenses within each quarter and reviewing all cash expenses for possible reductions.

The GM asserts compliance.

L2.1.2. Omit credible projection of revenues and expenses, member-owner investment and return, separation of capital and operational items, cash flow, subsequent audit/review trails, and disclosure of planning assumptions.

The GM interprets this to mean that she must create a plan or budget that includes a credible projection of revenues and expenses, member-owner investment and return, separation of capital and operational items, cash flow, subsequent audit/review trails, and disclosure of planning assumptions.

This year’s budget includes credible projections because of the contributions of the entire Management Team and guidance from NCG Development Advisor Paula Gilbertson. Total revenue and capital expense items were considered department by department with each manager setting their own sales and margin goals based on specific planning assumptions. Expenses over \$500 are considered capital expenses and can be found in the separate Capital Budget 2016-17.

The GM asserts compliance.

L2.1.3. Do not have separate line items for external accounting and legal services. These expenses are to be listed under “Store Expenses” and not “Board Expenses.”

The GM interprets this to mean that she must create a plan or budget with separate line items for external accounting and legal services that fall within “store expenses” and not “board expenses.”

Administrative expenses for external accounting services fall within line item *6001 Accounting Services* while legal and other professional services fall within line item *6002 Other Professional Services*. Board expenses fall within the Outreach/Governance category under line item *6101 General Board of Directors*.

The GM asserts compliance.

L2.1.4. Do not address excellence in business systems and operations.

The GM interprets this to mean that she must create a plan or budget that addresses excellence in business systems and operations.

Four of the five goals in this year's business plan focus specifically on excellence in business systems and operations. The bullet-point version of these goals include:

1. *Invest in the development and product selection process and bring in more products that appeal to mid-level shoppers.*
2. *Develop and implement a robust customer service training.*
3. *Acquire a new point of sale system by third quarter.*
5. *Become the best employer the Co-op can be.*

The GM asserts compliance.

L2.1.5. Have not been researched for feasibility.

The GM interprets this to mean that she must create a plan or budget that has been researched for feasibility.

During the budget writing process, the GM relied on the Finance Manager to provide accurate reports of previous fixed and variable expenses throughout the year, as well as other historical financial data. The Finance Manager also reviewed all of the formulas in the Excel spreadsheet to check for numerical accuracy. Paula Gilbertson assisted with budget assumptions and sales, labor, and margin projections. Both reviewed the final budget before it was submitted to the board.

The GM asserts compliance.

L2.2. Provide less for Board prerogatives during the year than is set forth in the Board budget.

The GM interprets this to mean that she must provide no less than what is set forth in the board budget for board prerogatives during the year.

Money will be set aside for specific expenses outlined in the board budget 2016-17 (the GM provided an electronic copy), which feeds directly into expense line item 6101 *General Board of Directors*. This year's board budget includes money for the CDS consulting fees and travel, the board retreat, the annual meeting, the annual report printing, insurance, and an optional board stipend.

The GM asserts compliance.

L2.3. Allow the Co-operative to operate without a multi-year (at least 3-year) strategic plan, including an annual business plan, which has been researched for feasibility.

The GM interprets this to mean that she must not allow the Co-operative to operate without a multi-year (at least three-year) strategic plan, including an annual business plan, which has been researched for feasibility.

This year's annual business plan includes a three-year sales projection based on the Co-op's current location, equipment and facilities. The annual business plan has been

reviewed by the NCG Development Advisor Paula Gilbertson.

The GM asserts compliance.

Approval of L2—Planning and Financial Budgeting Policy Monitoring Report: The chair asked for approval of the L2 policy monitoring report.

Consensus item: The board approved the L2-Planning and Financial Budgeting policy monitoring report.

7:15 pm

Finance Education: Managing Key Indicators: The chair explained that CBLD consultant Marilyn Scholl recommended the article on “Managing Key Indicators” that was available electronically to the board to review prior to the meeting. The Finance Committee (FC) used the article to inform recommended revisions to L1 Policy (see below).

Finance Committee: Proposed Revisions to Policy L1 – Financial Condition and Activities: The FC presented and discussed the following revisions to L1:

L1.16. Allow the Board to be uninformed about the following figures nor the one-year quarterly history of said figures:

L1.16.1. Debit Coverage Ratio

L1.16.2. Quick Ratio

L1.16.3. Return on Assets

L1.16.4. Earnings Before Interest, Taxes, Depreciation, Amortization, and Patronage (EBITDAP)

L1.16.5. Accounts Payable to Inventory Ratio

L1.16.6. Personnel Expense as a Percentage of Sales

L1.17. Allow the Board to be uninformed about the following figures in the monthly General Manager report:

L1.17.1. Total expenses as a percentage of sales as compared to budget and the same period for the previous year.

L1.17.2. Sales Per Labor Hour (SPLH) as compared to budget and the same period for the previous year.

L1.17.3. Monthly Sales as compared to budget and the same period for the previous year.

L1.17.4. Weekly Sales with a one-year history.

L1.17.5. Days Cash on Hand as compared to industry standard and the same period for the previous year.

L1.17.6. Labor as a Percentage of Sales as compared to budget and the same period for the previous year.

Formula for EBITDAP: Net Income + Interest + Taxes + Depreciation + Amortization + Patronage

The FC chair discussed the basis for the proposed revisions:

- The FC recommends that the GM’s financial reporting reflect industry standards,

include figures the board is accustomed to reviewing if still informative, and include actual rather than estimated figures.

- Per the GM's recommendation, EBITDAP will be reported on quarterly basis as she reviews and reports this figure to NCG.
- Figures for Accounts Payable (AP) to Inventory and Personnel Expense as a Percentage of Sales would be reported on quarterly rather than monthly basis as the figures would be actual rather than estimated amounts. Only selected departments do monthly inventories, while a complete inventory is done quarterly. Moving AP to Inventory reporting from monthly to quarterly would provide an accurate figure based on actual inventory. Personnel Expense as a Percentage of Sales is different than Sales per Labor Hour and includes wages, benefits, discounts, and taxes. This expense is more accurately summarized and reported on a quarterly basis.
- The GM includes the following figures in the monthly report that are not included in the current L1 policy: monthly sales, weekly sales, and days cash on hand. Since these figures are informative for the board to review, the FC recommends they be added to L1 policy.

One suggestion was made to include member-owner forfeitures in the EBITDAP. The GM will consult with NCG regarding the inclusion of forfeitures. The chair asked that directors review and email the FC chair with any additional input and feedback regarding the proposed L1 policy revisions. The board will consider approval of the revisions at next month's meeting.

7:29 pm

Policy Revision Discussion: L7—Communication to the Board: No revisions to the L7 Policy were suggested.

7:30 pm

By-Laws Review: The only needed revision to the bylaws identified was the sentence referring the reduction in the number of board members during 2016-17 fiscal year. The chair will consult with the CBLD Consultant regarding the process for this minor revision.

7:34 pm

Board Operations Committee Report: Conflict of Interest Disclosure and CBLD Quarterly Report:

The chair described the annual and ongoing procedure for board members reporting any possible conflict of interest while serving as board members. Each director was asked to declare any possible conflict of interest. One director identified her connection to two local farmers' markets. No other possible conflicts were declared. The chair reminded the directors to inform the board if any possible conflicts arise during the upcoming year.

The chair discussed the CBLD Quarterly Consultation Report from Marilyn Scholl which was available electronically for directors to review prior to the meeting. The report summarized the services provided last quarter.

7:37 pm

Board Retreat: Location, Lunch and Agenda: The chair reminded directors that the board retreat is scheduled for Saturday, August 6, 2016 at Mahoney State Park Lodge Board Room. She will email the board regarding lunch choice selection. The chair reviewed the agenda which was available electronically to directors prior to the

meeting. Suggestions were made to further assess board needs for emeritus director involvement and the board's role in member-owner engagement. The retreat agenda may be updated after speaking with the CBLD consultant to reflect this discussion.

7:47 pm

Board Budget: Approve Revised 2016-2017 Board Budget: The chair presented the revised 2016-17 board budget that was available electronically to the board prior to the meeting.

Approval of the Revised Board Budget: The chair requested approval of the revised 2016-17 board budget.

Consensus item: The board approved the revised 2016-17 board budget.

7:50 pm

Review Action Items:

Completed Action Items:

- 4/16—1
- 4/16—3
- 5/16—2
- 6/16—1

New Action items:

Discuss retreat agenda with Marilyn Scholl.
 Present proposed L1 policy revisions for approval.
 Create a running list of possible bylaw revisions.

7:52 pm

Guest Members' Comments: None.

7:52 pm

Adjourn

Action Item	Description	Assigned To	Date Opened	Date Due
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	9/1/16
7/6—1	Discuss retreat agenda with Marilyn Scholl.	Board Operations	7/6/16	8/3/16
7/6—2	Present proposed L1 policy revisions for approval.	FC	7/6/16	8/3/16
7/6—3	Create a running list of possible bylaws revisions.	Board Operations	7/6/16	8/3/26