

**Open Harvest Cooperative
Board of Directors Meeting Minutes
Wednesday, September 7, 2016; 6:00 – 7:58 PM
Two Pillars Church, 1430 South Street, Lincoln, NE**

Present: **Board Directors:** Brandé Payne (Board Chair), Megan Jackson (Vice Chair), Mary Hansen (Secretary), BJ Birkel, Ross Brockley, John Christensen, Barbara DiBernard, Ellen Dubas, Bob Hutkins. **Staff Members:** Amy Tabor (General Manager), Brian Furby. **Member Owners:** Claude Cocodrilli, Prudence Cocodrilli, Skylar Falter, Robin Goracke, Paula Shafer (notetaker).

**Informed
Absence:** **Board Directors: None.**

**Uninformed
Absence:** **Board Directors: None.**

6:00 pm **Welcome, Introductions, Announcements:** The board chair called the meeting to order, welcomed board members, staff and member owners.

6:02 pm **Approval of August minutes and September agenda:** The chair presented the draft August board meeting minutes and the September agenda for approval.

Consensus Items: The board approved the August meeting minutes and the September agenda with no changes.

6:03 PM **Reserved Member-Owner Comments:** A member-owner of the co-op, who had requested time prior to the meeting, spoke about the discontinuation of the volunteer program. The board responded to his concerns and answered his questions.

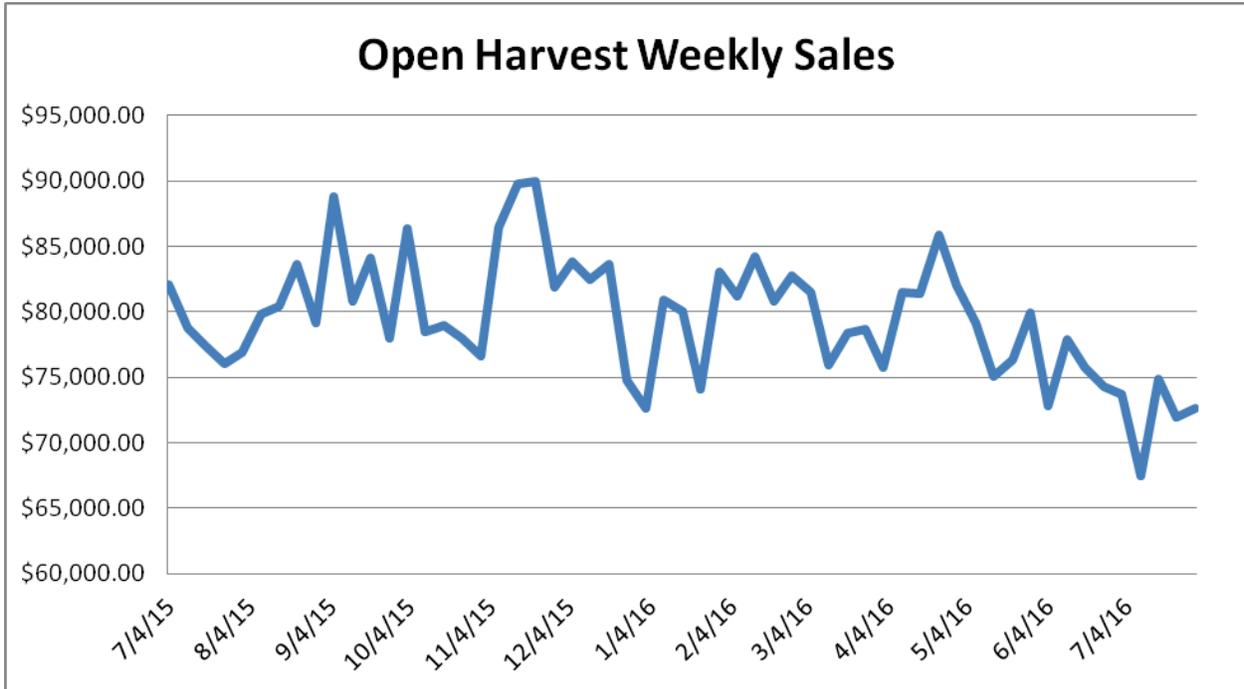
6:30 PM **General Manager Monthly Report:** The GM discussed her monthly report which was available electronically to the board prior to the meeting.

FINANCIAL SUMMARY (July 1 – 31)

July sales came in at \$320,724 missing the budget goal of \$357,774 by (\$37,050) or (10.4 percent). July sales trended below July 2015 sales by (5.9 percent). Labor costs for the month were \$67,773 or 21.1 percent of sales, which were just over goal by \$3,628 or 1.1 percent and .4 percent above labor costs in July 2015. Total operating expenses were held at \$117,159 or 36.6 percent of sales.

| | Sales | Labor | Expense | Days Cash |
|--------------------|------------------|--------------|----------------|-------------------|
| Budget/goal | \$357,774 | 20% | 37% | 15 or more |
| July 2015 | \$341,084 | 20.7% | 42.0% | 7.3 |
| July 2016 | \$320,724 | 21.1% | 36.5% | 5.7 |
| % Chg. PY | (5.9%) | .4% | (5.5%) | (1.6) |

One issue affecting July sales was that customer count was down by 950 from last year which created a higher than usual summer slump. The GM noted that many Lincoln businesses suffered similar downturns during the month. The board and GM discussed whether the Co-op should make efforts to mitigate slumps or to optimize peaks. The GM pointed out that half of the July dip in customer count occurred during one week. More in-depth data would be needed to determine patterns of weekly or daily customer count.



SALES PER LABOR HOUR (SPLH)

| Date | 7/15 | 8/15 | 9/15 | 10/15 | 11/15 | 12/15 | 1/16 | 2/16 | 3/16 | 4/16 | 5/16 | 6/16 | 7/16 |
|------|------|------|------|-------|-------|-------|------|------|------|------|------|------|------|
| SPLH | \$61 | \$66 | \$63 | \$59 | \$67 | \$62 | \$62 | \$69 | \$63 | \$65 | \$60 | \$58 | \$59 |

AP TO INVENTORY RATIO

Accounts Payable as of July 31, 2016 was \$147,636 and the last inventory was \$195,289. This is a ratio of .76.

| Date | 7/15 | 8/15 | 9/15 | 10/15 | 11/15 | 12/15 | 1/16 | 2/16 | 3/16 | 4/16 | 5/16 | 6/16 | 7/16 |
|-------|------|------|------|-------|-------|-------|------|------|------|------|------|------|------|
| Ratio | .61 | .79 | .76 | .78 | .88 | .59 | .76 | .81 | .83 | .73 | .72 | .77 | .76 |

MEMBERSHIP

| | |
|---------------------------------------|---------|
| July 2016 | |
| Active member owners | 2886 |
| New member owners | 19 |
| Renewals | 66 |
| Total equity | \$2,125 |
| Abandoned equity (reported quarterly) | \$0 |

PERSONNEL

The Wellness Department sales have not been able support its labor for several years. As a result, a department position was eliminated. The GM completed her final Consumer Cooperative Management Intensive (CCMI) seminar in Raleigh Chapel Hill, NC on August 23 – 25. She plans to give a short presentation about her CCMI experience and action plans at the October board meeting. The Produce Manager went to Focus on Fresh (National Co-op Grocers Training) in St. Paul, MN on August 17--18. The Managers have worked out various schedules, using attrition and more efficient systems, to implement a wage thaw on October 1. No position eliminations are planned at this time.

OPERATIONS

An all-staff meeting was held on August 9, where the GM introduced Continuum (the new Employee Assistance Program (EAP), the strategic plan, store goals, and the employee wage thaw. The GM also reviewed the Co-op's current financial situation. Gardiner Thompsen CPAs conducted the annual financial review on August 11. The fiscal year-end data will be presented and discussed at the October board meeting. The first round of monthly department meetings took place the week of August 22. These monthly meetings will be an opportunity to touch base with all staff, brainstorm, and review any policy changes and department training. Attendance is mandatory. This month's meeting focused on the wage thaw, department SMART goals and July financial figures.

The marketing assistant is working on new materials for the Member-Owner Drive in October (co-op month). A new Manager of the Day (MOD) manual and schedule is nearly complete and will be implemented in early September once training is completed. All Managers and Assistant Managers will be contributing to the MOD schedule and will help support store operations throughout the week. This should greatly improve efficiencies and cross-department training, thus positively impacting customer service. The GM met with *Firespring* staff to discuss their marketing report for the direct mail campaign that will start in September. Phase 1 (Sept – Dec) will focus on people who are already shopping at the Co-op, i.e., current member-owners and shoppers that fit the Co-op's current target market demographic. The goal is to get 25 new shoppers to spend \$40 per week by 1) being top of the mind through frequency, 2) convincing them to try items through coupons, and 3) building brand loyalty

through experience.

The volunteer program officially ended on August 31. The GM has spoken to many volunteers regarding the change and received mixed responses. Some have taken the time to visit, send e-mails, and in one case, write negative reviews on Facebook. The GM continues to make herself available for continuing conversations and will include an article in the fall edition of the *Dirt* newsletter.

STORE GOALS PROGRESS

The GM presented the following report describing progress on strategic planning goals.

| Store Goal | Progress in August |
|--------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1. Invest in the development and product selection process and bring in more products that appeal to mid-level shoppers. | 1. Food Service rolled out a new burrito menu, venison burgers, and muffuletta sandwich. 2. Two Managers completed SATORI training (SPINS new reporting platform). |
| 2. Develop and implement a robust Customer Service Training. | 1. Training more MODs to provide support throughout the week. New schedule will be implemented in early September. 2. Sent Produce Manager to Focus on Fresh Conference in St. Paul, MN. |
| 3. Acquire a new point of sale system by third quarter. | 1. IT Manager has met in-person with representatives from Catapult and SMS to discuss the pros/cons of each POS system. |
| 4. Prepare to explore possible relocation scenarios. | |
| 5. Become the best employer we can be. | 1. Managers created and are working on schedules to thaw wages October 1. 2. Introduced Continuum, a new EAP, at the all-staff meeting. 3. Held the first monthly department meetings. 4. GM completed CCMI training. |

PROMOTIONS

| August | Date | Impact | Notes |
|--------------------------------------------------------------------------------|----------------|----------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Kids Eat Free free mini-burrito w/each purchase off new burrito menu | 8/19 | 6 FREE | Held on a Friday to drive sales. First time for this promotion. Plan to repeat and assume it will be more successful with more frequency. |
| BackPack Drive \$5 off \$25 coupon with each donation | 8/17-8/31 | \$450 in sales that will cost us \$90. | First time for backpack drive. |
| Wellness Wednesday | 8/31 | | This is second Wellness Wednesday; don't have data at the time of this report. |
| SEPTEMBER: Celebrating Local! | | | |
| Grow w/the Flow (vendor demo) | 9/9 @ 2:30 pm | | Arranging bouquets in the store! |
| Onyx + Green Sale | 9/6-9/13 | | 20% off all school supplies |
| Wellness Wednesday | 9/14 @ 2:30 pm | | All shoppers save 10% on body care and supplements. Possible local vendor TBD. Plus 1-day only Owner Deal additional 10% off canning supplies. Discovery Canning Kit Giveaway. |
| Common Good (vendor demo) | 9/17 @ 2:30 pm | | COMMON GOOD KALE FLASH SALE. Plus Ruth will be talking about the farm! |
| Local Weekend Sale | TBD | | Select local products on sale. |
| Milk Giveaway | | | Increase in "Like, Comment, Reply" hits from 60,000 last year to 175,000 this year. Member-owner won give-away. |

The GM Policy Monitoring Report: L4—Member-Owner Rights and Responsibilities:

The GM presented the L4 monitoring report which was available electronically to the board prior to the meeting.

L4 – Member-Owner Rights and Responsibilities: The General Manager must not allow member owners to be uninformed or misinformed of their rights and responsibilities.

The GM must not:

L4.1. Create or implement a member-owner equity system without the required member equity, or fair share as determined by the board.

The GM interprets this to mean that the member-owner equity system must include member equity, or fair share as determined by the board. The current equity system requires a \$25 annual equity (common stock) payment as set forth in the Articles of Incorporation (Article 4.1 Capitalization). Equity payments can be processed at the register, by mail or on the website www.openharvest.coop/ownership.

The GM asserted compliance.

L4.2. Allow member-owners to be uninformed that equity investments are a) at risk, and b) generally refundable, though the board retains the right to withhold refunds when necessary to protect the Co-operative's financial viability.

The GM interpret this to mean that member-owners must be informed that equity investments are a) at risk and b) generally refundable, though the board retains the right to withhold refunds when necessary to protect the Cooperative's financial viability. The terms of ownership are on each new member-ownership form and renewal form (attachments were included). It explicitly states on the eighth bullet point, "My member-ownership equity is only refundable at the Board of Directors' discretion as set forth in the Bylaws, a copy of which will be provided upon request." Terms of member-ownership are also found on the website under the Ownership tab. Member-owners are required to read and sign a renewal document every year.

The GM asserted compliance.

L4.3. Implement a patronage dividend system that does not:

L4.3.1. Comply with IRS regulations.

The GM interprets this to mean that the patronage dividend system must comply with IRS regulations. According to Article 8.2.1 Patronage Dividends in the Articles of Incorporation, "Patronage dividends paid by the Cooperative shall be computed and paid in accordance with Subchapter T of the Internal Revenue Code."

The GM asserted compliance.

L4.3.2. Allow the board to examine a range of options and implications, so the board can make a timely determination each year concerning how much, if any, of the Co-operative's net profit will be allocated and distributed to members-owners.

The GM interprets this to mean that the patronage dividend system allows the board to examine a range of options and implications, so the board can make a timely determination each year concerning how much, if any, the Cooperative's net profit will be allocated and distributed to member-owners. The Articles of Incorporation gives the board great flexibility in determining allocations of the Co-op's net profit. The initial calculation for determining patronage dividends is outlined in Article 8.2.2. It states: "gross earnings, less operating expenses (including taxes), short term debt, long term debt service payments and reserves as determined by the Board of Directors in its sole discretion. This amount will then be multiplied by the ratio of shareholders sales to total sales." It goes on to state in Article 8.2.5 that, "The Cooperative shall not be required to pay all net profits as patronage dividends and may set aside any amount of net profits as reserves as the Board of Directors may determine in its sole discretion."

The GM asserted compliance.

L4.4. Fail to maintain a customer service desk with, at minimum, basic information about co-ops and membership in Open Harvest Co-op.

The GM interprets this to mean that our customer service desk should be maintained, at minimum, with basic information about co-ops and membership in Open Harvest Co-op. Our customer service desk and all registers are stocked with our Join brochure (see attached); a print piece that has basic information about Open Harvest and what it means to be a member. We also have the NCG brochure What is a Co-op? Available for customers to pickup at our customer service desk.

The GM asserted compliance.

Approval of L4 Monitoring Report: The chair requested approval of the GM's L4 monitoring report.

Consensus Item: The board approved the GM's L4 monitoring report.

Approval of Request for GM Monthly Reporting on Non-Compliant Policies: The chair formally requested that the GM report monthly on the non-compliant policies.

Consensus Item: The board approved the request that the GM report monthly on non-compliant policies.

6:46 PM

Revise Policy L1—Financial Condition and Activities (lead by Finance Committee): The proposed policy change is not yet complete and will be discussed at the October meeting.

6:47 PM **Board Operations Committee Report:** The Operations Committee held its monthly conference call with CBLD Consultant Marilyn Scholl. The Committee reviewed the September agenda and follow-up on the board retreat “parking lot” items.

6:49 PM **Membership Structures Committee Report: Annual Meeting Planning Update:** The committee met twice and began planning of the Annual Meeting. A report with plan details was available electronically to the board prior to the meeting. The Committee proposed to hold the event on Thursday, October 27, 2016 from 5:00 to 8:00 pm at the Apothecary in the Haymarket. At this time, the plan is for food for the event to be provided by the Co-op with a dessert potluck. The event will include child care and a social hour for members-owners to talk with the board prior to the meal and meeting.

Approval of Annual Meeting Plan: The board chair requested approval of the Annual Meeting plan.

Consensus Item: The board approved the place, date and time of the Annual Meeting.

The committee will meet again to finalize Annual Meeting plans and discuss revisions of its charter.

6:53 PM **Board Education: Discussion of Article Section, “Transcending the ‘Social’ and the ‘Economic.’”** At the board retreat, the board identified the goal of increased strategic planning. In follow-up, the chair led a discussion on the first section of the article, *Three Strategic Concepts for the Guidance of Co-operatives*, which was distributed electronically to the board prior to the meeting. The board will continue with discussions of the other sections of the article at future board meetings. Recognition of the contribution of volunteer member-owners will be added to the Annual Meeting presentation.

7:37 PM **Board Self Evaluation Planning: G Policies:** The chair reminded board members that the board will evaluate itself through review of the G policies at the October board meeting. She distributed copies of the CDS Consulting Co-op’s *4 Pillars of Cooperative Governance Self-Assessment* which Marilyn Scholl provided in the board retreat report. The chair asked board members to review the form and discussed its use for board self-evaluation.

Approval of the Use of a Board Self-Evaluation Questionnaire: The chair requested approval to use the CDS Consulting Co-op’s self-assessment as part of board self-evaluation.

Consensus Item: The board approved the use of the CDS Consulting Co-op’s self-assessment as part of board self-evaluation.

The chair asked each board member to complete and either return the self-assessment electronically or to customer service by September 28. In addition, she asked board members to review the G Policies in preparation for self-evaluation at next month’s meeting.

- 7:40 PM **Board Retreat Review: Formalize Board Priorities:** The chair reviewed the retreat action items. She discussed progress on and completion of the items and asked the board to prioritize the items. The board selected member-owner engagement as the highest priority action item. The board discussed ideas for member-owner engagement and will continue with ongoing discussions.

- 7:51 pm **Board Elections Planning:** At present, one board member will stand for re-election this year, six next year, and two the following year. As the board recently reduced to a nine-member board, the chair expressed a need to plan future elections so that there is a more balanced ratio with three board members standing for election each year. The chair will facilitate a plan to adjust the terms through speaking with board members and presenting a plan at the October meeting.

- 7:53 pm **Review Action Items**
 - Completed Action Items:**
 - 7/16—3 The chair created a running list of possible bylaw revisions.
 - 8/16—1 Membership Structures Committee met to begin planning of the Annual Meeting but did not discuss revision of its charter.
 - 8/16—2 The chair and a board member wrote an article for the Dirt focusing on member-owner engagement.
 - 8/16—4 The GM reported on the impact of store resets on sales.

 - New Action Items:**
 - 9/16—1 Membership Structures Committee will meet to continue planning and making arrangements for annual meeting and to discuss revisions of its charter.
 - 9/16—2 Membership Structures Committee will include the recognition of volunteer member-owners in the annual meeting presentation.
 - 9/16—3 The chair and GM will contact volunteers to communicate recognition and appreciation for the work each volunteer has contributed to the Coop.
 - 9/16—4 Each board member will complete and return the board self-assessment form.
 - 9/16—5 The board will continue to discuss strategies for member-owner engagement.
 - 9/16—6 The chair will present a plan to adjust board terms.

- 7:57 pm **Guest Members-Owners' Comments:** A new grocery store is opening downtown; the plans and funding are in progress.

- 7:58 pm **Adjourn**

| Action Item | Description | Assigned to | Date Opened | Date Due |
|-------------|--------------------------------------------------------------------------------------------------------------------------|---------------------------------|-------------|----------|
| 7/16 – 2 | Present proposed L1 policy revisions for approval. | Finance Committee | 7/6/16 | 9/7/16 |
| 8/16 – 1 | Meet and discuss revision of committee charter. | Membership Structures Committee | 8/3/16 | 10/5/16 |
| 8/16 – 3 | Research legal requirements regarding audits. | GM | 8/3/16 | 9/7/16 |
| 9/16--1 | Continue planning and making arrangements for annual meeting. | Membership Structures Committee | 9/7/16 | 10/27/16 |
| 9/16—2 | Include the recognition of volunteer member-owners in the annual meeting presentation. | Membership Structures Committee | 9/7/16 | 10/27/16 |
| 9/16 – 3 | Contact volunteers to communicate recognition and appreciation for the work each volunteer has contributed to the Co-op. | GM and Board Chair | 9/7/16 | 10/5/16 |
| 9/16 – 4 | Complete and return the board self-assessment form. | Each Board Member | 9/7/16 | 9/28/16 |
| 9/16—5 | Discuss strategies for member-owner engagement. | Board | 9/7/16 | 10/5/16 |
| 9/16--6 | Present plan to adjust board terms. | Board Chair | 9/7/16 | 10/5/16 |