

Open Harvest Cooperative
Board of Directors Meeting Minutes

Wednesday, January 7, 2015

6:00 – 8:00PM

Two Pillars Church, 1430 South Street

Present **Board Directors:** Carla McCullough (Board Chair), Brandé Payne (Vice Chair), Sarah Bauman, Barbara DiBernard, Sarah Disbrow, Mary Hansen, Bob Hutkins, Steven McFadden, Molly Phemister, Kat Shiffler, Janet Squires, Nick Svoboda. **Staff Members:** Kelsi Swanson (General Manager), Brian McCue, Tanika Cooper. **Member Owners:** Dylan Lanowski, Paula Shafer (notetaker).

Absent **Board Directors:** John Christensen, Megan Jackson, Lin Quenzer.

6:07 PM **Welcome, Introductions, Announcements:** The Board Chair called the meeting to order, welcomed board members, staff, and member owners. She announced that the Board Officers will attend the CLBD conference on January 10 in St. Paul, MN. The conference is free and any other board members who want to attend were invited to join.

6:09 PM **Consensus items: Approval of minutes and agenda:** The Chair presented the draft December board meeting minutes; draft December executive session meeting minutes, and the January agenda for approval.

Consensus items: The board approved the December meeting minutes, the December executive session meeting minutes, and the January agenda with no changes.

6:09 PM **Reserved Member Comments:** None.

6:09 PM **GM Monthly Report:** The GM discussed the highlights of her monthly report, which was distributed prior to the meeting.

SALES

November 2014 Sales: \$357,780

Original Budget: \$376,667 (Q2 budget of \$1,130,000/3)

November 2013 Sales: \$401,866

AP TO INVENTORY RATIO

Accounts Payable as of November 30, 2014, was \$199,919 and the last inventory was \$231,831. This is a ratio of .86.

Date	11/13	12/13	1/14	2/14	3/14	4/14	5/14	6/14	7/14	8/14	9/14	10/14
AP to Inv. Ratio	.73	.64	.70	.66	.79	.82	.59	.68	.74	.78	.71	.83

(You want a maximum of .75 or .80 for an AP to Inventory Ratio. More than one means you owe more than the wholesale value of the inventory on your floor)

WAGES AND SALARIES

Wages and Salaries for November 2014 were 20.34% of store sales, or \$72,760

Wages and Salaries budgeted for Q2 was 19.5% of store sales, or \$69,767

Wages and Salaries for November 2013 were 19.19% of store sales, or \$81,838

TOTAL OPERATING EXPENSE

Total Operating Expense for November 2014 were 39.73% of store sales, or \$142,161

Total Operating Expense budgeted for Q2 was 36.67% of store sales, or \$131,198

Total Operating Expense for November 2013 were 36.21% of store sales, or \$154,907

TOTAL STORE SALES PER LABOR HOUR (SPLH)

November 2014 Total Store SPLH was \$56.81

November 2013 Total Store SPLH was \$61

12/13	1/14	2/14	3/14	4/14	5/14	6/14	7/14	8/14	9/14	10/14
\$55	\$52	\$58	\$59	\$60	\$57	\$55	\$53	\$56	\$59	\$57

Membership numbers for November 2014

- Renewals – 79
- New Members – 43
- Membership Forfeitures – 0
- Member Equity Redeemed – 1
- Total Member Count - 2845

SUMMARY

- Whole Foods opened on December 11, 2013, so we just cycled on one year of them being open. Sales for the store in that period of time were down close to 13%. Each department was affected differently. Customer transaction count was down by 12,595, and the average transaction basket size was down by \$1.57.
- The GM expressed her appreciation to all Board Members who were able to assist with customer service over the Christmas holiday.
- The GM and Board Chair made the decision to follow the original 2014/2015 budget plan and renewed the 2015 CBLD agreement. It was renewed at an annual cost of \$6,650, which was partially offset by a \$2,000 grant from NCGA. The renewal fee includes various resources, such as consulting services and various tools for the board.
- BJ Birkel resigned as the Brand Manager; Amy Tabor was promoted into the position. She will continue to perform her current duties as the Outreach Coordinator in addition to the new position until the store's financial position improves.
- The sublease with Two Pillars was renewed for 2015. The church is used for the Board meetings, other meetings by the store staff, candidate interviews, and classes.

- Sales remain steady. In order to accommodate the new labor hours and wage structure implemented at the beginning of the year, the store must achieve \$84,000 in weekly sales.
- The Q2 numbers will be made available January 21 to the Finance Committee, and then sent to the rest of the board with the February board reports.
- *The Dirt*, the store newsletter will be published quarterly, rather than bimonthly, to save time and money.

OUTREACH ACTIVITIES SUMMARY

- Last Month – CASA Giving Tree was a success. Shoppers, member-owners, and staff purchased more than 80 gifts for CASA children.
- Current Month
 - *The Dirt* will be available later this week.
 - Local Foodshed Working Group Meeting: January 13, 4:30 to 5:30, Lancaster Manor, 1001 South Street
 - Beer and Cheese: January 13, 6:00 to 8:00 PM, Zipline Brewing Co., 2100 Magnum Circle Suite 1. These events have been so well attended that the price has been increased to \$25.
 - Seed Swap: January 31, 1:00 to 3:00 PM, Antelope Park Church of the Brethren, 3645 Sumner Street
- Next Month: Gentle Healing with Flower Essences: February 26, 6:00 to 8:00 PM, 2 Pillars Church, 1430 South Street, Suite 110

CASH FLOW IMPROVEMENT

- The new store commercial is complete and was made available for online viewing to the board. It is not yet being aired. Two board members commented that the ad does not mention that the store is a Co-op.
- The store management team is working to continue to reduce inventory.
- The GM, working with additional members of the community, has started to develop a new plan of action for obtaining a liquor license.
- The new Brand Manager is working to reduce expenses by simplifying efforts. This includes, but is not limited to, quarterly newsletters, sales events, and coupons over the year. Sales flyers are now printed in house in small batches on demand; these will not be eliminated completely because they are very popular in social media, and many customers still like to pick them up in the store.
- Labor hours in the store have been reduced. The goal is 250 per week.
- The store is able to set aside the funds each month for repaying the member loans. It is also servicing its bank debt. Repaying the loan from the store's cash reserves has not started, but a plan for that repayment should be possible by February.
- The cash flow improvement plan includes the impact of the new state minimum wage.

6:40 PM **Monitor L8 (Executive Session):** The GM reviewed her report that had been distributed to the board prior to the meeting, asserting compliance.

Consensus item: The board approved the L8 report.

6:42 PM **Policy Committee:** A draft of the revised policies was completed and sent to each member of the board prior to the meeting. The document will be discussed in a later agenda item.

6:43 PM **Board Election Committee:** The committee revised the application and is now ready to begin recruitment of candidates for the April election. The terms of 6 board members are expiring with the fiscal year and each may run for re-election. The committee will need to revise its communication schedule and methods due to the reduced schedule for newsletters. The committee will discuss how to publicize the election to the membership.

6:46 PM **Finance Committee:** The committee, which meets quarterly, did not meet in December. The next regularly scheduled meeting is January 30 at noon.

6:48 PM **Policy Governance Training** – The committee chair thanked everyone involved in the drafting of the new policies. The committee merged the current policies into the CBLD template in order to simplify the policies. Each board member was asked to read the policies carefully and provide feedback to the board chair prior to the February meeting in order to approve the policies at that time.

DISCUSSION AND QUESTIONS

- The committee chair requested assistance with formatting of the document.
- The draft policies retained the current labeling/identifiers.
- The committee chair called attention to the new Policy G5.5 which states that board members will be removed from the board after three unexcused absences. An absence is deemed unexcused if the chair is not notified that the board member will be absent.
- Does the Ends statement need to be revised in light of the store's financial situation? Response: that should be discussed at the board's June retreat. It was suggested that members of the board read other co-op's ends statements to prepare for that discussion.
- Policy L4 was unchanged from the current reports. All of the L policies were reorganized, but the information remains the same.
- The Board Calendar will need to be changed to be consistent with the new policies.
- Policy G4.3 states that decisions will be by majority, rather than the current consensus. With the new policy, motions and seconds followed by majority votes will be used. One board member prefers consensus and wants to ensure that the policy is changed only after serious discussion and consideration.

- A member of the board commented that the current schedule for board meetings means that all discussion of the store finances is based on data that is always more than 1 month old, e.g., the January meeting discussed the November financials. The GM responded that the current schedule provides for discussion of more accurate data. Faster numbers are far less accurate.
- In a prior meeting the board discussed whether to have a winter retreat or social. Is that an issue to include in the policies? The response was that the policy states that events and meetings are placed on the Board Calendar.

The Committee Chair reminded the board to review the draft policies and communicate any suggestions or concerns to him. He committed to sharing all feedback with the entire board with the goal of discussing the policies and obtaining consensus at the next meeting.

7:13 PM

Guest Members' Comments:

1. A guest member requested clarification of the weekly sales goal. The GM responded that the weekly goal of \$84,000 is necessary to accommodate the new minimum wage and labor structure.
2. Could the finance committee meet more often in light of the store's financial condition, or perhaps hold emergency meetings? The GM responded that emergency meetings are held with the entire board, rather than just one committee.
3. Who is the person that was mentioned during the meeting? The Board Chair responded that she is an advisor provided by CBLD.
4. Are there other co-ops that are successful? Several board members responded that there are successful co-ops in Iowa, Kansas, and Minnesota that they are familiar with. The GM used these as benchmarks at various times in the past year, most notably when deciding an appropriate level of labor hours for Open Harvest, for total store and by department.
5. Why does the co-op not consider Russ's Market to be competition? To clarify an earlier statement, the GM stated that Russ's may not view Open Harvest as competition. The two stores serve a different market and a different demographic. In order for the store to compete directly with a conventional grocery store such as Russ's, Open Harvest would need to become a hybrid co-op. That means that the store would sell conventional items in addition to the organic items that it currently sells. This is a major change; at present Open Harvest has a strict buying policy that all products sold in the store meet product ingredient and growing standards.
6. Two additional stores that focus on organic, natural products have opened in Lincoln recently, furthering increasing competition. These stores are not located within the neighborhood that Open Harvest serves. A past market study uncovered that most of the store's customers live within 3 miles of the store.
7. While the board has educated itself with respect to finance, can it get education on other aspects of running a co-op? It was suggested that board members visit other stores in Lincoln and compare those to Open Harvest. In the past, the store has

been a leader in organic and natural products. But now the store has competition, it needs to emphasize how to be a better grocery store.

8. A staff member stated that customers are telling him that products sold at Open Harvest are cheaper in other stores. Could the store increase its marketing?
Response: Information is available in many places including social media, signs in the store, flyers, etc. But people often do not read the information that is available.
9. Grocery shoppers tend to stay close to their residence. Can the store engage the neighborhood better?
10. At present the US has an experience-based economy. People shop where they enjoy themselves or feel good about shopping. How could the store get people to feel good about shopping at a co-op? Response: While some negative results are discussed in the meetings, the store is still a positive environment and provided a place of community for many. The store is adjusting to the economic conditions.
11. Some cities have more cultural support for co-ops, such as Madison, WI. E.g. Trader Joe's was not as successful there as it appears to be in Lincoln. That is not the case here in Lincoln; it is less culturally accepting of co-ops. UNL is different from universities in other cities.
12. A board member suggested that Open Harvest find ways to market outside of Lincoln as she knows that people who live as far away as Grand Island make a point of shopping at Open Harvest when they are in Lincoln.
13. A staff member suggested that marketing find a way to remind member owners of the impact of their shopping elsewhere.
14. All of the discussion raised valid concerns of the importance of a co-op. Perhaps the up-coming 40th Anniversary celebration events would be a good time to remind member owners and the public at large.

7:45 PM

Adjourn to Executive Session