

Open Harvest Cooperative

Board of Directors Meeting Minutes

Wednesday, July 8, 2015

6:00 – 8:00PM

Two Pillars Church, 1430 South Street

- Present** **Board Directors:** Carla McCullough (Board Chair), Brandé Payne (Vice Chair), Megan Jackson (Secretary), Sarah Bauman, Ross Brockley, Barbara DiBernard, Sarah Disbrow, Ellen Dubas, Mary Hansen, Bob Hutkins, Steven McFadden, Molly Phemister. **Staff Members:** Kelsi Swanson (General Manager). **Member Owners:** Paula Shafer (notetaker).
- Excused Absences** **Board Directors:** John Christensen, Kat Shiffler, Nick Svoboda.
- Unexcused Absence** **None.**
- 6:03 PM **Welcome, Introductions, Announcements:** The Board Chair called the meeting to order, welcomed board members, staff, and member owners. She announced that the Vice Chair will be chairing the next meeting as she will be on vacation with her family at the time of the August meeting.
- The Chair announced that the board had agreed at the June retreat to streamline the meetings in order to allow time on the agenda to discuss various topics related to vision. Thus, from this meeting forward the GM’s monthly report is allotted only 10 minutes and the committee reports only 5 minutes, unless arranged with the Chair prior to the meeting.
- 6:05 pm **Consensus items: Approval of minutes and agenda:** The Chair presented the draft June board meeting minutes, the May executive meeting minutes, and the July agenda for approval.
- Consensus items:** The board approved the June board meeting minutes, the May executive meeting minutes, and the July agenda with no changes.
- 6:06 PM **Reserved Member Comments:** None.

6:06 PM

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

SALES

May 2015 Sales: \$356,320

Original Budget: \$386,666 (4th qtr. budget of \$1,160,000/3)

May 2014 Sales: \$379,831

AP TO INVENTORY RATIO

Accounts Payable as of May 31, 2015 was \$171,442 and the last inventory was \$217,612. This is a ratio of .79.

AP to Inventory Ratio

Date	5/14	6/14	7/14	8/14	9/14	10/14	11/14	12/14	1/15	2/15	3/15	4/15
	.59	.68	.74	.78	.71	.83	.86	.70	.81	.72	.73	.85

(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 May 2015 were 19.75% of store sales, or \$70,382

Wages and Salaries budgeted for the 4th quarter was 18.75% of store sales, or \$66,810

Wages and Salaries for May 2014 were 20.41% of store sales, or \$77,514

TOTAL OPERATING EXPENSE

Total Operating Expense for May 2015 were 36.06% of store sales, or \$128,486

Total Operating Expense budgeted for the 4th quarter was 36.92%, or \$131,553

Total Operating Expense for May 2014 were 39.49% of store sales, or \$150,012

TOTAL STORE SALES PER LABOR HOUR (SPLH)

May 2015 Total Store SPLH was \$65.68

May 2014 Total Store SPLH was \$57

6/14	7/14	8/14	9/14	10/14	11/14	12/14	1/15	2/15	3/15	4/15
\$55	\$53	\$56	\$59	\$57	\$57	\$60	\$69	\$68	\$68	\$64

(The ratio of how many hours you schedule to generate your sales, expressed as a dollar figure. The higher the number, the more efficient you are using people's time, or your customers are making higher dollar or more item department purchases.)

DAYS CASH ON HAND (DCOH)

May 2015: 9.56

(How many days you can stay open with the cash you have. NCG's industry standard of DCOH to strive for is 10 or more.)

Beginning with the August board meeting, the GM plans to present visually, with charts and graphs, her report of the financial position of the store. She asked for and received input from the board on the format of the charts to be provided. The board prefers a dashboard presenting how the various metrics are trending.

MEMBERSHIP NUMBERS:

May 2015

- Renewals – 113
- New Members - 22
- Memberships Abandoned - 87
- Member Equity Redeemed - 0
- Total Member Count- 2737

SUMMARY:

- The store's slump in sales continues; the GM forecasts a decline in annual total store sales of more than 8% of this Fiscal Year as compared to the prior year. The store's financial manager will attend the August board meeting to provide an overview to the co-op's financials. She encouraged the board members to prepare questions.
- Due to continual slower sales, staff members are constantly working to improve sales, while keeping labor hours down in all departments. It is challenging, but that is the reality of running a retail business in an ever changing grocery landscape.
- The 30 second commercial is complete and is airing on various media outlets this month, July 2015. The Ross airs the advertisement at no charge; hence, the GM has sent a greeting card with a gift card enclosed to the Ross in appreciation.
- While Marketing and Outreach continue to conduct multiple sales and promotional events each month, revenue has not improved. This is another effect of the changing retail environment.
- Overall things have been going well at the store. Summer is a time when slower sales mean more staff members take their vacations for the year. While that presents challenges to schedule, there are many benefits to morale and productivity.
- The store discovered that the landlord had overcharged for maintenance for several years. The store's lawyer negotiated a refund of over \$13,000. The landlord is compensating for the error by not charging rent this month.
- The Chief Operating Officer (COO) of the Natural Cooperative Grocer (NCG) association will be working directly with Open Harvest in the future. He is replacing the prior consultant, who is occupied with another store. When he visits the store, the board's Operations Committee may meet with him as well.

OUTREACH ACTIVITIES SUMMARY

- Open Harvest's 40th Birthday Party, July 3rd.
- Local Foodshed Working Group Meeting: July 14th, 4:30-5:30 PM, Ploughshare Brewing Co., 1618 P Street
- Beer + Cheese: July 14th 6-8 PM, Zipline Brewery 2100 Magnum Cir
- Superfoods to the Rescue!: July 16th, 6:30–7:15 PM, Walt Library 6701 S 14th St
- Prescott Summer Festival: July 31st 5:30-8:30pm, Prescott Park 1930 S 20th St
- URBAN HOMESTEAD CLASS SCHEDULE
 - Growing Hops: July 18th, 1-3 PM, Ploughshare Brewing Co. 1630 P Street Lincoln, NE
 - Solar Cooking: July 21st, 6-8 PM, Antelope Park Church of the Brethren, 3645 Sumner Street
 - Put it on a Pizza: July 28th, 5:30-8:00 PM, Held at a private residence.
- RECENT DONATIONS: Community Crops
- Planning:
 - Dig Deeper Farm Tour: August 29th
 - Eat Local Challenge: Month of September

6:21 PM **Finance Committee:** The committee met earlier in the month to review the budget with the GM. It will meet again this month.

A board member asked whether the store is still saving money to replace the funds withdrawn from reserve. The GM reported that the store had been saving funds until May, when the sales began to decline again. At that point, the store needed to use the savings for operations.

6:23 PM **Policy Committee:** The modified policies have been made available on the board's private website. The committee will be responsible for creating a new Ends statement. The plan is to seek ideas at the August meeting, develop a draft to be discussed at the September meeting, and finalize it in the October meeting.

Board member Molly Phemister volunteered to join the policy committee.

6:26 PM **Election – approval of updated election procedures for 2016:** The approval of the updated procedures is postponed until the August meeting because the committee chair is absent. The procedures must be revised if board downsizes.

6:27 PM **40th Anniversary:** The committee has revised its planned event for October. The largest event will be the annual meeting in November. A smaller event that will include a sales/promotional event will coincide with the October member drive.

6:28 PM **Board Operations Committee:** The committee met by phone to discuss the goals set during the retreat.

6:29 PM **Appoint Annual Meeting Committee:** The chair asked for volunteers to participate in the committee. From the store, the GM volunteered along with the Brand Manager (Amy Tabor) and the Outreach Coordinator (Emily Breede). From the board, Carla McCullough, Sarah Disbrow, Mary Hansen, Megan Jackson, and Steven McFadden volunteered. Ms. Jackson agreed to chair the committee.

6:31 PM **Monitor L5 (New L5 policy) (Engagement of Member Owners & Customers):** The GM discussed the report which was distributed prior to meeting.

One board member relayed that she is aware of several deli service issues. Long term customers who buy regularly from the deli have been turned away by the deli at 10 minutes prior to closing. The GM agreed to address the issue.

One board member asked whether the GM is compliant with the policy that the store communicates the co-op principles. The store has posted signs listing the seven co-op principles. Another board member suggested that the store write a newsletter article on the principles that not only describes the principles but also discusses how these principles differentiate Open Harvest from its competitors. Another suggested that the principles be posted in the store window. Another suggested that the chair repeat the presentation that she made at a prior annual meeting that highlighted the differences between a corporate board and the Open Harvest board.

The chair requested consensus on the GM's compliance with the policy.

Consensus: The board approved the GM's report.

6:45 PM **Monitor L5 (Old L5 policy) (Budgeting and Financial Planning, plus Strategic Plan):** The GM discussed the report which was distributed prior to meeting.

She reported it is realistic to plan for a year that is flat when compared to this year. Various sales and incentive programs were evaluated for efficacy; most will be continued, some modified.

The GM is planning that Net Income from Operations (NIFO) will be negative for the next year. This will cause the monitoring policy L1 to be non-compliant, but the numbers are realistic. While the store's NIFO has never been positive, it has improved significantly during the past year: moving from <\$84K> to a budgeted <\$16K> this fiscal year. The store is budgeted to have positive net income, because of the membership equity. The GM will present more detailed departmental strategic plans in September.

The chair asked for consensus on the GM's L5 report.

Consensus: The board approved the GM's L5 report.

7:12 PM

Retreat Follow-Up on Board Goals (Committee's proposed action items and timelines): The chair discussed the report on the board retreat that was written by the NCG liaison and distributed prior to the meeting.

The board goals for the coming year are to:

1. Create a mechanism for keeping a long term focus. This is assigned to the Operations Committee. The board's monthly meeting has streamlined the agenda in order to spend time during the meeting discussing long term objectives and issues. The board will form a Strategic Planning Committee by August. The board will hold an informal retreat early in 2016 that will include emeritus board members as well as current staff and directors. The work in this meeting will be collaborative, brainstorming, and relationship building to create vision, rather than make decisions.
2. Make time for bigger vision conversations. As previously discussed, the revised agenda achieves this. The chair asked directors for feedback via email.
3. Revisit the Ends Statement. This is assigned to the Policy Committee, which will hold a meeting to generate ideas in August, present a draft in September, and gain approval in September or October.
4. Reduce the size of board. This is assigned jointly to the Operations and the Election Committees. The Operations Committee recommended that the board membership be changed from the current range of 9 to 15 to a fixed 9. The chair asked the board for and gained buy-in to reducing the board to 9 members. The two committees must revise the bylaws and develop a transition plan. The two committees will present the transition plan in August, present draft bylaws in September, and gain formal approval of the bylaws at the Annual Meeting in November. Various options and issues affecting the transition were discussed.
5. Conduct a member survey. This is assigned to the GM with input from the Member Structures committee.
6. Monitor "being a better retailer". This is assigned to the Policy committee. A member of the board pointed out that the policies for Safety and Welcoming, while different are addressed in the same clause of the policies, which is confusing. The Policy Committee Chair will join the Operations Committee in its August conference call with the CBLD liaison.
7. Grow the Membership (the number of member owners). This is assigned to the Member Structures committee. The committee will meet in July and August to brainstorm methods for this.
8. Establish opportunities for member owner involvement without election to the board. This is assigned to the Operations and Strategic Planning committees jointly. The committees will consider various approaches.

The chair asked the board members to reread retreat report to discuss in August.

7:56 PM

Guest Members' Comments: None.

7:57 PM

Adjourn