

Middlebury Natural Foods Cooperative

Board of Directors Meeting

September 25th 2013

Approved 10/23/13

Board Members Present: Ilaria Brancoli Busdraghi, Ross Conrad, Steve Getz (via speaker phone), Mary Gill, Jay Leshinsky, Sheila McGrory-Klyza, Tam Stewart, Louise Vojtisek

Board Members Absent: Francisca Drexel, Kevin Lehman, Daryl Benoit

Others Present: Melinda Bachand (substitute minute-taker), Reiner Winkler, James Maroney

Call to Order: Jay called the meeting to order at 6:30.

Agenda Review:

- Member business (with James)
- Approval of minutes
- GM monthly report
- Self-monitoring
- Continued discussion on patronage/dividends
- Communications meeting update

Member's Business:

- James Maroney attended the meeting in order to ask the Board to review its policy on pushing local food as opposed to organic food. Per James, the word "local" appeared significantly more often in the most recent newsletter than the word "organic." His point is that that local, if it's conventional, pollutes. He appreciates that the Co-op needs to make a profit, but feels strongly that the store should push organic versus local. He says that when people come here they feel like they are doing the right thing, but purchase conventional foods. They feel good about themselves but they've basically purchased garbage. He feels people need to know that *natural* doesn't equate to *organic* so that they can make more informed purchases.

Tam stated that he spoke to James and explained that the gold standard is "Local Organic". He thinks that what James was really advocating was education and the promotion of organic.

- Louise would like for there to be a sign in front of the Co-op that clearly states that everyone, not just members, are welcomed.

Approval of Minutes:

- Minutes are approved on a motion by Louise, seconded by Mary.

GM Report:

Next Meeting:

- Glenn wanted to briefly touch on a program called the Co-op Loan Fund, which operates through NCGA. He explained that it is a project in which multiple Co-ops work together to help fund the building, expansion, and improvement of Cooperatives. Glenn will be making a presentation on this program at the next meeting.
- Also in reference to the next meeting, Glenn wanted to make everyone aware that a visitor from Hunger Mountain Co-op would be coming to discuss patronage dividends.

Cooking Classes

- Going through the GM report, Sheila asks about a portion on cooking classes, wanting to know what the thinking is behind the concept. Glenn explains it would be for educational purposes. She then asks if it's a type of outreach, to which Glenn says that it is a basic cooking course, but that many of them might be available for free to those who qualify.
- Mary asks if it would be beneficial if space for cooking classes was made available at Mary Hogan. Glenn doesn't feel this is ideal, but made a note to ask Karin Mott.

Acceptance of GM Report

- With a show of hands and on a motion made by Jay, seconded by Louise, the GM Report was accepted.

GM Monitoring Report:

- Sheila asks about #8 (pg9), FFA program, noting that it is over-budget and wanting to know if it's a very successful program. She also wants to know if those who enrolled with FFA were new or existing members. Glenn said he didn't know how easy it would be to find that information, but he would see what could be done.
- Financial Monitoring : Glenn directs everyone to page 13 – financial EL4 – and points out that staff costs are below budget, in compliance for sales and total expenses, but out of compliance with personnel expense.
- It is determined by the Board that there was a reasonable interpretation of data provided, that the data was good, that it shows compliance, and is accepted with a note for low-severity material variance.

EL Monitoring:

- It is mentioned that the information therein comes primarily from staff and customer surveys. The information gathered was analyzed and graphed to show relative variations.
- Ilaria asked Glenn if he was pleased with the information shown by the graphs, to which he replies that he is. Glenn says that the information shows 90% or better and most are very high.
- Ross noted the graphs are displayed in 20% increments except for the last 2, which are shown in 10%. There is no notable reason for this difference.
- Sheila expresses that she likes the graphs and how they relate information. She would like to know how many of the staff took the survey and the ratio of full and part time.
- Sheila points everyone to page 21, #9 – organic and local. She says it doesn't include produce and wants to know why. Glenn explains that the sales do include this distinction but that the information labeled "local/organic" doesn't because there is no way to separate it out. Ross asks if there are some ways to do it in the future because it's hard to know if our mission is being met without having that data, but Glenn explains that it's not a real possibility. Glenn explains that there is a huge push in that department – it leads the way, but is hard to measure.
- Looking at the graphs, Ross wonders if the positive growth has more to do with sales increasing overall than percentage of local and organic increasing in comparison to the total.
- Glenn says it is possible, but reminds everyone that center store product is at a margin that carries its weight more than other merchandise. Local has a slightly lower margin. He says if we reduce sales in the center of the store, other departments would have to pick up the slack. Glenn also says that he likes to cost local less – to promote farmers, etc.
- Louise asks about the information on page 9, 2.6. She wants to know why socioeconomic status isn't listed as a basis of discrimination. In answer, Glenn says that the layout was likely adopted from other Co-ops and modified as needed, but that ultimately it's a question for the board. Ross agrees that it bears looking at.
- Steve explains that as he toured other Co-ops, that he noticed they are all facing the same issues and requests in the face of the hyper-local push; how to balance healthy business needs to local organic desire.
- Jay moves on to page 12, 5.5, which states that the auditor recommended different ways of expensing items. Glenn explains briefly that the Co-op would, for example, expense items that fell below 1k differently than items above that price cutoff, a bar that has been moved to 5k. This allows pricier items to depreciate by assigning them to an asset account, while the smaller ticket items are expensed right away.

- Jay asks if it was helpful to have someone different perform the audit. Glenn believes it was as it will increase the Co-ops level of confidence in current practices. It was encouraging that nothing startling was uncovered.
- In reference to item 6.2, Ross says that the data and interpretation do not match. Glenn says that it is hard to get good data, but there is not a lot of conventional grocery data. Ross points out that we know Co-ops do better than traditional businesses and, according to the information provided, MNFC is doing better than other Co-ops. Knowing this, Ross would like to know how we define and interpret “equitable”. He would like to know how much the Co-op pays its employees before it becomes inequitable. Glenn says he doesn’t have data from other Co-ops in the area. Laura has tried but other Co-ops have more levels of staff, which means that the comparisons aren’t there to be made. Ross asks what level of pay would be inequitable. Glenn said he doesn’t worry about it; we did a pay scale increase last year. He says that Laura does a lot of research – livable wage, for example – and it isn’t something we should get into because it’s defined differently depending on whose providing it or interpreting it.
- Steve asks if Glenn has data on revenue per head. Glenn says that we have very effective managers. He also explains that we don’t include subs in our numbers as employees, whereas other stores may be, and per NCGA data, we measure sales per labor hour. Staff costs are in dollars, but that’s hard to compare with other stores. It is good to compare sales per labor hour, and there we compare very well with other Co-ops.
- Ross says the board may want to look at related policies to see if they need modification.
- Tam ran through monitoring grid, stating that the data is correct, submitted on time, interpretations are acceptable with notation of comments (Ross feels that the amount of local/organic should be compared as a percentage to conventional). Tam asks the Board about the interpretation of EL9 – increasing emphasis on organic and local. It’s increasing but not as a percent of the store. Tam asks for a show of hands to indicate that this is a reasonable interpretation with the knowledge that Board would discuss it later. It is accepted with one, Ross, opposed. Tam says that the data provided(in whole) is reasonable, compliant, in compliance with foot notes (as noted above).

Patronage:

- Glenn tells everyone that someone from Hunger Mountain Co-op will be attending the next meeting to discuss how patronage works for them, how their members reacted, and other relevant information. He also found a Co-op where patronage failed the member vote and has emailed them to see if we can hear about their experience as well.
- Jay suggests generating a list of pros and cons.
- Ross feels that there are definitely good things to be said about patronage dividends, but that the Board needs to look at the cost. He also says that the big challenge is that members will be paying more. Add that to the fact that it’s a big change and Ross says that the whole

process will have to be well choreographed and carefully executed. He still wants to know what will happen with the current discount structure.

- Ross further believes that the timing isn't ideal for this type of switch. He says that it should have been done years before when the last expansion was only a couple of years in the past.
- On that point Glenn says the idea would be to do it soon, saying it is very important to get the first dividend checks out before the next expansion.
- Mary asks if members are to vote on patronage. Glenn says that they will as this is a bylaw change. He also says that when it is rolled out that the Co-op will be as transparent as possible, showing members everything so that they can make an educated choice.
- Sheila wants to know if the loss of members' coupons or if the addition of new members' only discounts has received any feedback. Glenn says he's heard a lot of positives and Reiner concurs, saying that member benefit sales have been very successful.

Self-Monitoring Update by the EC:

- Tam said that there was a great joint meeting at Mary's house, which focused on reviewing recruitment for elections as well as the orientation process. They uncovered a few areas to do a little work on and the BDC is going to do that with a plan to report on those areas at the October meeting.
- Glenn adds that he asked Victoria if she could give the board more administrative support. She's thought about it and is interested and has agreed to try it for a year.
- Back to elections, Tam said that the *word-of-mouth* factor was really important. He said it could be spread to staff to do the same, while Glenn continues on his front as well. Tam suggests offering personal invitations to people recommended by staff.
- Ross brought up that everyone wants elections where there is a good choice of candidates, but that when too many people run it can be counter-productive. Tam understands and that it was discussed how not to end up with disappointed recruits and he feels that the answer is in early recruiting.
- There is discussion about the application – some of the Board recognizes that people don't like writing about themselves, and they wonder if maybe there should be various ways of applying. Ross, however, doesn't feel this is a good idea, because voters need to be able to compare candidates based on comparable information. Glenn agrees and says it is important that people running for the Boards describe the same aspects of themselves. Glenn did say he will reach out to other Co-ops to see if they have better questions on their candidate profiles.

- Glenn spoke briefly about Board discussions, which happened a few years past and that focused on getting younger people on the board. Louise agrees that more diversity would be good, which is also why looking to the staff for ideas is good.
- Glenn says it is also important to note that the comfort level with the Board increases when there is a financial person among them. But he also says that he can always invite someone with some finance knowledge, so this isn't completely necessary.

Reviewing decisions, task, assignments:

- Jay said he will attempt to reach the Board at Green Star to ask why patronage didn't work. He also tasked the Board committee to set agenda items: how to approach 7.1; which organic/local data will be used (interpretation of data); and the lack of socioeconomic status in discrimination.
- BDC will have a piece in the upcoming newsletter (provided by Tam).

Next time:

- The BDC to report, Board and GM policy self-monitoring, Glenn will present Co-op Loan Fund information, and there may be an attempt at the revisions discussion.

Adjournment:

- Jay asked for motion for adjournment. Motion by Tam, seconded by Louise. Agreed to by all.