

**Middlebury Natural Foods Cooperative**  
**Board of Directors Meeting**  
**May 27, 2015**

**Board Members Present:** R.J. Adler, Ilaria Brancoli Busdraghi, Ross Conrad, Francisca Drexel, Kate Gridley (6:40), Kevin Lehman, Jay Leshinsky, Sheila McGrory-Klyza, Tam Stewart, Louise Vojtisek.

**Board Members Absent:** Mary Gill.

**Others present:** Victoria DeWind (staff liaison), Alice Eckles (member-owner), Glenn Lower (GM).

**Board Monitor:** Louise.

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

**Member's Business:** Alice Eckles presented a proposal for Board consideration to include a community root cellar as part of any expansion planning. She was on a team with Laura Asermily and Fran Putnam that won a \$1000 prize in a sustainability trivia contest. They would like to put the prize money toward such a project. This could be for Co-op farmer vendors as well as for personal use. They will be researching the efforts in Calais, VT on a similar project and the Board suggested other resources to explore.

R.J. said he found people were receptive to engaging at the Board table at the Green Up Day event though other directors did not have the same experience. He suggested setting up a table at other times in the store. (Kate arrived) He had comments from member-owners about not receiving the newsletter and newsletters are not getting posted in a timely manner on the website. A survey about the newsletter was suggested. Ilaria noted Michael Healy's comment that getting people in the store is more important than reaching them in a newsletter. Jay noted the newsletter is an operational issue so this is information for Glenn.

Kate mentioned several recent comments to her asking for more local and organic products in the store and that the Board is not being proactive on this issue. She has also had questions on what is coming next in light of Greg's closing and new opportunities in the face of growing competition. Jay asked if Co-op policies reflect long term goals in light of new competition and if monitoring works to move the Co-op forward. Glenn said increasing local and organic is challenged by pricing and availability of product.

**Approval of Minutes:** On a motion by R.J., seconded by Jay, the minutes of April 15, 2015 were approved as amended with all in favor.

**GM Report:** Glenn discussed the Personnel Policy update Laura Slavin is working on. On legal advice and following policies at other co-ops, the Board may no longer have a role in the grievance process other than those involving the GM. Glenn will keep the Board informed on this issue.

The Board discussed NFCA request for feedback on various issues. Regional sourcing is a challenge. MNFC is finding it hard to get beyond 33% of sales for local and organic due to availability and high cost. A USDA grant may help with this. Ross suggested educating people about the history of co-ops, their social value and why one should shop at co-ops. Glenn said

NFCA will host the annual Managers and Boards Conference at which this will be discussed. If NFCA sources food, it would be co-op branded.

**2015-16 Business Plan:** Glenn started the discussion with the NCG graphs of slowing sales growth and increasing labor costs as competition grows. Ross suggested that in the face of growing competition the inclusion of conventional products may have to be considered. The shopping groups mentioned in the plan – core, mid-level and peripheral – were discussed. Though they are only 13% of shoppers, the core group should not be alienated by changes. Most new customers will come from the larger (60%) mid-level group. Availability of products with more choices will bring them in the door. City Market is doing well with their mix of products.

Sales growth in all NCG corridors is trending down. As the big chain competition opens stores quickly, there will be a need to open more co-ops though there will have to be more efficiency to keep labor costs down.

Glenn discussed his budget in which he has projected sales growth at 3%. Personnel costs are 2.7 million, 21%, with a 5.1% increase over last year. MNFC is in a strong enough position to do this now but not ongoing. 21% is lower than other co-ops and his goal is to keep it at 21%.

Net profit is \$241,325. Discounts (not including case discounts) were \$410,000. 2% discount came to \$147,000. This will change with patronage dividend.

Glenn discussed the section on the competitive landscape – “The New Normal”. Hannaford is MNFC’s biggest competition and management will work on meeting their prices but there will be a cost to doing this. The opening of Trader Joe’s, the closing of Greg’s and Mountain Greens and a new store in Ticonderoga will all have an impact.

The Long Range Plan will be the driver in the coming years. Now that the engagement on patronage dividend is done, the next will be expansion. Glenn will work on a time line and to-do list with member-owner engagement over the next year.

Other projects include:

- Digital communication upgrades with a draft plan next month,
- Organizational charts to improve efficiency and capacity,
- Competitive pricing plan
- Home delivery as a community service

Kate suggested a mini-retreat this summer to have time for more business plan discussion. Glenn will give updates on plan implementation in his monthly GM report.

**Communications Committee:** The committee worked on a draft EL for digital strategy with input from Glenn and Reiner. It was kept short to give the GM leeway for implementing the policy with an addendum as guidance that will not be monitored.

Ross asked if the Co-op budget includes the cost of maintaining the digital systems. Glenn said yes. The language of the EL comes from the CDS template and allows more leeway by saying what can’t be done rather than what has to be done. Ilaria liked the addendum wording of “welcoming before belonging”. Ross asked about the end note on the GM reporting on the policy. It was changed to “The Board shall monitor this policy quarterly”. It will be added to the monitoring calendar.

R.J. asked if the EL presents a good framework for making changes and moving forward. Tam sees it as way to express the MNFC story, its care for customers and welcoming people as a way to increase foot traffic in the store with outreach. It should not be too prescriptive because technology changes so quickly.

R.J. discussed the Golden Circle of why/how/what and the theme of Simon Sinek's TED talk about people following core beliefs rather than actions. Knowing why the Co-op does what it does makes it stronger and the Ends are its "why". EL's are the "how" and food is the "what".

On a motion by Ross, seconded by Louise, the Digital Strategy EL was approved as amended with all in favor. It was noted the EL will need a number.

**Election of Officers:** Jay reminded the Board of the new plan for elections at the next meeting. Nominations for each position will be by email to Michael Healy and a vote by written ballot at the July meeting.

**GP Revisions:** Ross noted that GP 5 requires a Board vote on raising Director's compensation by 4% or matching store sales growth. Given the current growth trend and its uncertainty, he made a motion, seconded by Sheila, to make no change to the base compensation for the Board of Directors for fiscal year 2015-16. All voted in favor.

The wording for the date for GP 5 was changed from "revised" to "established". On a motion by Tam, seconded by R.J., GP 5 was adopted as amended with all in favor.

The draft GP 1 does not mention being monitored. Other GP revisions will be considered at the next meeting.

**Thank You:** Glenn noted that this was the last meeting for Francisca and Mary and he thanked them for all their contributions to the Board work. He has gifts for them to present at the Annual Meeting.

**Next Meeting – June 24:**

EL 4

New Director introductions – updated contact list, calendar, meeting time

GP revisions

Board Officers elections

Digital upgrade report

**Adjournment:** The meeting was adjourned at 8:40pm on a motion by Ilaria, seconded by Louise, with all in favor.

Respectfully submitted by Victoria DeWind